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EIX & PCG: Bernstein Bus Trip to California -- Still the Golden State for Regulated Utilities?

Ticker	Rating	CUR	8/25/2010 Closing Price	Target Price	TTM Rel. Perf.	EPS 2009A	EPS 2010E	EPS 2011E	P/E 2009A	P/E 2010E	P/E 2011E	Yield
EIX	M	USD	33.78	37.00	-2.8%	3.25	3.34	2.73	10.4	10.1	12.4	3.7%
PCG	O	USD	47.06	49.00	13.2%	3.21	3.38	3.65	14.7	13.9	12.9	3.9%
SPX			1055.33			61.70	83.19	96.12	17.1	12.7	11.0	2.1%

O – Outperform, M – Market-Perform, U – Underperform, N – Not Rated

Highlights

- This week we traveled with a group of investors to California to meet with the managements of Edison International and PG&E Corp., the California Public Utility Commission (CPUC) and TURN (The Utility Reform Network), a consumer advocacy group and important intervenor in regulatory proceedings in California. Those meetings highlighted the continuing strengths of California's regulatory framework as well as the important challenges that the system will face in the years ahead.

- While this year's gubernatorial election creates a unique opportunity to alter the composition and policy direction of the CPUC, we do not believe this will occur. The example of Governor Davis, recalled from office and cast into the political wilderness by the state's voters for his mismanagement of the energy crisis, militates against radical change by either the Democratic or Republican candidate(Jerry Brown and Meg Whitman, respectively).

  - The continuation of the current leadership and policies of the Commission is most likely in the event of a Brown victory. Brown is a close personal friend of Commission President Michael Peevey, who has endorsed Brown's candidacy for governor; a change in the presidency of the Commission is therefore unlikely. Moreover, the CPUC's current regulatory agenda, including its support of long term resource planning, renewable generation, transmission investment, and advanced metering infrastructure, is already congruent with the priorities of California's Democratic state legislature.

  - A Republican gubernatorial victory may represent more of a threat to the current composition of the CPUC. Given Peevey's endorsement of her rival, Whitman may less inclined than Brown to re-appoint Peevey as president. Weighing in Peevey's favor, on the other hand, are the strong support he enjoys from the state's business interests and the fact that Whitman can only derive political advantage from the continuation of well designed utility regulation in the state. And even if Whitman were to attempt to change the leadership and direction the CPUC, her nominations would require the approval of the same Democrat-dominated Senate that has ratified the appointment of the current commissioners and strongly supported the CPUC's current energy policies.

- Secondly, we believe that key positive elements of California's regulatory structure --such as forward looking rate cases, the decoupling of revenue from volume sales, the extensive use of balancing accounts to ensure prompt recovery of operating costs, and the cost of capital mechanism --are so arcane as to attract little or no interest from politicians, much less ordinary voters. On the contrary, our recent

U.S. Utilities

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meetings in California confirm our belief that these key elements of California's regulatory framework have become increasingly institutionalized and unlikely to be the subject of radical change.

- In our meetings with utilities, the CPUC and TURN, however, it became clear that electricity rates in California are beginning to come under public scrutiny. Already, the state has been forced to eliminate the freeze on low volume customers' electricity rates; going forward, annual increases in these rates will be permitted up to the rate of consumer price inflation plus 1%. Looking further ahead, the state's objective of achieving 33% renewable generation by 2020 represents a formidable and costly challenge.
  - We estimate the capital cost of the renewable capacity required to meet the 33% target at approximately $80 billion, or $8.0 billion annually over the next decade. The combined capital expenditures of the state's three investor owned utilities, by comparison, are running at a rate of approximately $10.7 billion annually. Much of this investment, however, is offset by depreciation, mitigating the impact on base rates; the increase in renewable generation capacity, by contrast, represents net new additions to capital invested in electricity supply. The capital investment required to meet California's 33% renewable target is thus likely have a roughly equivalent impact on base rates as the current capex plans of the three investor owned utilities in the state.
- Another looming risk for the state's utilities is the scheduled roll out of dynamic pricing for residential costumers. Because dynamic pricing depends on high critical peak prices to reduce peak demand, the risk to utilities is that ratepayers with limited ability to modify consumption patterns will resist its implementation. When dynamic pricing was introduced by Pacific Gas & Electric to residential customers in Bakersfield last summer, the company met with thousands of customer complaints. The introduction of dynamic pricing across the state carries the risk of much wider ratepayer backlash.

