

From: Galvin, Michael J.  
Sent: 6/9/2011 12:24:20 PM  
To: Hughes, John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS)  
Cc:  
Bcc:  
Subject: RE: Responses to Galvin Questions

Thanks.

Still concerned about tax donation of land. I realize that Topaz will be donating the land to a 501(c)(3) entity and should be eligible for tax donation but the terms of the PG&E/Topaz agreement indicates that PG&E should receive the benefit of the donation and that Topaz will assist PG&E in getting that donation/

**From:** Hughes, John (Reg Rel) [mailto:J8HS@pge.com]  
**Sent:** Thursday, June 09, 2011 11:46 AM  
**To:** Galvin, Michael J.  
**Subject:** FW: Responses to Galvin Questions

Mike-

Here are the answer to your questions. I got a primer on this case this morning and can discuss with you later today. Let me know if you have any further questions

1) Has any cost analysis been done on this transaction?

Answer: Yes – Using a \$448K book value, the net loss will be approximately \$268K (60% of the book value).

2) What is the financial impact of keeping the land in rate base until PG&E's next test year? (Application indicates it will remain in rate base (thereby earning a return) until the next GRC.)

Answer: Using a \$448K book value, the annual revenue requirement of this land in rate base is approximately \$67K (15% pre tax return (debt plus equity plus tax on the equity)).

3) PG&E land was last appraised on July 1, 2010. Will a more current appraisal be undertaken?

Answer: No – the appraised value has no impact on the net cost to PG&E of this proposed transaction.

4) Regarding tax benefit - What about tax benefit PG&E may receive from Topaz Solar donating Land to BLM via Sequoia Riverlands Trust? (See Appendix A of Original Application at page 19).

Answer: None; since PG&E does not own the land being transferred to BLM, there can be no tax benefit to PG&E.

5) What portion, if any, is applicable to FERC jurisdiction?

Answer: None.