

From: Poirier, Marcelo
Sent: 10/2/2013 12:15:34 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Cc:
Bcc:
Subject: RE: Idea

Brian,

I passed this on to Sepideh who is the lead for our office on all gas matters and the best person to discuss this further.

Thanks,

Marcelo

From: Cherry, Brian K [mailto:BKC7@pge.com]
Sent: Wednesday, October 02, 2013 11:06 AM
To: Poirier, Marcelo
Subject: Idea

Marcelo – I mentioned we have a GT&S Rate Case (Gas Accord) that we are scheduled to file in December. Under the terms of the old decision, we must file no later than February 2014. Right now the numbers in that filing look like a \$1.2 Billion request – which is huge and problematical on a number of fronts.

One idea I have floated internally and with Carol Brown yesterday is that PG&E file a Petition to Modify the old Gas Accord decision. It would ask for the following: 1) postpone the date from no later than February 2014 to July 2014; 2) implement rates effective 1/1/15 with the 2% escalator as is in the current decision and 3) put into place a balancing account that would allow us to seek recovery (not guarantee recovery completely) for dollars spent until we have a final decision.

Postponing the filing to mid-2014 would allow the Commission to resolve the outstanding Oils, the SoCalGas TCAP and perhaps have resolution on the PSEP update (to be filed at the end of this month). Why are resolution of these cases important ? Because it is likely that these decisions will give us guidance as to what we can include and **exclude** from the GT&S rate case. My guess is that the GT&S rate case request could be reduced substantially from its current ask if these cases are resolved.

The key issue here for us is approval of a balancing account. A memo or tracking account doesn't work for us because of PG&E's accounting rules (which are different from Sempra or Edison – who use a 50% vs. 80% chance of recovery criteria). If we have no decision by the end of 2015, which is a distinct possibility, then PG&E would be required to write-down any expenses in that account because of its uncertainty of recovery. A memo account doesn't give us an 80% chance of recovery. A balancing account would. A balancing account would assure us that we could get by the accountants. Some would argue that a balancing account guarantees recovery and is inappropriate. However, the Commission has authority to disallow any costs in any account. If the Commission in its final GT&S case decision determines that certain costs are not subject to recovery in the balancing account, it can eliminate them.

If we can't get a balancing account, then we will likely proceed with filing in December. Lots of internal reasons for that which we can discuss in person. Carol is going to check with Peevey and I'd like you to check with Florio. If both offices can support that, we will file a PFM, perhaps as early as Friday. We would need a PD in November if possible. Let me know what you and Mike think. We can chat at the Commission meeting on Thursday.

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