

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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