

North America United States  
 Industrials Utilities and Power

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<b>COMPANY ALERT</b>	<b>Breaking News</b>
<b>PG&amp;E Corp</b>	<b>Hold</b>
<b>GRC proposed decisions filed</b>	Reuters:PCG.N Exchange:NYS Ticker:PCG

Price (USD)	45.21
Price target	49.00
52-week range	48.58 - 40.00
Market cap (USDm)	17,966.5
Shares outstanding (m)	397.4
Free float (%)	100
Volume (22 Feb 2011)	895,122
S&P 500 INDEX	1,315.44

FYE 12/31	2010A	2011E	2012E
1Q EPS	0.79	0.90	0.97
2Q EPS	0.91	1.05	1.12
3Q EPS	1.02	1.15	1.23
4Q EPS	0.70	0.60	0.64
FY EPS (USD)	3.42	3.70	3.95
P/E (x)	13.0	12.2	11.5

\* Includes the impact of FAS123R requiring the expensing of stock options.

**Proposed decisions filed.** Last night, an ALJ proposed decision (PD) and an alternate proposed decision (APD) by California Public Utilities Commission (CPUC) President Peevey were filed in PCG's 2011 General Rate Case (GRC). Both proposals would approve the settlement, as expected, and allow PCG to earn a return on the undepreciated old meter balance (which was the one unsettled issue in the case). The difference between the PD and APD is the rate of return on the meters, a difference of \$6M in terms of revenue requirement. The proposed decisions would amortize the meters over 6 years, rather than PCG's proposed 18 years.

**New requirements respond to San Bruno complaints.** Both proposed decisions add new reporting requirements that respond to concerns raised after the San Bruno explosion. PCG would be required to file its capex plan annually and to explain any differences versus the GRC. In the next GRC, PCG would be required to explain and justify any cost deferrals or reprioritizations. The proposed decisions would require PCG to file gas distributor pipeline safety reports every 6 months.

**Decision possible on March 24.** We note that the PDs were filed in time to allow for a potential decision at the March 24 CPUC meeting. Comment are due on March 14, and reply comments are due March 19.

**Headline risks remain.** We believe approval of PCG's GRC settlement is a positive but was largely expected. Other challenges remain for the stock in the near term. Uncertainty over how much longer President Peevey will stay on the CPUC and negative headlines from San Bruno, which we expect to increase with the March 1-3 NTSB hearings, will continue to weigh on the stock, in our view, and we reiterate our Hold rating on PCG.

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Deutsche Bank Securities Inc.

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