

From: Cherry, Brian K  
Sent: 8/27/2010 11:09:49 AM  
To: pac@cpuc.ca.gov (pac@cpuc.ca.gov); Frank Lindh (frl@cpuc.ca.gov)  
(frl@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: FW: Wedding Gift

Just got off the phone with Calpine and GWF in two separate calls. I think we have a plan - depending of course on your next steps.

**From:** Cherry, Brian K  
**Sent:** Friday, August 27, 2010 11:09 AM  
**To:** [Redacted]  
**Subject:** Wedding Gift

Dan - we put an offer on the table with Calpine today that should alleviate any concern going forward regarding project viability issues as a result of the PTM. We have extended the same offer to GWF through Bill Kissinger. PG&E will file its response to DRA's comments today. Our response is that the Tier 1 advice letter can proceed as directed by Commission decision, the PFM has no effect on the decision as written and recommend that the Energy Division issue a letter ruling confirming as such. I suspect the ED could issue the letter ruling mid-week. When that ruling is issued, PG&E would then send a letter to GWF and Calpine stating that we have received the ruling and that we are waiving the condition precedent regarding a final and non-appealable condition and that we are moving forward with the contract. You guys would have 5 days under the contract to post additional collateral and can move forward with financing and construction. This should resolve concerns your banks may have about the matter. Even if an Application for Rehearing is filed next week on the novations, our waiver should allow you to proceed unfettered.

A couple of clarifications: 1) Roy and I need to run hoops on getting internal approval of the waiver. We can't guarantee it now but having two officers in support of it should be enough to get Sr Management approval - probably by Tuesday but could be end of the week if internal governance processes hold us up. 2) We expect someone (most likely one of the environmental groups like CARE) to file an AFR. However, we do not expect them to prevail. That fact will not change our process of giving you the waiver. I think this should put the whole issue to bed.

Have fun in Maine....