From: Zafar, Marzia

Sent: 8/31/2012 9:55:01 AM

To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7); marcel@turn.org (marcel@turn.org); bfinkelstein@turn.org (bfinkelstein@turn.org); Como, Joe (joe.como@cpuc.ca.gov); dskopec@semprautilities.com (dskopec@semprautilities.com); Michael.Hoover@sce.com (Michael.Hoover@sce.com); lschavrien@semprautilities.com (lschavrien@semprautilities.com); Les.starck@sce.com (Les.starck@sce.com)

Cc: Atamturk, Nilgun (nilgun.atamturk@cpuc.ca.gov)

Bcc:

Subject: Alternative Financing Techniques

Hello,

The Commission has been approached by some Private Equity firms with proposals to employ alternative financing techniques. Obviously, from our perspective we are looking at this for the purpose of reducing the cost of capital investments to utility customers. Policy & Planning Division wrote a briefing paper (attached) for the Commission to further explain the three alternative financing techniques with a focus on the proposal of the private equity firms. This proposal relies on a REIT structure that is able to escape corporate federal tax of 35%.

It would be very helpful if you reviewed the paper and shared your thoughts with me. We may proceed with holding some roundtable discussions, but the next step right now has not yet been identified. We need to better understand this first, and there is a general lack of information on this issue in terms of a direct relationship with a utility.

I appreciate your review and comments. You can just send them to me and the format can either be an email or a word document or red-lining the document itself. I am only focused on getting additional information/facts about such a financing technique and more importantly the risks and benefits to the utility customer.

The attached is still in draft form.

Regards,

Marzia

Interim Director, Policy & Planning Division

California Public Utilities Commission (CPUC)

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