

From: Cherry, Brian K  
Sent: 9/16/2010 10:17:33 AM  
To: St. Marie Stephen (sst@cpuc.ca.gov) (sst@cpuc.ca.gov); John A. Bohn (jb2@cpuc.ca.gov) (jb2@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: FW: BofA Merrill report on the CPUC and PCG

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**From:** Togneri, Gabriel  
**Sent:** Thursday, September 16, 2010 7:26 AM  
**To:** Darbee, Peter; Johns, Christopher; Harvey, Kent M; Keenan, Jack; Park, Hyun; Pruett, Greg S.; Bottorff, Thomas E; Burt, Helen  
**Cc:** Cherry, Brian K; Cherry, Sara A; Mistry, Dinyar; Investor Relations (list); Hertzog, Brian; Hayes, Kathleen (Law); Reilly, Robin J (Law)  
**Subject:** BofA Merrill report on the CPUC and PCG

Steve Fleishman was in town recently for a conference and spoke to a number of people at the CPUC, including Commissioners Bohn, Gruenich, and Ryan, and well as Exec. Director Paul Clanon. Here are highlights from his report (attached) that was issued last night:

- The CPUC remains a professional, balanced regulatory commission despite a difficult period for the organization and PCG. The Commissioners and staff did not unduly blame PCG for the San Bruno pipeline fire as the cause is unknown and under investigation.
- The CPUC acknowledges that PCG's customer reputation has been hurt by Prop 16, Smart Meters, and the gas explosion, but also commented that the GRC decision is not necessarily an appropriate place to address any potential PCG missteps.
- BofA Merrill believes the company has handled the aftermath of the crisis, including the \$100 million fund for victims appropriately. Longer term, if the explosion causality is linked to PCG, the CPUC could undertake a review of the company, institute more strict oversight, institute a fine, and/or impact long-term ROE when it is next up for review. They are also concerned about cost pressures on pipeline inspection and maintenance work, as well as the public relations and legal aspects of the explosion.
- BofA Merrill views the gubernatorial election as very important in terms of implications for President Peevey, as he has been an important force on the commission and his departure would be destabilizing. The report points out that there is a possibility that 3 or 4 members of the CPUC could be new next year.

## Gabe

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