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Exhibit B

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Dinner, drinks, lobbying advice: Vast email trove lays bare PG&E-CPUC coziness

By [Sarah Smith](#)

Years of behind-the-scenes correspondence between [PG&E Corp.](#) and the California Public Utilities Commission confirms their close relationship — at once commiserative, flippant and collaborative — critics of the regulator and utility company said recently.

PG&E, parent company of [Pacific Gas and Electric Co.](#), and the CPUC [admitted](#) in September 2014 to [illegal](#) out-of-proceeding, or ex parte, [email](#) communication, and at the end of January, after [pressure](#) from critics, the parties made [public](#) tens of thousands of [emails](#) exchanged between company and commission employees.

The [messages](#), which predate and continue after the deadly Sept. 9, 2010, gas transmission line [explosion](#) in San Bruno, cover such topics as lobbying advice from CPUC employees to PG&E, coordination between the regulator and the utility on how to publicly present key issues, and dinner plans between PG&E's top lobbyist and the commission president.

"The [communications](#) very clearly show a pattern of complete disregard for the regulatory process," Mark Toney, executive director of The Utility Reform Network, or TURN, said in a Feb. 11 interview. "You have these folks that don't understand the bright line between a professional relationship and obligation [versus] personal relationships. Those two should never be blurred when you ... have a responsibility to [the public]."

TURN has alleged for several years that the regulator and its utilities have maintained inappropriate levels of coziness, and the recently released [emails](#) "confirm what we've said over and over again — and more so, quite frankly," Toney said.

The correspondence showed that days after the San Bruno incident, which killed eight people, the CPUC gave PG&E advance notice of the regulator's planned public response to the utility company.

"Press release coming from us in the next few minutes with Mike directing me to have PG&E do inspections, report on various things," Paul Clanon, then the CPUC's director, wrote in a Sept. 12, 2010, email to Brian Cherry, then PG&E's vice president of regulatory relations. Michael Peevey was president of the CPUC at the time.

The next month, Clanon and Cherry exchanged emails regarding deficiencies in PG&E's record keeping. Clanon said he was uncertain PG&E had detailed enough records about its pipes to be able to isolate problematic welds or manufacturers' materials, asking: "Should I be confident? Do your people actually have the data?"

Cherry, for his part, appeared even less confident in his company's records.

"My gut reaction says no to your question. There are over 1,000 miles of unpiggable lines and buried welds that aren't on the schematic diagrams," Cherry replied Oct. 11, 2010. "God knows what is underground."

Connie Jackson, city manager of San Bruno, expressed outrage at the exchanges, "from casual, jokey kinds of communication as little as a month after the explosion to actual efforts ... to circumvent the ex parte communications disclosure rules."

“God knows what is underground.”
— **Brian Cherry, former PG&E vice president of regulatory relations, on Oct. 11, 2010**

The National Transportation Safety Board pointed to ineffective oversight by the CPUC as a key contributing factor to the San Bruno pipeline explosion, making the ongoing inappropriate conduct between the commission and its regulated utility "disturbing," Jackson said in a Feb. 11 interview.

"It's not just an interesting fact or something that a public agency should think about — 'What's the public perception?'"

Jackson said. "The explosion itself did nothing to stop that overly friendly and deliberate activity. ... A town exploded. People died. It's just unbelievable. This is obviously something that is of grave concern to the city. I would say the emails validate, document and more clearly demonstrate the extent of the collusion and corruption that we have long suspected."

The emails show that PG&E and commission staff also shared disparaging comments about TURN, a consumer advocacy group. A week after the San Bruno explosion, Cherry, responding to birthday wishes from Clanon, said he would "love a nice muzzle for Mark Toney," to which Clanon replied, "Maybe a nuzzle."

Further, after Toney in September 2010 issued a statement calling on PG&E to take fiscal responsibility for the San Bruno explosion, Cherry forwarded to Clanon an email from Tom Bottorff, then PG&E's senior vice president of regulatory affairs, calling Toney's comments "another irresponsible missive from TURN."

