Daniel Ford, CFA +1 212 526 0836 dan.ford@barcap.com BCI, New York

Ross A. Fowler, CFA +1 617 330 5893 ross.fowler@barcap.com BCI, New York

PCG (2-EW / 1-Positive, $45.18, $53 PT)

Details of Darbee's Departure

Current CEO and Chairman of the Board, and President of PG&E Corporation, Peter Darbee, 58, announced late on Thursday April 21st, in what we view as a somewhat surprising move, that he would step down and retire from both positions effective April 30th, 2011. Mr. Darbee joined PG&E Corporation in 1999 as Chief Financial Officer. He was appointed CEO in 2005 and assumed the additional role of Chairman of the Board in 2006. In an 8-K the company indicated that the Board of Directors already has a search underway for Mr. Darbee's successor. Until completion of the search the Board has appointed C. Lee Cox, 70, to serve as interim Chairman of the Board, CEO, and President of PG&E Corporation. Mr. Cox has been a Director of PG&E Corporation since 1996 and non-executive Chairman of the Utility's Board of Directors since the beginning of 2008. He is also the independent lead director of PG&E Corporation and the Utility. While Mr. Cox serves in his interim roles he cannot, according to the by-laws of the company maintain his role as independent lead Director. The Board has thus appointed Maryellen C. Herringer, a current Director of the Corporation and the Utility to serve as independent lead director of both of those entities. Further, current Director Barbara L. Rambo will replace Mr. Cox as the interim Chair of the Compensation Committee. Mr. Cox has also resigned from the Finance Committee.

Since Mr. Darbee is retiring, he will not be eligible for any severance payment or other severance benefits. He will however receive the retirement and pension benefits as disclosed in the company's most recent proxy statement. The Board also approved a retention award for current President of the Utility, Christopher P. Johns for RSUs worth $1 million with an expected grant date of May 6th, 2011. One-half of the RSUs will vest on the second anniversary of the date of grant and the remainder will vest on the third anniversary of the date of grant provided that Mr. Johns remains an employee on each vesting date. The RSUs will vest sooner if Mr. Johns dies or becomes disabled. If Mr. Johns' employment with the Utility is terminated without cause, his RSUs will vest to the extent provided under the PG&E Corporation Officer Severance Policy. The San Bruno Patch ("PG&E Corp. CEO Steps Down in Wake of Pipeline Explosion", April 22nd, 2011, by Martin Ricard, http://sanbruno.patch.com/articles/pge-corp-ceo-steps-down-in-wake-of-pipeline-explosion) quoted Darbee's retirement package as worth approximately $35 million.

Our Thoughts

As we noted above we view the departure of Mr. Darbee as somewhat surprising, considering the CEO role at PG&E Corp did not change during the company's bankruptcy. This to us, is indicatory of the amount of public relations and political pressure the company has come under following, what the company states in its own press release as a "challenging year". We would note that the largest political and regulatory pressure has certainly come as a result of the San Bruno pipeline explosion last fall, but would also note that the company came under some scrutiny for a ballot initiative last year that would have required super majority votes to municipalize electricity service. Further scrutiny has been occurring around the company's Advance Smart Meter installation program, and the potential relicensing of the Diablo Canyon nuclear power plant. We would note that while this is an important and significant first step, we believe that further steps will need to be taken for PG&E to satisfy regulators, politicians, and the public.

In a San Francisco Chronicle Article ("PG&E Searches for a New CEO to Replace Peter Darbee", April 23rd, 2011, by David R. Baker, http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/04/22/BU601J64SN.DTL), Current President of the California Public Utilities Commission (CPUC) was quoted as saying, "As PG&E's Board of Directors recruits a successor, the CPUC urges the company to return to its roots by hiring the most technically competent person, someone with a long-standing history of performance in the energy industry." We are of the opinion that given the challenging history of the past year that an external candidate with a strong operational background would make the best candidate for the position and do not believe an internal candidate is currently viable. In the same San Francisco Chronicle article, Assemblyman Jerry Hill, who represents San Bruno was quoted, "It has to be someone from the outside, someone who can come in with no baggage. The utility industry and the regulators seem to have an incestuous relationship." Mark Toney, Executive Director of The Utility Reform Network, TURN, also was quoted as saying, "We've *had* someone from outside the industry running the utility. They need someone who can rebuild internally as well as rebuild their relations with the customers." The company's press release also noted that the Board would make an announcement in the "coming weeks" indicating to us that the search has probably already been underway and that the Board at the least has a short list of potential candidate.

We believe that while Mr. Darbee's departure is a albeit surprising large first step on the part of the company, that there are still several challenging catalysts ahead, including: decisions around both a potential moratorium on SmartMeters, the coming decision on the company's Electric GRC by the CPUC, a decision around and seismic studies to be conducted for the Diablo Canyon relicensing process, the hearings and conclusions both at the National Transportation Safety Board (NTSB) and the CPUC concerning the San Bruno pipeline explosion and the company's record keeping practices of acceptable operational pressures in it's pipeline network, and lastly, the process, beginning in April 2012 of determining both an ongoing methodology for determining returns on equity in California and the allowed ROEs for the 2013 calendar year.

