

From: Cherry, Brian K  
Sent: 4/13/2011 7:20:02 PM  
To: 'marzia.zafar@cpuc.ca.gov' (marzia.zafar@cpuc.ca.gov); Dore, Jay (/O=PG&E/OU=Corporate/cn=Recipients/cn=JDD8)  
Cc: Hughes, John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS)  
Bcc:  
Subject: RE: Bonus Depreciation

Jay - can you get Marzia a readline that will correct it tonight ?

**From:** Zafar, Marzia [mailto:marzia.zafar@cpuc.ca.gov]  
**Sent:** Wednesday, April 13, 2011 07:18 PM  
**To:** Cherry, Brian K  
**Subject:** Re: Bonus depreciation

What are the mistakes? Can u send me a redline by 8am tomorrow.  
Regards,  
Marzia Zafar

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Wednesday, April 13, 2011 07:13 PM  
**To:** Zafar, Marzia  
**Subject:** Fw: Bonus depreciation

Marzia - we need some help here on correcting some mistakes. If we can correct them, we are good to go.

**From:** Dore, Jay  
**Sent:** Wednesday, April 13, 2011 07:06 PM  
**To:** Hughes, John (Reg Rel); [Redacted] (Law); Harvey, Kent M; Cherry, Brian K; Buchsbaum, Craig (Law); Thomason, David S; Caron, Mark T; [Redacted] Singh, Amrit P; Harvey, Kent M  
**Subject:** RE: Bonus depreciation

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This is fair and constructive per the four criteria we established:

- It clearly does not claw back into Sept 2010 tax law.
- It clearly recognizes the complexity of the issues and encourages reasonable simplifying assumptions.
- While there's nothing explicit about the incrementality test like in version #2, I'm assuming it's covered by the recognition of the need for reasonable simplifying assumptions.
- It appears to create a single memo account to track the benefits of the Dec tax law and the costs of additional investment

Here's why I emphasize "appears":

Finding of fact #10 and Ordering paragraph #2 both indicate that this will be a single memo account that captures both [a] the costs and benefits of the December tax law and [b] the offsetting costs of additional infrastructure investment.

But, there is some contradictory language in the body of the resolution:

- At the top of page 2, it says the utility will need to file an advice letter to request establishing a separate memo account to record the rev req on additional investment. This conflicts with Finding #10 and order #2, and I'm speculating that this is just inadvertently left over from version #5.
- On pages 5-7, it says they are not going to allow any offset within the memo account for the rev req associated additional investment. This also conflicts with Finding #10 and order #2.
- Also in the discussion on pages 5-7, it goes on to say that instead of requiring a pre-spend application or advice letter, it is establishing guidelines for the additional investments and that an application or advice letter is only required if the utility wants to spend outside the guidelines. This is good.

I'm speculating that in attempting to incorporate the TURN's/PG&E's of guidelines for the additional spending, the discussion on pages 5-7 may have mixed the concepts of [1] a two-way versus one-way memo account (we are OK with a one-way memo account) and [2] a single memo account versus two memo accounts (we are not OK with two memo accounts, as it creates significant accounting problems for us).

If we can ascertain that the language in Finding #10 and Order #2 reflects the real intent of the resolution and that that language holds priority, then I believe this resolution would be good to go. Clearly though, clean-up on page 2 and pages 5-7 would be preferable.

Jay Dore | Economic & Project Analysis | PG&E | 415-973-3200 (O) | 415-517-8046 (C) |

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**From:** Hughes, John (Reg Rel)

**Sent:** Wednesday, April 13, 2011 4:08 PM

**To:** Hughes, John (Reg Rel); [Redacted] (Law); Harvey, Kent M; Dore, Jay; Cherry, Brian K; Buchsbaum, Craig (Law); Thomason, David S; Caron, Mark T; [Redacted] Singh, Amrit P; Harvey, Kent M

**Subject:** RE: Bonus depreciation

Just came in Version #6.

<< File: Rev 6 Draft Res L-411.pdf >>

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**From:** Hughes, John (Reg Rel)

**Sent:** Wednesday, April 13, 2011 2:50 PM

**To:** [Redacted] (Law); Harvey, Kent M; Dore, Jay; Cherry, Brian K; Buchsbaum, Craig (Law); Thomason, David S; Caron, Mark T; [Redacted] Singh, Amrit P; Harvey, Kent M

**Subject:** RE: Bonus depreciation

Is not on the hold list for tomorrow's PUC meeting. That means that there should be a discussion among the Commissioners. Galvin has been told to be present at the meeting to address any technical questions that may come up.