From: Cherry, Brian K

Sent: 1/27/2014 1:42:11 PM

To: Mike Hoover (hoovermr@sce.com); Lee Schavrien (lschavrien@semprautilities.com); Gurbux Kahlon (gurbux.kahlon@cpuc.ca.gov)

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Bcc:

Subject: Fwd: A question re shareholder vs ratepayer funded personnel costs

Gurbux - here is PG&E's response to your question regarding the question of who funds utility lobbying expenses.

1. Regulatory Affairs' costs relating to communicating PG&E's position in CPUC regulatory proceedings, including DA or CCA orders, decisions, tariffs and regulatory compliance matters, is "above the line," funded in GRC revenue requirements along with other similar Regulatory Affairs' costs.

2. Regulatory Affairs' costs relating to DA or CCA legislation or participation in education or advocacy before other state and local governmental agencies could be booked either "above the line" or "below the line" in accordance with PG&E's "below the line" ratemaking accounting standard. As required by the standard, below the line costs are booked to shareholders for ratemaking purposes. (These costs are likely to be minimal, given that Regulatory Affairs does not traditionally participate in State Governmental Relations' or Community Relations' lobbying or other government relations activities.)

3. Regulatory Affairs' costs relating to Regulatory Affairs participation in marketing or advertising against CCAs is not permitted under the CCA Code of Conduct, which requires PG&E to separate CCA marketing and

advertising from other utility functions and operations. Most PG&E advertising and much of PG&E's marketing costs not related to a CPUC approved program are also booked "below the line" and charged to shareholders, consistent with the PU Code restrictions on recovery of advertising costs from ratepayers.