

From: Cherry, Brian K
Sent: 2/18/2011 9:53:36 AM
To: 'Clanon, Paul' (paul.clanon@cpuc.ca.gov)
Cc:
Bcc:
Subject: RE:

I'm assuming I won't see a memo account any time soon. At some point, the patient bleeds out and bad things happen.

From: Clanon, Paul [mailto:paul.clanon@cpuc.ca.gov]
Sent: Friday, February 18, 2011 9:52 AM
To: Cherry, Brian K
Subject: Re: RE:

Be sure to mention Redacted "The Last Great Executive Director".

***SF Chronicle* - PG&E may ask to pass San Bruno cost to consumers**

By [David R. Baker](#), Feb 18

PG&E Corp. on Thursday substantially raised its estimates for the cost of dealing with the fatal pipeline explosion in San Bruno and hinted that it may ask its customers to pick up part of the tab, which could reach \$763 million by year's end.

PG&E, the parent company of Pacific Gas and Electric Co., reported Thursday that it expects to spend between \$200 million and \$300 million in 2011 on pipeline tests, record searches and other activities related to the blast - more than twice the company's previous estimate.

PG&E already spent \$63 million last year responding to the [Sept. 9](#) explosion, which killed eight people. The company also set aside \$220 million in 2010 to pay for San Bruno lawsuits and may set aside another \$180 million this year. The figures were included in PG&E's latest annual financial report, released Thursday.

The expenses have already eaten into PG&E's profits.

PG&E made \$1.1 billion in 2010, down 9.8 percent from the previous year's profit of \$1.22 billion. Without San Bruno and other one-time items, the company said it would have made \$1.33 billion in 2010, a 9 percent year-over-year gain.

"We want you to know that we don't take this lightly," said Chief Executive Officer Peter Darbee in a conference call with Wall Street analysts Thursday. "However, we are committed to taking the necessary actions to ensure the safety and integrity of our gas system and the safety of the communities we serve."

PG&E expects that most of the money it spends on lawsuits will eventually be covered by the company's insurance. But Chief Financial Officer Kent Harvey suggested Thursday that the company may ask state energy regulators to let it pass on some of the other San Bruno-related costs to its customers.

"We view many of these as one-time in nature, and we generally wouldn't seek recovery through the regulatory process," he told analysts on the conference call. "But some costs are different. For example, the magnitude and the type of the pipeline tests and inspections that we may undertake could be very different from what we thought only a few months back and therefore more costly than existing standards in the industry. In that case, we would work with our regulators to address funding."

The issue of who should pay for the many pipeline inspections and tests that regulators have ordered PG&E to conduct in response to the blast has already provoked heated debate.

"If this work is a direct result of PG&E's negligence - failure to properly test, failure to properly maintain, failure to keep good records - then those costs should be borne by shareholders, not customers," said Mindy Spatt, spokeswoman for The Utility Reform Network consumer watchdog group. "Although of course in the end it all comes from the customers."

As part of its annual financial report, the company also said Thursday that its effort to install new, wireless SmartMeters ran \$36 million over budget in the fourth quarter of last year.

Much of the added expense came from spending more than anticipated on information technology to handle the rapidly expanding number of meters, said company spokesman Brian Hertzog. PG&E has installed 7.5 million of the electricity and gas meters and plans to install 2.5 million more.

But the controversy surrounding SmartMeters also added to the program's expense. Customers have questioned the meters' accuracy and safety, and PG&E had to spend more than expected last year on communicating with its customers, trying to overcome those fears.

On Feb 18, 2011, at 9:48 AM, "Cherry, Brian K" <BKC7@pge.com> wrote:

haven't seen it yet. Just came from the dentist and now I have to give T&D a speech at 1015 about the...PUC. You are featured prominently.

From: Clanon, Paul [<mailto:paul.clanon@cpuc.ca.gov>]
Sent: Friday, February 18, 2011 9:47 AM
To: Cherry, Brian K
Subject: Re:

Interesting quote from Kent in the Chron story today.

On Feb 18, 2011, at 9:42 AM, "Cherry, Brian K" <BKC7@pge.com> wrote:

Re Sandoval and Florio, do they have full six year terms ? Or is the next appointment filling in for the

time period of Nancy Ryan ?