Investment Conclusion

In sum, we don't believe that California's gubernatorial election will be transformational for the CPUC or the state's energy policies. The example of Governor Davis, the once-Presidential candidate cast into the political wilderness by the state's voters for his mismanagement of the energy crisis, militates against radical change by either Brown or Whitman. Continuity of the CPUC's current leadership and policies seems most likely in the event of Brown victory, but we would very surprised if a moderate Republican and former corporate CEO such as Whitman were to adopt a markedly different course. And even if she did, her nominations would require the approval of the same Democrat-dominated Senate that has ratified the appointment of the current commissioners and strongly supported its energy policies.

Secondly, we believe that key positive elements of California's regulatory structure -- such as forward looking rate cases, the decoupling of revenue from volume sales, the extensive use of balancing accounts to ensure prompt recovery of operating costs, and the cost of capital mechanism -- are so arcane as to attract little or no interest from politicians, much less ordinary voters. Our recent meetings in California confirm our belief that these key elements of California's regulatory framework have become increasingly institutionalized and unlikely to be the subject of radical change.

In this week's meetings, however, whether with utilities, the CPUC or TURN, we heard that electricity rates in California are beginning to come under public scrutiny. In our meetings with both Southern California Edison and Pacific Gas & Electric, we sensed a recognition that the scale of future rate increases –driven by rapid growth in utility rate base and California's ambitious 33% renewable target -- combined with the rollout of dynamic pricing to residential customers, will create a riskier environment for the state's utilities in the years ahead.

California's utilities seem to be adopting a more defensive posture as a result. In our meeting with Southern California Edison, which forecasts rate base growth of 8% to 11% annually over the next five years, Edison CEO Ted Craver acknowledged that an optimal rate of growth for the utility would be significantly lower,

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perhaps in the range of 5% to 8%. Similarly cognizant of the need to limit rate increases, PG&E pointed out that the investments they had proposed in connection with their 2011-2013 General Rate Case, even if adopted in full by the Commission, would be largely offset by the roll-off of high cost power supply agreements, including those executed with the Department of Water Resources, which expire by the end of 2013. The combined impact on average system rates, PG&E claims, would allow the company to limit the increase in average electricity rates to 1% per year.

We rate PCG outperform with a price target of $49 and rate EIX market perform with a price target of $37.

Details

On Monday and Tuesday of this week we traveled with a group of investors to California to meet with the managements of Edison International and PG&E Corp., with the California Public Utility Commission (CPUC) and with TURN (The Utility Reform Network), a consumer advocacy group and important intervenor in regulatory proceedings in California. Those meetings highlighted the continuing strengths of California's regulatory framework as well as the important challenges that the system will face in the years ahead. In this note, we provide our views as to the key factors influencing regulatory trends in the state.

The Gubernatorial Election

The gubernatorial election in California is being contested between ex-governor Jerry Brown, a liberal Democrat, and Meg Whitman, the former CEO of E-Bay and a moderate Republican. The winner will enjoy a unique opportunity to alter the composition and policy direction of the CPUC. California's five utility commissioners serve six year terms, and at the end of this year the terms of two commissioners will come to an end. A third commissioner, whose appointment has not yet been confirmed by the California Senate, may be required under California law to leave the Commission if she is not confirmed by the first anniversary of her appointment, which occurs in January. The incoming governor may thus be in a position to appoint a majority of the five member Commission. In addition, the Governor has the right to appoint the president of the Commission from among the five commissioners. Many with whom we spoke believe that the current Commission President, Michael Peevey, would likely resign from the Commission if not reappointed to its presidency. The incoming governor could thus potentially fill four Commission seats.

