From: James Weil

Sent: 8/18/2010 9:54:53 PM

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Subject: A.09-12-020 PG&E GRC ** CONFIDENTIAL **

Redacted

I have two clarifying questions regarding Section 8, the depreciation provision in PG&E's Offer #9. (The questions also apply to earlier offers, really). First, I assume that the term "limit depreciation rate increases resulting in a depreciation revenue requirement of …" means that the test year and attrition year depreciation expense in question is deferred for future recovery after the TY 2011 GRC cycle, by some adjustment of depreciation rates that will extend into the future. Please confirm my assumption. If I am wrong, please explain PG&E's intended future ratemaking for the deferred depreciation expense. Second, I assume that depreciation reserve will continue to be credited for depreciation actually taken, meaning that until deferred depreciation expense is later recovered in rates, PG&E's depreciation reserve will be smaller than it would be without the depreciation deferral. Please confirm my assumption. Again, if I am wrong, please explain future impacts on depreciation reserve.

Thanks for your prompt response to my two questions.

James Weil, for Aglet