

From: Peevey, Michael R.
Sent: 1/26/2011 5:25:09 PM
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Cc:
Bcc:
Subject: RE: Analyst Reports - CPUC Appointments

Well, you cannot be too happy. Work cut out. Sunniest days are gone.

From: Cherry, Brian K [mailto:BKC7@pge.com]
Sent: Wednesday, January 26, 2011 1:34 PM
To: Peevey, Michael R.; Brown, Carol A.
Subject: Fw: Analyst Reports - CPUC Appointments

FYI.

From: Lam, Lisa
Sent: Wednesday, January 26, 2011 12:57 PM
To: Officers of PG&E Corporation; Officers of Pacific Gas and Electric
Cc: Investor Relations (list)
Subject: Analyst Reports - CPUC Appointments

Governor Brown appointed commissioners to fill two of the three vacancies at the CPUC yesterday afternoon. Following the appointments, a number of analysts issued reports commenting on the two new commissioners and views on the regulatory environment in California, which are summarized below.

For those who haven't heard, Mike Florio, a senior attorney for the Utility Reform Network (TURN) and Catherine Sandoval, associate professor at Santa Clara University School of Law were appointed as commissioners to the CPUC. The Barclays report attached provides the most complete description of their backgrounds. Both were among those who were suggested publicly to be on the governor's list of candidates.

Key questions raised by analysts in published reports, as exemplified by the Deutsche Bank and UBS reports attached, as well as questions we've received in IR include:

- Will Mike Peevey continue as President of the commission?
- Who will be the third commissioner appointed to the CPUC?
- With three new commissioners, what will be the overall direction of the 5-member Commission; and whether it will be much more consumer oriented to the detriment of investors?

The reports also observe that the overall direction of the Commission will be apparent in the upcoming regulatory items on the calendar: a decision for PCG's GRC, EIX and SRE's GRCs being processed in 2011, and the Cost of Capital framework in 2012.

In trading today, the utility sector is underperforming the broader markets. PCG is down approximately 0.6% compared to the S&P 500 which is up 0.8% and the Dow Jones Utility Average which is down 0.3%.

Lisa

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Lisa Lam

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