

From: Fitch, Julie A.  
Sent: 1/17/2011 3:41:07 PM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7);  
Clanon, Paul (paul.clanon@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: RE:

Hi Brian,

I understand how normal ratemaking reality works but I am also looking at the optics reality. I think PG&E is going to need to be prepared to absorb some of this work in current rates. I'm not talking about widespread pressure testing or the long-term replacement and Pipeline 2020 stuff. But records review and the like will need consideration, at the very least. I'm just asking you to think about how you want this to appear. Regardless, we'll be defending how we can allow ratepayers to pick up the tab for what will appear to the general public and media as PG&E negligence (even if that's not the formal conclusion we reach in any kind of investigation). Anyway, I'll be back to you soon with some more detailed thoughts.

Julie

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Saturday, January 15, 2011 1:01 PM  
**To:** Fitch, Julie A.; Clanon, Paul  
**Subject:** Re:

Julie - I'm not sure about the bifurcation. We are in the process of spending considerable sums of money to comply with a number of Commission directives that were unanticipated and not funded. We can continue to do that up to a point. However, we could be faced with additional requests, such as hydrotesting hundreds of miles of pipe, which we couldn't do absent additional funding. We are simply asking to track expenses to allow us the option of seeking recovery without penalty as a result of the Commission's retroactive rate making rule. We can debate the merits of recovery later. I know that may not be a satisfying answer but it does recognize current reality.

**From:** Fitch, Julie A. [mailto:julie.fitch@cpuc.ca.gov]  
**Sent:** Friday, January 14, 2011 06:07 PM

**To:** Cherry, Brian K; Clanon, Paul <paul.clanon@cpuc.ca.gov>  
**Subject:** RE:

I don't have an exact timetable yet. It's a priority; we are meeting as a group with Legal/Energy mgmt on Tuesday to discuss. I may be able to give you a better expectation then. A reporter asked us this yesterday, and we said only that it was suspended for 120 days but we expected to issue a resolution much sooner than that. How much sooner, I can't say for sure yet. One thing I do know that might be worth thinking about at PG&E: would you folks consider bifurcating and filing separately requests for the 1) Pipeline 2020 program as distinct from 2) any additional operating or inspection costs associated with whatever we and the NTSB order as a result of the San Bruno investigation? Better yet, how about covering #2 within existing operating revenues as a gesture of good faith? For your consideration.

Julie

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Fri 1/14/2011 5:56 PM  
**To:** Clanon, Paul; Fitch, Julie A.  
**Subject:** Fw:

Oops. Julie, I defer to you.

**From:** Clanon, Paul [mailto:paul.clanon@cpuc.ca.gov]  
**Sent:** Friday, January 14, 2011 05:42 PM  
**To:** Cherry, Brian K  
**Subject:** RE:

Julie question.

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Friday, January 14, 2011 5:40 PM  
**To:** Clanon, Paul  
**Subject:**

I understand Eugene Cadenasso is working on a Resolution regarding the request for a memo account for Pipeline 2020 expenses. Can we expect to see something in the near future ?