

From: Tisdale, Matthew  
Sent: 12/1/2011 8:06:26 AM  
To: Dietz, Sidney (/O=PG&E/OU=Corporate/cn=Recipients/cn=SBD4)  
Cc:  
Bcc:  
Subject: Re: Bridge Funding and Carry Back

Interesting, Sid. Thanks for following up. I appreciate Michael's legal analysis here, but it leads to a somewhat awkward practical conclusions:

a) if a Transition\* Period authorization is not complete, you could 'continue' funding for an approved program beginning July 1, 2012, but not before. Seems arbitrary enough that I can only assume other timing issues were to contemplated.

b) 'continue' is not synonymous with 'augment'. What is the difference and would it fall within the IOUs substantial fund shifting authority?

Practically, I believe we are on the same page: the goal is continuity of meritorious programs from now to the Transition Period. So my point here is to get everyone on the same page with what the IOU's options are so as to avoid figuring this out in 10 months when we're under pressure on more fronts.

I'll ask Fern's office how they'd like to proceed and come back to you with some suggestions.

Thanks again and good luck today!

MWT

On Dec 1, 2011, at 7:38 AM, "Dietz, Sidney" <[SBD4@pge.com](mailto:SBD4@pge.com)> wrote:

Matthew --

We talked a lot internally about the idea that you sent us about continuity with successful programs. I think there are two issues. The first is the narrow technical issue about the decision language you sent us, and I think the short answer is that the provisions are to provide continuity from one cycle to the next, not create the capacity to spend more than the current cycle budget, so I am not sure that works for us. Of course, once the 2013-4 cycle is approved, we could use some of the 'carry back' provisions.

On the broader question of what to do to bring continuity with successful programs, I think the more certainty we have about the 2013-4 cycle, the more certainty we can provide Lockheed Martin. Cmmr Ferron has signaled his intent to put his own mark on

the bridge portfolio and budget, which I think makes sense. But it is exactly this opportunity to change directions that leads to the pressure you mentioned in your email. Commr Ferron seems to be emphasizing third parties, so the Lockheed Martin contract could be similar. I think we can work with them to make sure there is continuity if that's the signal we are getting, and we will do that.

I'd suggest a chess game during the meeting this morning, but I think I'll be too busy being yelled at by protesters.

yours,

sid

**From:** Klotz, Michael (Law)  
**Sent:** Tuesday, November 29, 2011 02:56 PM  
**To:** Dietz, Sidney; Berman, Janice S  
**Subject:** Bridge Funding and Carry Back

Hi Sid,

Please let me know if you have any additional questions about this.

Mike

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It's not clear that section 9.2.2 of D.09-09-047 authorizes PG&E to carry back funds from the next program cycle at this point for the following reasons: (1) Pursuant to OP 44 of the decision, the 15% carry back in the Policy Manual is available only after the Commission approves funding for the next portfolio; and (2) the rolling bridge cycle does not seem to authorize PG&E to augment its budget for the 2010-2012 program cycle--only to continue an average level of funding beyond the end of the cycle in the event the Commission has not yet approved the budget for the next portfolio cycle.

(1) Section 9.2.2 discusses a proposal made by SCE to update the Policy Manual, which would have authorized the IOUs to carry back 15% of the budget for an upcoming program cycle prior to the Commission approving the next portfolio budget. (D.09-09-047, p.311). However, as stated in OP 44, the Commission authorized the carry back only after approval of the budget for the future cycle. [D.09-09-047, OP 44; updating the Policy Manual consistent with existing authority from D.07-10-032, pp.91-93, OP 22.] Given that OP 44 is explicitly limited in that respect and that funding for the next portfolio has not yet been approved, the carry back does not seem to be an available option.

(2) Section 9.2.2 also discusses the Commission's decision to "adopt DRA's rolling budget trigger proposal." The Commission noted that the trigger addressed stakeholder concerns regarding the "need for greater certainty for transition periods between budget cycles" and would also "protect against unexpected program hiatus." (D.09-09-047, p.312) Specifically, DRA proposed that "if new budgets have not been approved by a date six months before the end of the portfolio cycles an automatic bridge funding process would be triggered." (D.09-09-047, p.311, emphasis added). In OP 45, the Commission directed that funding would be continued based on "average monthly level of expenditures. . .for the final year of a budget cycle on a month-to-month basis until the portfolio budget is approved..." (emphasis added). Here, we are not yet within 6 months of the end of the cycle so the rolling bridge period has not been triggered. In addition, OP 45 seemingly authorizes PG&E to continue an average level of funding beyond the current program cycle--not augment the current program cycle budget.