**Analyst Certification:**
We, Daniel Ford, CFA and Ross A. Fowler, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

**Important Disclosures:**
Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.
Investors should consider this report as only a single factor in making their investment decision.
The analysts responsible for preparing this research report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking

activities.
For current important disclosures, including, where relevant, price target charts, regarding companies that are the subject of this research report, please send a written request to: Barclays Capital Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to http://publicresearch.barcap.com or call 1-212-526-1072.
On September 20, 2008, Barclays Capital acquired Lehman Brothers' North American investment banking, capital markets, and private investment management businesses. All ratings and price targets prior to this date relate to coverage under Lehman Brothers Inc.
Barclays Capital produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

**Mentioned Stocks (Ticker, Date, Price)**
PG&E Corp. (PCG, 21-Apr-2011, USD 45.18), 2-Equal Weight/1-Positive, D/E/J/K/L/M
**Valuation Methodology:** Our price target of $53 is premised upon a 7% regulatory jurisdiction premium to the current regulated utility multiple of 12.8x our 2012E EPS of $3.84E.
**Risks which May Impede the Achievement of the Price Target:** Key risks include California and Federal regulation, rating agency actions, interest rates and access to capital markets.

**Disclosure Legend:**
**A:** Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.
**B:** An employee of Barclays Bank PLC and/or an affiliate is a director of this issuer.
**C:** Barclays Bank PLC and/or an affiliate is a market-maker and/or liquidity provider in securities issued by this issuer or one of its affiliates.
**D:** Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.
**E:** Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer within the next 3 months.
**F:** Barclays Bank PLC and/or an affiliate beneficially owns 1% or more of any class of common equity securities of this issuer.
**G:** One of the analysts on the coverage team (or a member of his or her household) owns shares of the common stock of this issuer.
**H:** This issuer beneficially owns 5% or more of any class of common equity securities of Barclays Bank PLC.
**I:** Barclays Bank PLC and/or an affiliate has a significant financial interest in the securities of this issuer.
**J:** Barclays Bank PLC and/or an affiliate trades regularly in the shares of this issuer.
**K:** Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation from this issuer within the past 12 months.
**L:** This issuer is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.
**M:** This issuer is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.
**N:** This issuer is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.
**O:** Barclays Bank PLC is associated with specialist firm Barclays Capital Market Makers, which makes a market in this issuer's stock. At any given time, the associated specialist may have "long" or "short" inventory position in the stock; and the associated specialist may be on the opposite side of orders executed on the Floor of the Exchange in the stock.

**Guide to the Barclays Capital Fundamental Equity Research Rating System:**
Our coverage analysts use a relative rating system in which they rate stocks as 1-Overweight, 2- Equal Weight or 3-Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry sector ("the sector coverage universe"). To see a list of companies that comprise a particular sector coverage universe, please go to http://publicresearch.barcap.com.
In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

**Stock Rating**
**1-Overweight** - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
**2-Equal Weight** - The stock is expected to perform in line with the unweighted expected total return of

the sector coverage universe over a 12-month investment horizon.
**3-Underweight** - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
**RS-Rating Suspended** - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including when Barclays Capital is acting in an advisory capacity in a merger or strategic transaction involving the company.

**Sector View**
**1-Positive** - sector coverage universe fundamentals/valuations are improving.
**2-Neutral** - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.
**3-Negative** - sector coverage universe fundamentals/valuations are deteriorating.

**Distribution of Ratings:**
Barclays Capital Inc. Equity Research has 1761 companies under coverage.
43% have been assigned a 1-Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 53% of companies with this rating are investment banking clients of the Firm.
42% have been assigned a 2-Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 44% of companies with this rating are investment banking clients of the Firm.
12% have been assigned a 3-Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 36% of companies with this rating are investment banking clients of the Firm.

**Guide to the Barclays Capital Price Target:**
Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

**Barclays Capital offices involved in the production of equity research:**
London
Barclays Capital, the investment banking division of Barclays Bank PLC (Barclays Capital, London)

New York
Barclays Capital Inc. (BCI, New York)

Tokyo
Barclays Capital Japan Limited (BCJL, Tokyo)

São Paulo
Banco Barclays S.A. (BBSA, São Paulo)

Hong Kong
Barclays Bank PLC, Hong Kong branch (Barclays Bank, Hong Kong)

Toronto
Barclays Capital Canada Inc. (BCC, Toronto)

Johannesburg
Absa Capital, a division of Absa Bank Limited (Absa Capital, Johannesburg)

This publication has been prepared by Barclays Capital, the investment banking division of Barclays Bank PLC, and/or one or more of its affiliates as provided below. It is provided to our clients for information purposes only, and Barclays Capital makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. Barclays Capital will not treat unauthorized recipients of this report as its clients. Prices shown are indicative and Barclays Capital is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.
Without limiting any of the foregoing and to the extent permitted by law, in no event shall Barclays Capital, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to Barclays Capital, the information contained in this publication has been obtained from sources that Barclays Capital believes to be reliable, but Barclays Capital does not represent or warrant that it is accurate or complete. The views in this publication are those of Barclays Capital and are subject to change, and Barclays Capital has no obligation to update its opinions or the information in this publication.

