

From: Cherry, Brian K
Sent: 10/17/2011 10:27:30 AM
To: Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3);
pac@cpuc.ca.gov (pac@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Physical Asset Management Practices and Cost Recovery

FYI. Interesting discussion of where we may need to go here in CA rate cases.

From: OLoughlin, Matthew [<mailto:Matthew.OLoughlin@brattle.com>]
Sent: Monday, October 17, 2011 9:34 AM
To: Cherry, Brian K
Cc: Carpenter, Paul; Brown, Toby
Subject: Physical Asset Management Practices and Cost Recovery

Brian:

Paul and I enjoyed our breakfast conversation in SF, it was good to catch up. We understand from Ahmad that the two of you also had a nice lunch recently.

This email follows up on our discussion about natural gas infrastructure investment and cost recovery. The attached paper provides a brief summary of the British regulator's ("Ofgem") approach to asset investment plans, asset performance, and incentive cost recovery schemes. It stems from an Ofgem concern back in 2000 that the network companies may not be managing their assets as carefully as they should – blindly replacing them at standard engineering end of life, not doing any condition monitoring, not targeting high risk assets. Ultimately, a technical management standard was developed and implemented by the British Standards Institute while Ofgem developed its asset risk management survey.

We are interested in meeting with you and your colleagues to continue our conversation of these topics. It so happens that one of our SF colleagues, Toby Brown, previously worked for Ofgem and has some familiarity with its approach to these issues. We will follow up with you in the near future to see if a meeting can be arranged the next time we are in San Francisco.

-Matt

Matthew O'Loughlin

Principal

The Brattle Group

44 Brattle Street | Cambridge, MA 02138 | United States

Main: +1.617.864.7900 | Fax: +1.617.864.1576

mpo@brattle.com

www.brattle.com

Cambridge | San Francisco | Washington | Brussels | London | Madrid

IMPORTANT NOTICE FROM THE BRATTLE GROUP: This message, and any attachments, are intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential, and exempt from disclosure under applicable law. Any unauthorized dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error please notify me immediately by return email and immediately delete the original and all copies of the message and any attachments to it. Note also that nothing in this message is intended to constitute an electronic signature or otherwise to satisfy the requirements for a contract unless an express statement to the contrary is included in the message.

Please ensure you have adequate virus protection before you open or use attachments.

The Brattle Group does not accept any liability for viruses.
