

From: Peevey, Michael R.
Sent: 1/27/2011 12:12:17 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7);
Brown, Carol A. (carol.brown@cpuc.ca.gov)
Cc:
Bcc:
Subject: RE: Analyst Report - J.P. Morgan Downgrade

As I suggested before, this info should go to the Governor's office, probably best to Nancy McF. Jerry has to be made aware that actions have consequences and the economy is best off with a stable utility sector.

From: Cherry, Brian K [mailto:BKC7@pge.com]
Sent: Thursday, January 27, 2011 12:08 PM
To: Peevey, Michael R.; Brown, Carol A.
Subject: Fw: Analyst Report - J.P. Morgan Downgrade

More news from the analysts.

From: Lam, Lisa
Sent: Thursday, January 27, 2011 10:31 AM
To: Officers of PG&E Corporation; Officers of Pacific Gas and Electric
Cc: Investor Relations (list)
Subject: Analyst Report - J.P. Morgan Downgrade

This morning, Andy Smith of J.P. Morgan downgraded Edison International and PCG, from "BUY" to "HOLD", based on the regulatory uncertainty in California that is suggested with the two new commissioners appointed to the CPUC earlier in the week.

Similar to the reports circulated yesterday from Deutsche Bank and UBS, J.P. Morgan stated that investors fear the Governor could have swung the Commission too far in the consumer-oriented direction with the appointments of Mike Florio and Catherine Sandoval, which ultimately could be detrimental to the utilities' ability to recover significant capital investments in the future.

The report also expressed concerns around Mike Peevey remaining in his current role as President of the Commission. The investment community has not received a clear indication from the governor that commissioner Peevey will continue to serve as President and investors would view Peevey's departure from the CPUC negatively given his even-handed leadership of the Commission.

In trading today, the utility sector is performing in line with the broader markets. PCG is up

approximately 0.6% compared to the S&P 500 which is up 0.2% and the Dow Jones Utility Average which is up 0.3%. PCG has already significantly underperformed year-to-date and today's report may reflect information already incorporated in the stock price.

For your reference, the full report is attached.

Lisa

The contents of this email are provided solely for your information and are not intended as investment advice. We do not intend to endorse the opinions expressed in any externally prepared reports that may accompany this email and you should not rely on them for investment advice.

Lisa Lam

PG&E Investor Relations

One Market Plaza, Spear Tower, 2400

San Francisco, CA 94105

(415) 817-8137