Not long after, Cherry told Clanon: "Peter [thinks] TURN's behavior has bordered on the irresponsible and wants to know if the PUC is willing to say so. I told Tom that the optics were against that, but I'm asking the question anyway. Protocol, of course."

The email chain left off last names, but at that time, PG&E's chairman, president and CEO was Peter Darbee.

Not limited to explosion

Peevey, who served as president of the CPUC from 2003 to 2014, in early September 2010 counseled PG&E's Cherry directly on how to "quietly" proceed with regard to tweaking PG&E's smart meter program — an initiative that has sparked vocal criticism from customers, including those concerned about the health impacts of electromagnetic fields. Peevey said he would advise letting customers who are averse to smart meters keep their analog meters, "rather than have them becoming hysterical, etc."

In a January 2011 exchange regarding smart meter opt-out options, Julie Fitch, then the CPUC's energy division director, recommended that Cherry have a substantive dialogue with Peevey but offered to be an "intermediary" to help Cherry avoid "invoking some kind of ex parte reporting."

Later, though, Peevey complained to Bottorff that the company had not communicated enough with the commission on the smart meter issue. A PG&E announcement saying the [company would allow](#) analog meters had taken "whatever thunder the PUC might have received by announcing the same," Peevey complained in December 2011, noting that he had received no advance notice or communication from the company.

"I feel sandbagged. On Friday I told you and Brian I was going to amend the PD [proposed decision] to allow your customers to have/keep analog meters, if they wished," Peevey wrote to Bottorff on Dec. 22, 2011. The PG&E announcement "[p]ositions the company well and the PUC bringing up the rear. ... We need mutual trust and candor, not cute [maneuvers] like this."

Bottorff apologized profusely for not giving the CPUC a heads up, adding: "It won't happen again. If there's something we can do to help the CPUC, please let me or Brian know."

On a separate matter, Cherry in April 2010 reached out to Matthew Deal, who served as the CPUC's director of policy and planning from 2009 to 2011, about PG&E's proposed [Cornerstone](#) project to upgrade electric distribution system reliability.

Cherry wanted more details to report to investors in an upcoming earnings call but added, "If you give me \$250 million in revenue requirement, we don't need to chat."

Deal, who said he had not seen the proposed decision Cherry was asking about, said PG&E "should be good" but added that "there will be 'parameters' that may tie your hands a bit." Deal directed Cherry to "talk directly to Mike" and not to "waste time with Carol or Karl." The email thread did not use last names, but Peevey was the assigned commissioner in the Cornerstone proceeding. At that time, Carol Brown was Peevey's chief of staff and Karl Meeusen was Peevey's energy adviser.

“I would say the emails validate, document and more clearly demonstrate the extent of the collusion and corruption that we have long suspected.”

— Connie Jackson, San Bruno city manager

Cherry in September 2010 also requested "advice on lobbying" from commission staff.

"John is fine with our alternate, so I don't think he needs any arm twisting on it," Richard Kinosian, who was energy adviser to then-Commissioner John Bohn, said in a Sept. 29, 2010, email. "However, once we see what TURN and DRA [the Division of Ratepayer Advocates] say, it might be worth a visit to refute them."

Cherry and Kinosian then agreed to arrange a meeting after TURN and the DRA had said their piece.

"We support the alternate. That said, DRA and TURN won't so why don't we plan on seeing John after they do," Cherry wrote, to which Kinosian replied, "Works for me."

However, not all CPUC staff members were receptive to Cherry's communications. When Cherry in February 2011 requested to talk "one on one" with Richard Clark, then the director of the CPUC's Consumer Protection and Safety Division, Clark declined.

"I don't chat one on one with utility reps. Nothing personal. I'm sure you're a fine fellow," Clark wrote Feb. 7, 2011.

Wine and dine

Peevey and Cherry also got together out of the office, including Feb. 14, 2011, at the Mandarin Oriental hotel in Washington, D.C. Cherry perhaps expected more from that dinner than came to pass, based on an exchange with Clanon that evening.

