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Sent: 5/28/2014 8:05:10 AM
To: bca@cpuc.ca.gov (bca@cpuc.ca.gov); BOR@CPUC.CA.GOV
(BOR@CPUC.CA.GOV)
Cc:
Bcc:
Subject: Follow-up on Merced Falls Sale

Mary Jo and Andrew,

Thanks so much for your time last Friday to discuss the CEQA review for the proposed sale of PG&E's Merced Falls Project to the Merced Irrigation District. We have reached out to MID staff and they have agreed to reschedule the planned CEQA discussion with their Board to June 17th. That will give us all some time to sort out the type of CEQA action that is appropriate for the proposed transaction. As we discussed last Friday, there is no change in operations from the proposed change in ownership. Some of the key facts relevant to your consideration of the change in operations issue for this sale are:

- MID already controls the immediately upstream Merced River Hydroelectric Project and therefore the flows into the Merced Falls Project;
- MID operates the Merced River Hydroelectric Project to facilitate its water supply obligations;
- MID also already operates the Merced Falls Project for PG&E and controls its outflows for irrigation water downstream;
- There is no meaningful storage or opportunity to modify flows at the Merced Falls Project; and
- MID will step into PG&E's shoes as the FERC licensee for the Merced Falls Project and continue to operate the project pursuant to the FERC license conditions.

In this situation, both PG&E and MID believe a Notice of Exemption is appropriate and we look forward to discussing this with you further.

In terms of the follow-up meeting we discussed, it looks like Friday May 30th, Monday June 2nd or later that week could work for PG&E. Please let me know what dates work for you and Jason Reiger so we can get something tentative on the calendar as soon as possible. In the meantime, we will also double check on the Bankruptcy settlement requirements for sale of

hydroelectric assets.

While this transaction does not yet have final approval of PG&E management or the MID Board, we appreciate your input and look forward to meeting with you.

Best regards,

Erik