

North America United States  
 Industrials Utilities and Power

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**COMPANY ALERT**

**PG&E Corp**

**Manzana briefs tomorrow; GRC hearings next week**

**Company Update**

**Hold**

Reuters:PCG.N Exchange:NYS Ticker:PCG

Price (USD)	43.24
Price target	47.00
52-week range	45.60 - 37.13
Market cap (USDm)	16,555.5
Shares outstanding (m)	382.9
Free float (%)	100
Volume (17 Jun 2010)	658,000
S&P 500 INDEX	1,114.61

Recent investor focus for PCG has been on political events (primary elections and defeat of PCG-supported Prop 16) and the potential for policy and regulatory changes (new governor to appoint at least 2 new commissioner plus a president early next year). While these could impact longer-term growth for PCG (new cost of capital in 2013, potential for shift in clean energy focus), PCG has ongoing regulatory proceedings that will impact near-term EPS growth.

FYE 12/31	2009A	2010E	2011E
1Q EPS	0.66	0.79A	-
2Q EPS	0.83	-	-
3Q EPS	0.93	-	-
4Q EPS	0.80	-	-
FY EPS (USD)	3.21	3.45	3.75
P/E (x)	12.3	12.5	11.5

**Manzana wind project.** Tomorrow, briefs are due in PCG's Manzana wind case. PCG is seeking approval to purchase a wind project from Iberdrola Renewables for ~\$900M that is expected to have a 246MW capacity upon completion. PCG has asked for a decision by year-end. Our EPS estimates include the project, and we expect it to contribute \$0.10 in 2012. The project has been opposed by DRA and TURN, as well as other intervenors who cite a nearby condor habitat. Concerns have also been raised about the cost of the project since there was not a competitive bidding process and the likelihood of project delays. DRA attempted to subpoena Iberdrola for actual construction cost data, but Commissioner Peevey granted a motion by Iberdrola to quash the subpoena last month. The case could provide further insight into the CPUC's view of utility-owned renewables (beyond the utilities' solar PV projects). Reply briefs are due July 2.

\* Includes the impact of FAS123R requiring the expensing of stock options.

**2011 GRC.** Hearings are scheduled in PCG's 2011 GRC next week. This case will set PCG's base generation and electric and gas distribution rates for 2011-2013. A final decision is scheduled for late 2010, but could easily slip into early 2011 based on recent GRCs.

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