



Mirant Delta, LLC  
Mirant Willow Pass, LLC  
Mirant Marsh Landing, LLC  
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April 17, 2009

Mr. Marino Monardi  
Director, Structured Transactions  
Pacific Gas & Electric Company  
245 Market Street, Room 1344  
San Francisco, CA 94105

Dear Marino,

We are pleased to submit updated pricing for our Marsh Landing Generating Station ("MLGS") and Willow Pass Generating Station ("WPGS") in response to PG&E's 2008 Long-term Request for Offers. We have also attached a revised Power Purchase Agreement ("PPA") between PG&E and Mirant Marsh Landing, LLC ("MML") for the MLGS that reflects our review of your April 14th draft and incorporates your language where we could. However, please note that we did not accept all of your suggested language modifications. There are still a number of provisions where we believe we could work toward common ground with more discussion, but we have priced today based on the attached version. Based on the terms in the attached version of the PPA, we are providing on behalf of MML and Mirant Willow Pass, LLC ("MWP") updated proposed pricing for MLGS and the WPGS in the following chart:

Refreshed Pricing (\$/kW-yr)		
Project	Capacity Payment Rate	Fixed O&M Rate
MLGS	\$138.40	\$18.77
WPGS	\$308.73	\$33.61

These prices have been approved by our Executive Committee and can be considered firm subject to finalization of the PPA and final approval by Mirant's Board of Directors.

For both projects, you will note an increase in the proposed price from our July 2008 proposal. In addition to the changes in the PPA compared to our July 2008 draft, this increase is largely driven by the deterioration of the financial markets since our original proposal last July. The changes in the financial markets have caused a significant increase in interest rates and the requirement to look to the institutional markets as opposed to the bank markets for project financing. Among other impacts, this financial environment has led to higher scrutiny on mitigating construction risks, which helps the viability of our projects, but has also come with increased costs. Outside of these impacts, we have strived to maintain an aggressive pricing methodology to offset some of these costs and keep our pricing as competitive as possible.

We recognize that Environmental Leadership is one of your key Evaluation Criteria in the Long Term RFO selection process. Specifically, one of your stated preferences is the consideration of brownfield sites that reduce water use in an existing area. MML and/or MWP, together with Mirant Delta LLC ("Mirant Delta"), are in a unique position to meet this need. At its existing Pittsburg Facility, Mirant Delta has the ability to retire Pittsburg Unit 7 and convert its cooling tower capabilities to be utilized at Pittsburg Units 5 and 6. This project has the effect of eliminating the use of once-through-cooling from the entire Pittsburg facility and enables Pittsburg 5 and 6 to continue providing reliable energy and local capacity to the Greater Bay Area for some time. To undertake this project and to provide you with the benefit of energy and capacity of these units, we are providing pricing from Mirant Delta, LLC for an off-take agreement for Pittsburg 5 and 6. This pricing assumes similar terms to the current tolling agreement they operate under, and is subject to the negotiation and finalization of a new tolling agreement. The term of the new tolling agreement would start at the conclusion of the existing agreement at the end of 2010. We note that Mirant Delta would be willing to proceed with this transaction independent of a transaction, if any, with MML and MWP.

**Pittsburg 5/6 Toll (\$/kW-yr)\***

<b>Term</b>	<b>MW</b>	<b>Rate</b>
<b>5 year</b>	629	\$71
<b>10 year</b>	629	\$68

\* First year pricing subject to escalation of 2.5%/year

We are unable to offer the conversion of Pittsburg 5 and 6 without an associated off-take agreement for Mirant Delta as requested in your April 14<sup>th</sup> PPA draft. This determination was reached after considerable review and discussion. As we have mentioned in previous meetings, Mirant Delta is a separate legal entity with separate financing arrangements and other considerations that restrict the ability to link Pittsburg 5/6 and the proposed MLGS and WPGS. If it would be helpful, we would be happy to explain the Mirant group corporate and capital structure with you. Aside from that, we believe you and your consumers will reap more of the benefit of the retirement and conversion costs if you are also entitled to the output of the converted units. As you can see, the pricing is quite competitive compared to new build pricing. We believe this is also substantially below the pricing that would be needed to cover a traditional cooling tower solution at other existing once-through-cooling units.

We stand ready to do what is needed to finalize our negotiations and reach an agreement. Please do not hesitate to call.

Sincerely,



John Chillemi  
President