The analyst recommendations in this publication reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of Barclays Capital and/or its affiliates. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Barclays Capital recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This communication is being made available in the UK and Europe primarily to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005. It is directed at, and therefore should only be relied upon by, persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Capital is authorized and regulated by the Financial Services Authority ('FSA') and member of the London Stock Exchange.

Barclays Capital Inc., U.S. registered broker/dealer and member of FINRA (www.finra.org), is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

This material is distributed in Canada by Barclays Capital Canada Inc., a registered investment dealer and member of IIROC (www.iiroc.ca).

Subject to the conditions of this publication as set out above, Absa Capital, the Investment Banking Division of Absa Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06), is distributing this material in South Africa. Absa Bank Limited is regulated by the South African Reserve Bank. This publication is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Absa Capital in South Africa, 15 Alice Lane, Sandton, Johannesburg, Gauteng 2196. Absa Capital is an affiliate of Barclays Capital.

In Japan, foreign exchange research reports are prepared and distributed by Barclays Bank PLC Tokyo Branch. Other research reports are distributed to institutional investors in Japan by Barclays Capital Japan Limited. Barclays Capital Japan Limited is a joint-stock company incorporated in Japan with registered office of 6-10-1 Roppongi, Minato-ku, Tokyo 106-6131, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokucho (kinsho) No. 143.

Barclays Bank PLC, Hong Kong Branch is distributing this material in Hong Kong as an authorised institution regulated by the Hong Kong Monetary Authority. Registered Office: 41/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Barclays Bank PLC Frankfurt Branch distributes this material in Germany under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.

This material is distributed in Brazil by Banco Barclays S.A.

Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence.

Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi).

Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box

15891, Doha, Qatar.
This material is distributed in Dubai, the UAE and Qatar by Barclays Bank PLC. Related financial products or services are only available to Professional Clients as defined by the DFSA, and Business Customers as defined by the QFCRA.
This material is distributed in Saudi Arabia by Barclays Saudi Arabia ('BSA'). It is not the intention of the Publication to be used or deemed as recommendation, option or advice for any action (s) that may take place in future. Barclays Saudi Arabia is a Closed Joint Stock Company, (CMA License No. 09141-37). Registered office Al Faisaliah Tower | Level 18 | Riyadh 11311 | Kingdom of Saudi Arabia. Authorised and regulated by the Capital Market Authority, Commercial Registration Number: 1010283024.
This material is distributed in Russia by Barclays Capital, affiliated company of Barclays Bank PLC, registered and regulated in Russia by the FSFM. Broker License #177-11850-100000; Dealer License #177-11855-010000. Registered address in Russia: 125047 Moscow, 1st Tverskaya-Yamskaya str. 21.
This material is distributed in India by Barclays Bank PLC, India Branch.
This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this report, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is One Raffles Quay Level 28, South Tower, Singapore 048583.
Barclays Bank PLC, Australia Branch (ARBN 062 449 585, AFSL 246617) is distributing this material in Australia. It is directed at 'wholesale clients' as defined by Australian Corporations Act 2001.
IRS Circular 230 Prepared Materials Disclaimer: Barclays Capital and its affiliates do not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.
Barclays Capital is not responsible for, and makes no warranties whatsoever as to, the content of any third-party web site accessed via a hyperlink in this publication and such information is not incorporated by reference.
© Copyright Barclays Bank PLC (2011). All rights reserved. No part of this publication may be reproduced in any manner without the prior written permission of Barclays Capital or any of its affiliates. Barclays Bank PLC is registered in England No. 1026167. Registered office 1 Churchill Place, London, E14 5HP. Additional information regarding this publication will be furnished upon request.

Edit my subscriptions profile | Unsubscribe me from this email

Barclays Capital uses your contact information to deliver research to you. Barclays Capital reserves the right, as permitted by applicable law, to monitor electronic communications. We use cookies and other tracking technologies to collect information about recipients of electronic communications (such as internet protocol addresses). We use the information collected to monitor the effectiveness, and extent and frequency of usage of our products, and to further improve our products and our relationships with our clients. This e-mail is intended only for the person to whom it was originally sent, and may contain information that is confidential, proprietary, privileged or otherwise protected from disclosure. If you are not the intended recipient of this e-mail, please advise the sender by reply e-mail. Do not duplicate or redistribute it by any means. Please delete it and any attachments without retaining any copies. Unless specifically indicated, this e-mail is not an offer to buy or sell, or a solicitation to buy or sell any securities, investment products, or other financial product or service, an official confirmation of any transaction, or an official statement of Barclays Capital. Any views or opinions presented are solely those of the author and do not necessarily represent those of Barclays Capital. This e-mail is subject to terms available at the following link: www.barcap.com/emaildisclaimer By messaging with Barclays Capital you consent to the foregoing. Barclays Capital is the investment banking division of Barclays Bank PLC, a company registered in England (number 1026167) with its registered office at 1 Churchill Place, London, E14 5HP. This email may relate to or be sent from other members of the Barclays Group.