As California law does not stipulate that there must be a balanced representation of the two political parties on the Commission, the incoming governor could appoint as many as four new commissioners from a single party. As Gubernatorial appointments are subject to Senate confirmation, and Democrats hold a 25 to 14 majority in that chamber, Jerry Brown would be in a better position to shift the composition of the Commission that Meg Whitman.

It is not at all clear, however, that either candidate will in fact radically change the composition or policy direction of the CPUC. Politicians in California are uniquely sensitive to the importance of sound regulation and financially stable electric utilities, having suffered through the blackouts, price spikes and utility bankruptcies and restructurings triggered by the state's 2000-01 energy crisis. The Democratic party, which controls the state legislature, is perhaps most keenly aware of the political downside of inadequate regulation; the last Democratic Governor of California, Gray Davis, was recalled from office over his mismanagement of the energy crisis, ushering eight years of Republican leadership in under Governor Schwarzenegger.

Particularly important to the future quality of utility regulation in California will be the fate of Commission President Michael Peevey. A former president of Edison International and Southern California Edison, Peevey is a Democrat who was appointed to his position by Democratic Governor Gray Davis in 2002 and then re-appointed by his Republican successor, Governor Schwarzenegger, in 2008. Viewed by many as the architect of California's recovery from the energy crisis, Peevey enjoys broad support among

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California's business community and politicians. Following his reappointment to the Commission by Governor Schwarzenegger, there was only one vote cast against his confirmation in the California Senate.

Critically, Jerry Brown is a close friend of Michael Peevey, who has endorsed Brown's candidacy for governor. Given these political and personal ties, it seems improbable that Brown should seek to replace Peevey as Commission president. Nor do we believe that Brown would seek materially to change the direction of utility regulation in California. The CPUC's current regulatory agenda, including its support of long term resource planning, renewable generation, transmission investment and advanced metering infrastructure, is already congruent with the priorities of California's Democratic state legislature.

There seems also a clear political advantage to Brown of maintaining the support of the state's business community, particularly during the current severe recession. Given the unfortunate fate of Gray Davis, we see little reason for Brown to tamper with a system that has restored the credit of the state's electric utilities and ensured the adequacy of California's energy supply.

A Republican gubernatorial victory, therefore, may represent more of a threat to the current composition of the CPUC. Given Peevey's endorsement of her rival, Meg Whitman may less inclined than Brown to re-appoint Peevey to the presidency of the Commission. Weighing in Peevey's favor, on the other hand, are such considerations as his re-appointment by Whitman's Republican predecessor and mentor, Governor Schwarzenegger; the strong support he enjoys from the state's political and business interests; and the fact that Whitman, like Brown, can only derive political advantage from the continuation of well designed utility regulation in the state. Perhaps reflecting a bias of "if it ain't broke don't fix it," Whitman's campaign website makes only limited reference to energy policy, suggesting little interest in radical change. Indeed her website endorses such cornerstones of current energy policy as the state's 33% renewable portfolio standard and the need to build the transmission infrastructure to deliver renewable generation to consumers. The only plank of her platform that seems to diverge from current policy is the modest suggestion that California "not shut the door on nuclear energy," a position that hardly darkens the outlook for the state's regulated utilities.

In sum, we don't believe that California's gubernatorial election will be a transformational for the CPUC or the state's energy policies. The example of Governor Davis, the once-Presidential candidate cast into the political wilderness by the state's voters for his mismanagement of the energy crisis, militates against radical change by either Brown or Whitman. Continuity of the CPUC's current leadership and policies seems most likely in the event of Brown victory, but we would very surprised if a moderate Republican and former corporate CEO such as Whitman were to adopt a markedly different course. And even if she did, her nominations would require the approval of the same Democrat-dominated Senate that has ratified the appointment of the current commissioners and strongly supported its energy policies.

