Dear Supply Chain Partner,

The beginning of the New Year is a great opportunity for everyone to renew their commitment to quality, as well as to reflect on accomplishments and lessons learned in 2016. Through our Continuous Improvement Plans we partnered with our material suppliers to address quality improvement opportunities as identified by our DPPM (Defective Parts per Million) analysis. In 2016 this effort reduced supplier material rejects by 26%, I am certain that you are as proud of this achievement as we are.

I would also like to reinforce our quality mission statement, which is to assure that purchased material meets all engineering requirements, that our supplier’s processes are capable of producing safe, reliable, and affordable products that meet or exceed PG&E’s expectations. We are a “quality-centric” company with supplier quality assurance programs evaluated as industry best in class and we have a vision to achieve zero supplier quality defects. **For our own self-improvement in 2016 SQA was 3rd party ISO 9001 certified by Lloyd’s Register (LRQA) with zero non-compliances and all of our engineers are ASQ certified Auditors, Inspectors and/or Quality Engineers.**

To restate our policy, PG&E provides positive reinforcement of the DPPM goal through sourcing allocation shifts from those suppliers with problematic quality to those successfully meeting our requirements. If a supplier demonstrates a negative DPPM trend as indicated by missing the goals noted below, that supplier’s executive management will be notified to assure leadership awareness. At that time the supplier will schedule a routine cadence meeting (frequency to be determined) with the responsible PG&E supplier quality manager and will establish a top 10 quality improvement roadmap with a detailed action plan until the quality requirements are fully achieved.

As there are design and manufacturing complexity differences between electric and gas materials, the DPPM requirements are also different. As seen below the **required** 2017 DPPM score is 3 with electric material suppliers at 850 DPPM and 950 for gas. For those currently participating in PG&E’s supplier scorecard meetings the DPPM target will be present on your scorecard in the following fashion. If you supply both commodities and do not attend scorecard meetings, the required DPPM is determined by the larger volume commodity supplied.

<table>
<thead>
<tr>
<th>Electric DPPM</th>
<th>Score</th>
<th>Gas DPPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,275</td>
<td>1</td>
<td>1,425</td>
</tr>
<tr>
<td>1,063</td>
<td>2</td>
<td>1,188</td>
</tr>
<tr>
<td>850</td>
<td>3</td>
<td>950</td>
</tr>
<tr>
<td>638</td>
<td>4</td>
<td>713</td>
</tr>
<tr>
<td>425</td>
<td>5</td>
<td>475</td>
</tr>
</tbody>
</table>
PG&E is driven to accomplish both our mission statement and commitments to quality through our Continuous Improvement Plans. As a committed partner we will help you with your plans to achieve the 2017 DPPM requirements by assuring you have a clear understanding of our requirements for:

- A vision to achieve zero customer defects within your company and supply base
- Proactive communication notifying PG&E of significant quality issues upon awareness
- 3rd party ISO 9001 certified by 12/2018 for suppliers supplying product ranked critical or high by engineering
- Use of non-approved material is a serious issue in our industry. To address this we launched a new supplier portal for Material Recalls, Supplier Change Requests (MR.eSCR), with access to your quality scorecard click here. Learn more about MR.eSCR, watch this brief video and access FAQs on PG&E’s eSCR page.
- Our Qualification Process, and Sub-Supplier Control requirements as specified in our online Supplier Qualification Manual http://www.pge.com/en/b2b/purchasing/suppliers/index.page
- A thorough response to our Supplier Corrective Action Requests within the measured response time

For PG&E Distributors, please forward this letter to your suppliers that provide PG&E with product and copy the related Quality Assurance Managers as listed below:

- Ashikur Khan, SQA Manager, Gas T&D (Phone: 925-328-5168, Email: ARKE@PGE.COM)
- Randy Roberts, SQA Manager, Electric T&D (Phone: 415-973-2768, Email: RGRP@PGE.COM)
- Kevin Tasselmyer, SQA Audit Manager, Gas/Electric (Phone: 415-244-3164, Email: KJT3@PGE.COM)
- Ramon Ware, SQA Material Inspection Manager, (Phone: 415-973-7492, Email: RAWY@PGE.COM)

Thank you for your accountability to continuously improve the quality of PG&E materials through your quality programs and oversight of your suppliers. We appreciate your renewed commitment this year to safety, reliability, and affordability. If you have questions about our Supplier Quality Assurance programs, please contact me at your earliest convenience.

Sincerely,

Jim Adamson
Director of Supplier Quality Assurance
Electric / Gas T&D, Hydro, Solar & Fossil Fuel Power Generation
Pacific Gas & Electric
W (415) 973-4543 C (415) 426-0991
Email: J4A5@PGE.COM

Cc: Gun Shim, Vice President, Supply Chain
    Jana Browning, Director, Gas Supply Chain
    Steve Coleman, Senior Director, Electric Supply Chain
    Mike Meko, Director, Power Generation Supply Chain