

From: Schwartz, Andrew  
Sent: 12/3/2012 12:45:57 PM  
To: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)  
Cc:  
Bcc:  
Subject: Panoche related questions

Hi, Meredith,

A couple of things:

1.) In the Starwood Application, PG&E describes the arbitration process as one in which the parties (PG&E and Starwood) would present their proposal on how they think the dispute should be resolved, with the arbitrator having to choose one of those options in resolving the issue. Is that true for Panoche as well? Arbitration would be essentially a binary choice between the proposals from the parties, with no ability to arrive at a middle ground?

2.) The Moody's report you provided me, is there a more detailed report regarding their analysis? Also, I'm not sure how to interpret the results...you indicated to me that at if Panoche were forced to take on up to \$15 per ton (is this metric tonne?) it "wouldn't affect their debt service". In the report Moody's indicates that at \$15 their rating would be adversely affected. Just to be clear, then, you are interpreting this as meaning that if Panoche were required to take on anything less than \$15, their debt rating would not be affected. Is that correct? That makes sense, but I just want to make sure I understand that point.

Thanks,

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