California's Regulatory Framework Remains Highly Favorable

What does continuity in California's energy policies imply? First, we expect a continuation of California's uniquely supportive regulatory framework, which combines high allowed ROEs with structural elements designed to ensure that these allowed returns are achievable by the states' utilities. Key elements of this framework include:

- Allowed ROEs that are well above the national average. In 39 electric utility rate cases decided by state commissions in 2009, the average allowed ROE awarded was 10.5%. In contrast, San Diego Gas & Electric's allowed ROE is 10.7%, PG&E's is 11.35%, Southern California Edison's 11.5%. California also employs a mechanism for updating utilities' cost of capital by adjusting allowed ROEs to reflect utility bond yields: through 2012, the allowed ROEs of California's electric utilities are linked to the yield of Moody's utility bond index. In the case of Southern California Edison, for example, the benchmark value for the index is 6.26%; if the 12 month average yield on Moody's Baa utility bond index deviates

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by more than 100 basis points from this benchmark, the company's allowed ROE is increased or decreased by half the difference between the index yield and the benchmark.

- Critically, the revenue requirement for California's utilities is set in forward-looking rate cases that schedule rate increases over the next three years in anticipation of future capital expenditure, rate base growth and operating cost increases. In contrast to traditional rate setting methods, whereby a utility's rates are set by reference to its operating costs and regulated rate base in a historical test year, California's system minimizes regulatory lag and allows utilities to realize their allowed ROEs despite rapid rate base growth.

- To ensure that a utility actually realizes revenues in line with its revenue requirement as set by the CPUC, California rate making procedures de-link utility revenues from MWh sold, automatically adjusting rates if volume sales lag behind or run ahead of the projections used in the general rate case. In addition, California allows the automatic recovery through balancing accounts of fuel, purchased power and other operating expenses, including pension costs, again facilitating the realization of allowed ROEs.

- Finally, California's courts have generally refused to take on cases that would involve judicial review of regulatory decisions by the CPUC.

These elements of California's regulatory structure, while extremely important to effective rate making and thus to utility shareholders, are so arcane as to attract little or no interest from politicians, much less ordinary voters. On the contrary, our recent meetings in California confirm our belief that these key elements of California's regulatory framework have become increasingly institutionalized and unlikely to be the subject of radical change.

California's Energy Policy Consensus

A second feature of California's regulatory environment to date has been a broad consensus among utilities, regulators and politicians as to the key objectives of energy policy. Critical elements of this consensus have included (i) a commitment to long term resource planning to ensure adequate generation capacity; (ii) upgrading of the state's transmission infrastructure, both to ensure that generation capacity is adequately linked to load centers as well as to tie remote renewable resources to the grid; (iii) the roll-out of advance metering infrastructure to all utility customers in the state, so as to permit the development of demand response as an alternative to the construction of peaking capacity; and (iv) increased reliance on renewable resources for energy supplies, as reflected in the state's target of procuring 33% of electricity supplies from renewable resources by 2020.

The capital cost of achieving these objectives has created a bonanza of investment opportunities for the state's utilities. Over the five years from 2006 to 2010, for example, we estimate that the rate base of Southern California Edison has increased 10% annually. The implication, of course, has been a commensurate increase in base rates.

To date, the impact of these rate increases on consumers has been mitigated in several ways. Perhaps most importantly, rates for low volume residential consumers have remained frozen, and increases in utilities' revenue requirement have been collected solely from higher volume customers. This has created a large and growing disparity in rates whereby high volume (and presumably high income) residential customers subsidize lower volume consumers. In 2009, PG&E estimates that its lowest volume residential customers (Tier 1) paid an average rate of 10 cents per kWh, while its highest volume customers (Tier 5) paid 50 cents per kWh. By comparison, the average residential electricity rate nationally in 2009 was 11.6 cents per kWh. Second, while average residential electricity rates in California are well above the nation's average (15.1 cents per kWh in California vs. 11.6 cents nationally) the average electricity *bill* is much lower ($87 per month in California in 2009 vs. $105 nationally), reflecting the state's mild climate and consequently lower electricity use. Third, the wholesale power market in California is one where gas fired generators are the marginal, price-setting units, causing power prices to move with the price of natural gas. Consequently, as Henry Hub natural gas prices fell from an average of $8.90/MMBtu in 2008 to $4.20/MMBtu in 2009, California's electric utilities have been able to generate electricity at lower costs and renew power supply agreements at lower rates. Lower fuel and purchased power costs have offset to a degree the upward pressure on electricity rates created by rapid rate base growth.

