From: Cherry, Brian K
Sent: 8/22/2013 4:33:10 PM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Update on CPUC Penalty

FYI

From: A Message from Tony Earley
Sent: Wednesday, August 21, 2013 5:15 PM
To: All PG&E Mail Recipients; All PGE Corp Employees
Subject: Update on CPUC Penalty

Team:

As you know, the California Public Utilities Commission (CPUC) is expected to reach a decision later this year with respect to a penalty against PG&E for the San Bruno accident.

Today, we are filing our response to the current CPUC staff proposal, which would force the company to absorb $4 billion in costs—a record-shattering amount. Our response reiterates that we believe a penalty of significant magnitude could do substantial financial harm to PG&E and lead to unintended consequences.

Yesterday, in a meeting I had with several reporters in New York, part of our discussion centered on how broad a range of possible negative impacts might be. In my comments, I acknowledged that, at the extreme, if a company needing to raise capital to pay a significant penalty were unable to attract enough new investors, the outcomes could include a possibility that it could be pushed to the brink of bankruptcy.

Knowing that you may see media reports to this effect, I wanted to provide some additional context. While bankruptcy is not an immediate prospect, there are certainly some very real scenarios under which this could become a reality, and we need to make sure that our regulators understand this. In today's filing, we explain that, ultimately, PG&E's ability to issue equity to fund fines and penalties and planned capital expenditures will depend on the reaction of investors, equity analysts and the rating agencies to the Commission's decision. If the final decision imposes fines and penalties that are too extreme, it may not be feasible to raise sufficient equity.

Even short of a bankruptcy, we need regulators to understand that an excessive penalty can lead to unintended consequences with negative implications not just for PG&E but also for our customers, other utilities and the state itself. Financially crippling PG&E is not in the state's best interest.

Just this morning, a respected financial analyst downgraded our stock based on his increasingly negative view of the state's regulatory climate. In addition, Moody's and S&P have indicated they will re-evaluate the state's overall regulatory climate based on the outcome of the Commission proceeding. That could have negative implications not just for PG&E but for all of the state's regulated electric, gas and water companies.

PG&E lived through bankruptcy once. It was a painful and protracted process resulting from no other available alternative. This is why we will do everything possible to avoid such a scenario or any scenario in which our ability to continue to invest to benefit customers is unreasonably harmed. As the CPUC process moves forward in the weeks ahead, you can expect that we will continue to reach out and make these points with stakeholders.

Tony