Response to Energy Division Questions – July 8, 2013

1. *Are the costs given firm or subject to further adjustments and if so for what?*

   PG&E has completed an inventory and appraisal on the Distribution facilities and a Preliminary Evaluation on the individual services.

   For the Distribution facilities, only minor adjustments are anticipated, based on things such as changes in inventory from the records provided or in the condition of the facilities.

   For the Service facilities, PG&E has provided only an office estimate. Some adjustments will probably be necessary due to inventory differences or variances between drawings and field construction. The Detailed Inspection may necessitate further adjustments after transformer or device tests, service pole/cross-arm condition, vault type, etc.

2. *Since the system has been inspected and is relatively new, it should be up to PG&E standard, including services in conduits and all built and maintained per G.O. 166, shouldn't the transfer cost be the ITCC for the depreciated value minus the allowances plus some admin. costs?*

   The system has been reviewed, but not in sufficient detail to make the blanket statement that it is up to PG&E's standards for construction and materials. Equally important is that the system is only partially supported by revenue, so transfer risks imposing a maintenance and ownership cost burden on other customers. PG&E's transfer policy, filed as Advice Letter 2047-G/1710-E and approved by the Commission on 4/13/98 provides: *"Any excess capital facilities value above that which is supported by revenue, will be subject to the utility's cost-of-ownership charges and Income Tax Component of Contribution (ITCC). This methodology will not allow for capital costs, unsupported by revenue, to be borne by the ratepayers."*

3. *Are the estimates based on the 50% discount option? Why not?*

   No, they are not, When the Redacted was built in 1992, the 50% discount option did not exist (it was later authorized by D.94-12-026 on 12/7/1994). On 4/13/98 as noted above, the current Reda (and Redacted) transfer process was approved by the Commission, and did not provide for application of the 50% discount option. Since this is a conversion agreement and not a line extension agreement, PG&E has not applied the 50% discount option. In addition, since this is a mature subdivision, future load growth that would provide revenue to justify the 50% discount is unlikely.

4. *Could* Redacted *be considered a development and the allowance formula used for the aggregate usage with the deficiency provision obligating the* Redact *considering that PV installations are anticipated? This would also eliminate the*

problem with non-participants

Yes. In the table above, we did treat Redacted as if it were a development and already included the residential allowance ($1918/unit) as well as projected non-residential revenue as a credit. PG&E is not aware of any pending PV installation plans, but if PV were installed on the residential accounts, it would have no impact on the flat, per/unit residential allowances.

5. *AT&T is and remains a tenant on the poles, how does this affect the transfer? Will AT&T pay rent to PG&E and will this be considered in the transfer cost?*

   AT&T is currently a joint owner of the distribution poles. Continued joint ownership was included in development of the transfer costs for the distribution (but not service) facilities.

6. *Could PG&E accept only takeover of the* Redacted *member services? Why not?*

PG&E has considered the possibility of converting ownership of the distribution only and not the services, but concluded that that this option did not make sense from an operations point of view. We also think it does not make sense to takeover services but not the mainline. PG&E currently has a single private line agreement and would not want to split that in to multiple agreements. To do so would introduce additional operational complexity.

If PG&E acquired only the distribution, PG&E would want to move the customer facilities off of "our" poles to enable the customers or their contractors to maintain their facilities. From an operational perspective, local personnel – and those called in during an emergency – would need to understand that ownership of electric facilities in this specific subdivision/development is mixed.

If PG&E acquired only the Redacted member services – assuming willingness of each Redacted member to agree – service to individual homes would be dependent on an intervening third-party distribution facility. Emergency response personnel, both local and supplemental, would need to be trained on the hybrid nature of the system.

7. *Why do service points have to be moved and what does this mean in physical terms?*

   If PG&E acquired only the Distribution facilities, customer Service facilities (such as transformers) would have to be removed from the Distribution poles. This becomes moot if PG&E acquires both distribution and service facilities