The Threat from Rising Rates

In this week's meetings, however, whether with utilities, consumer advocates or the CPUC, we heard that electricity rates in California are beginning to come under public scrutiny. Already, the disproportionate burden placed on high volume residential customers has led to the elimination of the freeze on low volume electricity rates; rates for lower volume customers (Tiers 1 through 3) may now be increased at a rate equivalent to consumer price inflation plus 1%. Looking further ahead, the state's objective of achieving 33% renewable generation by 2020 represents a formidable and costly challenge. Yet the 33% target enjoys broad political support in California, ranging from the Democratic controlled legislature to the sitting Republican governor and the GOP's gubernatorial candidate, and is unlikely to be abandoned quickly.

We estimate the 33% target would require California to quadruple its supply of renewable energy over the coming decade. Excluding conventional hydroelectric generation, California produced some 26 million MWh of electricity from renewable resources in 2009. Retail sales of electricity in the state in that year were some 257 million MWh. If these were to grow at 1.3% annually through 2020, as forecast by NERC (the North American Electric Reliability Corporation), retail sales of electricity in the state could reach some 300 million MWh by 2020. Even before allowing for transmission losses, a 33% renewable generation requirement would imply 100 million MWh of power output from non-hydro renewable sources, four times current levels.

We estimate the capital cost of the renewable capacity required to meet the 33% target to be between $76 billion and $82 billion, depending on the mix of renewable resources used, or the equivalent of $7.6 billion to $8.2 billion annually over the coming decade. The combined capital expenditures of the state's three investor owned utilities, by comparison, are running at a rate of approximately $10.7 billion annually. Much of this investment, however, is offset by depreciation, mitigating the impact on base rates; the increase in renewable generation capacity, by contrast, represents net new additions to capital invested in electricity supply. The capital investment required to meet California's 33% renewable target is thus likely have a roughly equivalent impact on base rates as the current capex plans of the three investor owned utilities in the state.

Another looming risk for the state's electric utilities is the scheduled roll out of dynamic pricing for residential electricity costumers. Because dynamic pricing depends on high critical peak prices to reduce peak demand, the risk to utilities is that ratepayers with limited ability to modify consumption patterns will resist its implementation. To date, pricing schemes that link retail electricity rates to hourly wholesale prices have been limited to large industrial customers. Next year, dynamic rates will be extended to certain agricultural and large commercial customers. But by 2014, dynamic pricing is scheduled to be rolled out to a wide swathe of small commercial and residential customers. As dynamic pricing is introduced to each new customer class, the size, sophistication and flexibility of the ratepayers affected falls, and the risk of adverse reaction increases. When dynamic pricing was introduced by Pacific Gas & Electric to residential customers in Bakersfield last summer, the company met with thousands of customer complaints. The introduction of dynamic pricing across the state carries the risk of much wider ratepayer backlash.

California's utilities are weighing various alternative pricing formulas to minimize the potential for adverse ratepayer reaction. First, California law allows small retail customers to opt out of dynamic pricing programs. Second, dynamic pricing may be offered in the form of a rebate to rates during peak demand hours, rather than an increase in peak hour prices. Third, utilities are planning extensive consumer education efforts designed to demonstrate to customers the potential to modify consumption patterns to reduce their electricity bills.

