

From: Cherry, Brian K  
Sent: 1/11/2011 3:10:55 PM  
To: 'michael.peevey@cpuc.ca.gov' (michael.peevey@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: Re: Analyst Report - Citigroup Downgrade

Done. We worry about our GRC changes too.

**From:** Peevey, Michael R. [mailto:michael.peevey@cpuc.ca.gov]  
**Sent:** Tuesday, January 11, 2011 12:23 PM  
**To:** Cherry, Brian K  
**Subject:** RE: Analyst Report - Citigroup Downgrade

You should find a way to get this info to Brown as he makes his decisions on Commissioners ASAP. Probably best coming from a non-utility source, such as investment banker(s).

**From:** Cherry, Brian K [mailto:BKC7@pge.com]  
**Sent:** Tue 1/11/2011 9:16 AM  
**To:** Brown, Carol A.; Peevey, Michael R.; Clanon, Paul  
**Subject:** FW: Analyst Report - Citigroup Downgrade

FYI

**From:** Lam, Lisa  
**Sent:** Tuesday, January 11, 2011 8:40 AM  
**To:** Officers of PG&E Corporation; Officers of Pacific Gas and Electric  
**Cc:** Investor Relations (list)  
**Subject:** Analyst Report - Citigroup Downgrade

Yesterday, Brian Chin of Citigroup downgraded two out of the three utilities in California, Edison International and PG&E, on the uncertainty and potential shifting dynamics in the regulatory arena. Chin cited that the possible non-confirmation of Commissioner Ryan and the appointment of three new Commissioners could result in a significant change to the current constructive regulatory environment.

Chin noted that his view on California's regulatory space is more focused on how the CPUC could evolve in the longer term, in six months to a year. His concern is 1) the CPUC has been criticized in the media for being too close to the Utilities, and may "pull back" to quiet some of the critics, and 2) President Peevey may reconsider his role at the CPUC as a result of the Commissioners who are appointed by Governor Brown.

A major risk cited by Chin about the potential new appointees to the Commission is that there may not be a balance between the need for regulatory oversight while still allowing the Utilities to earn a reasonable rate of return. Media reports have referenced potential candidates whose backgrounds are in politics and environment/wildlife advocacy, which historically do not align with constructive regulatory policies.

For the first six trading days of the year, PCG is down 2.8% at \$46.52, compared to the average comparator group company, which is up 0.1%. The S&P 500 year-to-date is up 1.0%, and the Dow Jones Utility Average 0.1%. Over the past week, we have received a downgrade from Barclays and NTSB recommendations that generated a number of articles in the media, raising investor concerns about the implications for PG&E. And while Morgan Stanley upgraded PCG on Thursday, January 6, the overall tone from investors in 2011 remains cautious.

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