



Pacific Gas and
Electric Company™

Stephen L. Garber

Mailing Address
P.O. Box 7442
San Francisco, CA 94120

Street/Courier Address
Law Department
77 Beale Street
San Francisco, CA 94105

(415) 973-8003
Fax: (415) 973-0516
Internet: SLG0@pge.com

July 8, 2013

Thomas J. MacBride
Goodin, MacBride, Squeri, Day & Lamprey, LLP
505 Sansome Street, Suite 900
San Francisco, CA 94111

William D. Kissinger
Bingham McCutchen LLP
Three Embarcadero Center
San Francisco, CA 94111-0467

Re: Redacted

Dear Tom and Bill:

As per our conversation the day before I left for vacation, I am providing you with a high level, updated estimate of the cost for PG&E to take over the complete system, including allowances, ITCC, cost of ownership, rearrangements and a high level explanation of the calculations. Bill has indicated that the Bank has no objection to sharing its cost information with the homeowners, and Tom was also fine with sharing the cost information.

PG&E currently estimates the total cost of the transfer for both the distribution line and the services at approximately \$464,000. This breaks down as \$148,856 for the distribution line, and approximately \$315,000 for the services. As you know from prior correspondence, PG&E has completed an inventory, appraisal and field inspection for the distribution line owned by Redacted but not for the services owned by the various homeowners. Accordingly, the figures for the distribution line are essentially final figures (with only minor, final adjustments anticipated) whereas the estimates for the services are ballpark figures derived from drawings and inventory provided by the Redacted

As previously explained, our approach is based upon PG&E's CPUC approved form for transfers of private facilities, Form 62-0562 (Advice Letter 2047G/1710E approved April 13, 1998). Here is the breakdown of how we have calculated the amounts required for transfer.

Distribution Line

Based on detailed drawings provided by [Redacted] and on-site inspections, PG&E has completed its inventory and appraisal of distribution facilities.

| | Description | Amount |
|----|--|-----------|
| 1 | Value of Distribution Facilities | \$121,883 |
| 2 | Portion of Facilities Supported by Base Annual Revenue | \$ 0 |
| 3 | Unsupported (by revenue) Capital Amount (#1- #2) | \$121,883 |
| 4 | Income Tax Component of Contribution (ITCC, 22%) (#3 * 22%) | \$ 26,814 |
| 5 | Cost of Ownership Charge (NPV) The Cost of Ownership charge represents the present worth of PG&E's continuing costs to own, operate and maintain the portion of the facilities not supported by revenue. It is calculated by multiplying the Unsupported Capital Amount (# 3) by PG&E's annual Cost of Ownership percentage for customer-financed capital (5.52%, based on monthly charge from Electric Rule 2.I.3.b) and the present worth factor based upon PG&E's authorized rate of return. | \$ 87,934 |
| 6 | Total Refundable Cash Payment (#4 + #5) | \$114,748 |
| 7 | Credit for Revenue-Supported Facilities (#2) | \$ 0 |
| 8 | Net Payment To PG&E to Take Over Before Rearrangements/Upgrades (#6 - #7) | \$114,748 |
| 9 | Necessary Rearrangements/Upgrades to Bring To PG&E Standards | \$ 34,108 |
| 10 | Payment to PG&E to Take Over (#8 + #9) | \$148,856 |

Services

Based on reasonably detailed specifications provided by the [Redacted] PG&E has completed a rough appraisal of the service facilities individually owned by the homeowners.

| | Description | Amount |
|---|--|-----------|
| 1 | Value of Service Facilities | \$589,267 |
| 2 | Portion of Facilities Supported by Base Annual Revenue. This was calculated as the sum of the residential allowances [55 lots times a per lot allowance of \$1,918 = \$105,490] and non-residential allowances [net revenue of \$3,000 divided by the cost of service factor of 0.1680 = \$17,857], for a total of \$123,347 [\$105,490 + \$17,857 = \$123,347]. | \$123,347 |
| 3 | Unsupported (by revenue) Capital Amount (#1- #2) | \$465,920 |
| 4 | Income Tax Component of Contribution (ITCC, 22%) (#3 * 22%) | \$102,502 |
| 5 | Cost of Ownership Charge (NPV) The Cost of Ownership charge represents the present worth of PG&E's continuing costs to own, operate and maintain the portion of the facilities not supported by revenue. It is calculated by multiplying the Unsupported Capital Amount (# 3) by PG&E's | \$336,144 |

July 8, 2013

Page 3

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|----|---|-----------|
| | annual Cost of Ownership percentage for customer-financed capital (5.52%, based on monthly charge from Electric Rule 2.I.3.b) and the present worth factor based upon PG&E's authorized rate of return. | |
| 6 | Total Refundable Cash Payment (#4 + #5) | \$438,646 |
| 7 | Credit for Revenue-Supported Facilities (#2) | \$123,347 |
| 8 | Net Payment To PG&E to Take Over Before Rearrangements/Upgrades (#6 - #7) | \$315,300 |
| 9 | Necessary Rearrangements/Upgrades to Bring To PG&E Standards | TBD |
| 10 | Payment to PG&E to Take Over (#8 + #9) | TBD |

I hope this helps clarify both the approach and the amounts involved, and hopefully moves us forward towards a mutually acceptable resolution.

Please let me know if you have any questions.

Sincerely,



Stephen L. Garber

SLG:pk