Conclusion

In our meetings with both Southern California Edison and Pacific Gas & Electric, we sensed a recognition that the scale of future rate increases – driven by rapid growth in utility rate base and California's ambitious 33% renewable target -- combined with the rollout of dynamic pricing to residential customers, will create a riskier environment for the state's utilities in the years ahead. The companies seem to be adopting a more defensive posture as a result. In our meeting with Southern California Edison, which forecasts rate base growth of 8% to 11% annually over the next five years, Edison CEO Ted Craver acknowledged that an optimal rate of growth for the utility would be significantly lower, perhaps in the range of 5% to 8%. Similarly cognizant of the need to limit rate increases, PG&E pointed out that the investments they had proposed in connection with their 2011-2013 General Rate Case, even if adopted in full by the Commission, would be largely offset by the roll-off of high cost power supply agreements, including those executed with the Department of Water Resources, which expire by the end of 2013. The combined impact on average system rates, PG&E claims, would allow the company to limit the increase in average electricity rates to 1% per year.

We rate PCG outperform with a price target of $49 and rate EIX market perform with a price target of $37.

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Valuation Methodology

Our target prices reflects the results of three alternative valuation methodologies: (i) a multiple-based valuation calculated by applying the median valuation multiples of a group of comparable companies to our estimates of a utility's future earnings, dividends and EBITDA; (ii) a discounted cash flow model over the forecast period of 2010-2015, and a terminal value in 2015 discounted back to present value at the weighted average cost of capital; and (iii) a discounted dividend model over the forecast period of 2010-2015, and a terminal value in 2015, discounted back to present value at the cost of equity.

Risks

EIX:

There are several possible risks to our price target. EMG's large portfolio of coal-fired plants is exposed to gas price volatility. Our estimate of EMG's value is based on current forward power prices, which in turn reflect the prevailing forward curve for natural gas. For 2010, the forward gas price averages $4.51/MMBtu, rising to $5.15 in 2011, $5.58 in 2012, and approximately $5.85 in 2013. Given EMG's forecast coal fired generation in 2012, and in the absence of any power price hedges, we estimate that a $1.00/MMBtu increase in gas prices would add some $169 million in after-tax earnings at EMG's coal-fired fleet, or $0.51 per EIX share. Thus a $1.00/MMBtu increase in the gas price, if perceived by the market to be sustainable and capitalized at an 8x P/E multiple, could add $4.00 to the value of EIX stock.

Another significant risk to our earnings forecast is the prospect that federal or state government may impose a cap-and-trade scheme to limit power plant emissions of CO2. Coal-fired power plants in the United States emit, on average, twice as much CO2 per MWh (1.1 tons) as do their gas-fired competitors (0.6 tons). The impact on generation costs of a mandatory program of allowance purchases for CO2 emissions will thus be far greater for coal-fired plants than gas-fired generators. In the event CO2 emissions limits are imposed by the federal government, and allowances are sold by the government rather than allocated to generators for free, we estimate that an allowance price of $10/Mt would reduce EMG's earnings by $105 million, or $0.32 per share.

Risks at EIX's regulated utility, Southern California Edison for the next five years are primarily associated with the investment programs that are subject to various regulatory proceedings. Although SCE has received its 2009 GRC decision, it only determined rates for 2009 through 2011. Some 78% of the 2009-13 capital investment program is to be determined by proceedings beyond 2009 GRC, including 41% under upcoming 2012 GRC, 11% under other CPUC proceedings, and 26% under FERC rate cases. Therefore the projected rate base growth from 2010 through 2014 would be affected by the outcomes of these various regulatory proceedings, posing risk for SCE's earnings.

PCG:

The risks to our earnings estimates, price target and rating for PCG are primarily related to the upcoming 2011 GRC, which will set PG&E's rates and rate base for the period of 2011 through 2013, and thus determine PG&E's earnings for the period. Our EPS forecasts for 2009 and beyond, and our target price for PG&E, could be put at risk by significant revisions to projected capital expenditures over our forecast period, corresponding to regulatory decisions. Longer term risks include a reduction by the CPUC of PG&E's allowed ROE and equity ratio.

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  Outperform: Stock will outpace the market index by more than 15 pp in the year ahead.

  Market-Perform: Stock will perform in line with the market index to within +/-15 pp in the year ahead.

  Underperform: Stock will trail the performance of the market index by more than 15 pp in the year ahead.

  Not Rated: The stock Rating, Target Price and estimates (if any) have been suspended temporarily.

