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Sent: 1/1/2013 4:08:03 PM
To: Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3)
Cc:
Bcc:
Subject: Update

Tom - I saw Mike up at Sea Ranch yesterday. He talked about a number of things that we can chat about when I see you next week.

More important for immediate consumption is the Gas Settlement. He talked about the discussions he had with the City of San Bruno and how angry he was at the TURN for leaking the conversation to the Chronicle. He told San Bruno they could expect nothing from the Commission if the outcome is litigated and not settled. He characterized the Mayor as emotional and the City Manager as nuts. As for the other parties, he believes they have been and continue to be unreasonable and he stated many of them were also unethical.

Mike was very clear in stating that given the passage of time, we should just let the Commission decide the outcome. He doesn't believe a settlement is possible and he doesn't believe ALJ Wetzel will act imprudently, although he had doubts (as I do) about ALJ Yip-Kipigawa. Mike thinks the insistence by the parties and staff at the Commission that we plead to facts that will make us legally responsible is crazy. He is also skeptical of all the remedies that are being proposed that shareholders will likely be on the hook for. He thinks we are giving them a roadmap to our ruin.

Mike is also still sore over the rejection of Bennett as a mediator. He believes Bennett was the key to any settlement and that without someone of his stature, no settlements is possible. He also said several times that there isn't much he can do going forward to help us.

He was complimentary of Florio and Ferron for the ROE changes to the PSEP despite withering opposition to it in the press. Mike said we should be very thankful for the gift we received and that both Commissioners (and Peevey himself) we persuaded by our arguments.

Mike believes that all the OIIs can be wrapped up by October if we litigate.

Changing subjects, Mike will be reaching out to you in a few weeks over HECA. He strongly believes in this project and its importance to the state of California. Mike wants us to sign a PPA for the entire load (270 MW) because he has doubts we can get Edison on board. Mike claims the power we will pay for HECA will be at the peak, so it will be a good (but not great) deal. He is very serious about PG&E playing a major role here.

After the HECA asks, he reminded me how he and Governor Brown used every ounce of persuasion to get Ferron to change his mind and vote for Oakley. He said he told Ferron this was not the decision to fall on his sword over and defy the Governor. The Governor wanted this project approved and was frustrated that Sandoval opposed it on some obscure legal grounds. The Governor finally decided not to meet with Sandoval a second time because Jerry felt he couldn't get a word in with her. Jerry's direct plea to Ferron was decisive. Mike suggested that Tony call the Governor personally and thank him.

Mike then told me PG&E had a great day at the last meeting, reminding me of the positive vote on EE incentives, and said HECA was important to him. I told him I got the message and would forward it on.

We ended the conversation with a dram or two of Johnny Walker Blue Label.

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