"I'm depressed," Cherry wrote. "Mike is his usual self but the future looks grim. If nothing is new, then we won't make a deal. Too bad. I thought there was hope."

A number of other regulator-company socializing emails also surfaced. For instance, Cherry and Peevey made dinner plans at another hotel in July 2010; Bottorff, Cherry and Peevey discussed making plans for dinner or drinks in March 2011; and in August 2010, Cherry said he and his wife would "love to share a good bottle of Pinot or Cab with you. My Treat." Peevey told Cherry to give him a call.

Attempts to reach Cherry, Clanon and Peevey for comment on the email exchanges were unsuccessful as of press time.

Repercussions

TURN's Toney and Jackson of San Bruno in their interviews emphasized the importance of external reform to the commission. Toney said his group hopes to see legislation passed that would help redistribute the power of the commission president, for one. Such a move could help boost accountability

and decentralize control within the regulator, he said. State Sen. Mark Leno on Feb. 12 announced legislation that would limit the power of the CPUC president to directly manage staff and delegate oversight functions to committees of two or more commissioners, create stronger standards for determining when a commissioner should be disqualified from a case due to bias and set new rules to curb improper communications between the commission and the companies it regulates.

"The CPUC's mission is to protect consumers, but it has lost sight of that goal," Leno said in a [statement](#). "Revelations of improper private communications and a lack of transparency and accountability at the commission undermine public trust, weaken safety and threaten the agency's legitimacy as the overseer of the state's utilities. This legislation calls for systemic changes within the commission so it can move forward with more ethical governance."

Since admitting to inappropriate contact, the CPUC and PG&E have taken steps to mitigate the ongoing effects of the known violations of ex parte rules. Peevey in September 2014 recused himself from PG&E's gas transmission and storage proceeding and also from the San Bruno penalty consideration proceedings, and the next month, he announced that he would not seek another term on the commission. Brown, Peevey's chief of staff, resigned in September 2014. CPUC Commissioner Michel Florio in October, too, [recused](#) himself from the gas transmission and storage case and the San Bruno penalty proceedings.

PG&E in September 2014 announced that Cherry; Bottorff; and Trina Horner, then vice president of regulatory proceedings and rates, would no longer be employed at the company. PG&E also at that time appointed a new senior vice president of regulatory relations and decided to create a new role — chief regulatory compliance officer — whose mandate would be to help oversee compliance with all requirements governing PG&E's interactions with the CPUC. Further, the company hired legal counsel to help devise a regulatory compliance model, and PG&E is pursuing mandatory training for all employees.

When PG&E in late January turned over the emails, which the company has said number roughly 65,000, Anthony Earley Jr., the president, chairman and CEO, underscored the company's efforts to make amends for past transgressions.

"The vast majority of the 65,000 communications have been completely appropriate, but in those few instances when they were not, we took immediate and definitive action," Earley said at the time. "When we first discovered violations of the CPUC ex parte rules, we self-reported them, we held senior-level officers accountable, and we are making significant changes designed to prevent this from happening again. We're also fully cooperating with independent law enforcement investigations of this matter."

But Toney and Jackson each said that while a number of key players have been removed from their positions at the CPUC and at PG&E, the relationship between the entities is too long-standing to be fixed by the departure of a few people.

"We don't think that the problem is fixed," Jackson said. "It takes a lot of time and energy to turn a big ship like that. We've seen more initiative going to PG&E marketing itself as the 'good guys' and the PUC defending itself against criticism."

Michael Picker, who took over as CPUC president Jan. 1, has [proposed](#) establishing commissioner-level subcommittees to address CPUC-wide issues, including safety advocacy and ethical communications. Picker highlighted the need for cultural change within the regulator at a recent CPUC voting meeting.

"This is not something that any one person will get right," Picker said. "We as an organization will have to develop the resolve to actually behave in very scrupulous ways."

Click [here](#) for SNL Energy's timeline of significant PG&E-CPUC communications and related events. A selection of noteworthy emails between the regulator and utility company is appended to this article under the "Sources" tab. The full cache of released emails is available [here](#).