

North America United States
 Industrials Utilities and Power

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COMPANY ALERT

PG&E Corp

CEO retiring after tough 2010

Breaking News

Hold

Reuters:PCG.N Exchange:NYS Ticker:PCG

Price (USD)	45.18
Price target	49.00
52-week range	48.58 - 40.00
Market cap (USDm)	17,954.6
Shares outstanding (m)	397.4
Free float (%)	100
Volume (21 Apr 2011)	615,411
S&P 500 INDEX	1,312.62

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	11.4

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

After the close on Thursday PCG announced that Chairman, CEO and President Peter Darbee would retire on April 30, 2011, in a mutual decision with the board of directors. The board has already begun to search for his replacement and plans to announce its decision "in the weeks ahead." It is our understanding that the board is considering both internal and external candidates for the position. We note that in a separate 8-K, PCG also disclosed that Pacific Gas & Electric President Chris Johns would receive a \$1M retention bonus (paid in restricted stock units), implying that he is not a candidate for CEO. We believe the board wants to maintain continuity in the utility's leadership as it works through the San Bruno aftermath with the California Public Utilities Commission (CPUC). Lead Director Lee Cox will serve as interim Chairman, CEO, and President.

The decision comes following a very challenging 2010 for PCG, with the September 2010 San Bruno explosion, the Proposition 16 failure, and the SmartMeter roll-out issues straining relationships with regulators, legislators, and ratepayers. We believe investors may view the announcement of change at the top favorably, with the view that new leadership could aid PCG's rebuilding efforts with key stakeholders.

PCG is scheduled to report 1Q11 earnings on May 3. We note that PCG is also waiting for a decision on its 2011 General Rate Case (GRC), which could come as early as May 5.

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Deutsche Bank Securities Inc.

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