- As of 08/09/2010, Bernstein's ratings were distributed as follows: Outperform - 43.9% (1.7% banking clients) ; Market-Perform - 49.2% (1.0% banking clients); Underperform - 6.8% (0.0% banking clients); Not Rated - 0.0% (0.0% banking clients). The numbers in parentheses represent the percentage of companies in each category to whom Bernstein provided investment banking services within the last twelve (12) months.
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- The following companies are or during the past twelve (12) months were clients of Bernstein, which provided non-investment banking-securities related services and received compensation for such services PCG / PG&E Corp.
- An affiliate of Bernstein received compensation for non-investment banking-securities related services from the following companies EIX / Edison International, PCG / PG&E Corp.
- In the next three (3) months, Bernstein or an affiliate expects to receive or intends to seek compensation for investment banking services from EIX / Edison International, PCG / PG&E Corp.

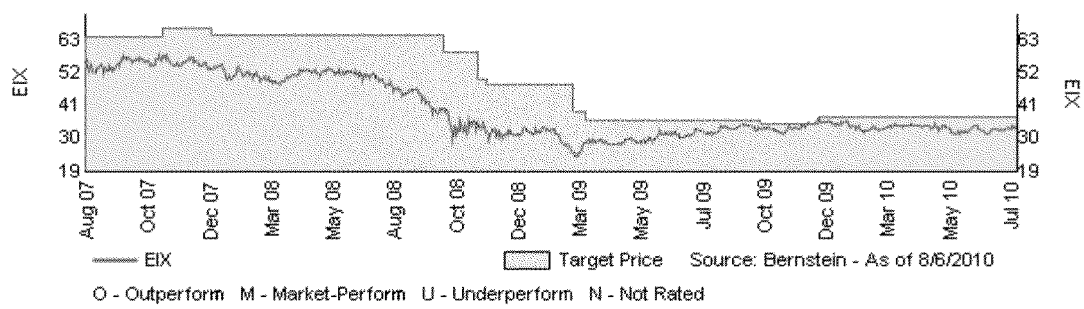
12-Month Rating History as of 08/25/2010

Ticker	Rating Changes	
EIX	M (RC) 10/08/09	O (IC) 11/11/04
PCG	O (RC) 03/22/07	

Rating Guide: O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated
Rating Actions: IC - Initiated Coverage, DC - Dropped Coverage, RC - Rating Change

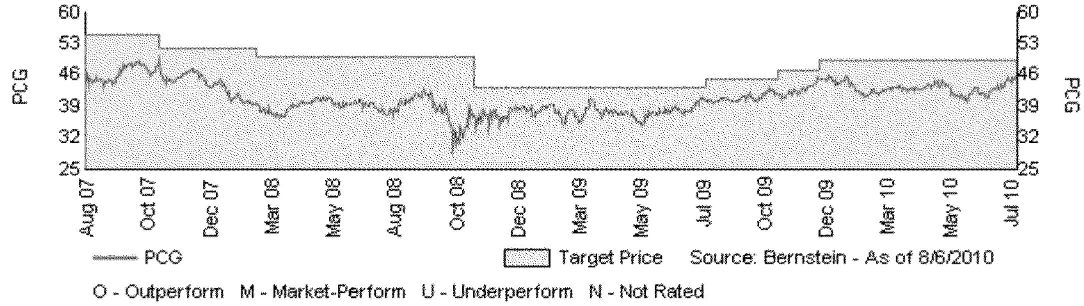
EIX / Edison International

Date	Rating	Target(USD)
08/01/07	O	64.00
11/05/07	O	67.00
01/02/08	O	65.00
10/02/08	O	59.00
11/10/08	O	50.00
11/21/08	O	48.00
03/03/09	O	39.00
03/18/09	O	36.00
10/08/09	M	35.00
12/18/09	M	37.00



PCG / PG&E Corp

Date	Rating	Target(USD)
08/01/07	O	55.00
11/02/07	O	52.00
02/25/08	O	50.00
11/07/08	O	43.00
08/06/09	O	45.00
10/30/09	O	47.00
12/18/09	O	49.00



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