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Sent: 3/23/2011 8:07:41 AM
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'Thomas, Sarah R.' (sarah.thomas@cpuc.ca.gov)
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Bcc:

Subject: Commission's Legal Authority to Include R&D Expenses in Rates

Sarah, [Redacted] Matt, Ryan-

Sarah has reminded me that one of the topics we will discuss this morning is whether and when there should be briefing on the Commission's authority to include R&D expenses in rates. Here is where PG&E is on the topic: We believe it may be unnecessary to brief the issue, in light of the clear authority provided to the Commission under PU Code sections 740 and 740.1, which I have pasted below.

Of course, parties should be free to brief and argue whether R&D costs requested to be included in rates are reasonable and meet the criteria in Sections 740 and 740.1.

Let's discuss before the workshop if possible and see if we agree on the approach we would like to take on this legal issue. Thanks!

Chris Warner
PG&E Law
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740. For purposes of setting the rates to be charged by every electrical corporation, gas corporation, heat corporation or telephone corporation for the services or commodities furnished by it, the commission may allow the inclusion of expenses for research and development.

740.1. The commission shall consider the following guidelines in evaluating the research, development, and demonstration programs proposed by electrical and gas corporations:

- (a) Projects should offer a reasonable probability of providing benefits to ratepayers.
- (b) Expenditures on projects which have a low probability for success should be minimized.
- (c) Projects should be consistent with the corporation's resource

plan.

(d) Projects should not unnecessarily duplicate research currently, previously, or imminently undertaken by other electrical or gas corporations or research organizations.

(e) Each project should also support one or more of the following objectives:

(1) Environmental improvement.

(2) Public and employee safety.

(3) Conservation by efficient resource use or by reducing or shifting system load.

(4) Development of new resources and processes, particularly renewable resources and processes which further supply technologies.

(5) Improve operating efficiency and reliability or otherwise reduce operating costs.

From: Warner, Christopher (Law)

Sent: Tuesday, March 22, 2011 5:04 PM

To: [Redacted] Matthew Freedman; 'Young, Ryan'

Cc: 'Thomas, Sarah R.'; La Flash, Hal; steve.empedocles@svtc.com

Subject: FW: Term sheet - latest version - can you email a copy?

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[Redac] Ryan, Matt - also fyi, and we can discuss tomorrow. Thanks!

Chris

From: Warner, Christopher (Law)

Sent: Tuesday, March 22, 2011 5:01 PM

To: 'Thomas, Sarah R.'

Cc: 'steve.empedocles@svtc.com'; La Flash, Hal

Subject: RE: Term sheet - latest version - can you email a copy?

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Yes indeed, here is the latest version, confidential of course, but we'll bring extra copies to the workshop tomorrow as well.

Also, are you agreeable to stipulating to admission of the discovery requests and responses for the record? It would be a good way to allow the ALJ to see and take into account the extensive back and forth on discovery. Let me know....

Thx and see you tomorrow!

Chris

From: Thomas, Sarah R. [<mailto:sarah.thomas@cpuc.ca.gov>]
Sent: Tuesday, March 22, 2011 4:02 PM
To: Warner, Christopher (Law); steve.empedocles@svtc.com
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