

CEO departure; should help San Bruno pressure

Bank of America Merrill Lynch



Steve Fleishman

+1 646 855 2906

Research Analyst
MLPF&S
steven.fleishman@baml.com

Naaz Khumawala

+1 713 247 7313

Research Analyst
MLPF&S
naaz.khumawala@baml.com

CEO departure not unexpected; should help SB pressure

On April 21, 2011, Peter Darbee, Chairman and CEO of PCG retired, effective April 30, 2011. His departure does not surprise us given the political pressure and intense focus on the company in the wake of the San Bruno (SB) explosion in September 2010. We believe a change in leadership will help the process. As Mr. Darbee has resigned, he will not be receiving any severance. Kent Harvey and Chris Johns will remain as CFO and President of the Utility, respectively. Lee Cox, current lead director of the Board, will serve as interim CEO until a successor is named.

San Bruno remains major overhang on PCG

Though we believe leadership change will help mollify some of the political pressure on the company, we still see San Bruno as a major overhang. We believe it will take some time for the company to regain credibility with the public. In the meantime, we expect considerable focus and political pressure on PCG, and tough treatment from regulators on recordkeeping and safety.

Next Steps on San Bruno investigation

A hearing was held on 4/11/11 on the show cause order and stipulation. It is unclear whether the stipulation in the current form will be passed. The CPUC independent investigation is due in May and will likely include tough recommendations for all California utilities on safety. A final NTSB report is expected in August or September 2011, which will also give recommendations. The current Order Instituting Investigation (OII) is expected to be done this year and will likely result in fines for PCG.

Continue to see major risk priced in; Maintain Buy

We assume a reasonable downside scenario for San Bruno impacts. On our revised estimates PCG still trades at a 7% discount to peers. Maintain Buy and \$48 price objective.

Stock Data

Price	US\$45.18
Price Objective	US\$48.00
Date Established	12-Apr-2011
Investment Opinion	A-1-7
Volatility Risk	LOW
BofAML Ticker / Exchange	PCG / NYS
Bloomberg / Reuters	PCG US / PCG.N

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Refer to important disclosures on page 3 to 6. Analyst Certification on Page 2. Price Objective Basis/Risk on page 2. Link to Definitions on page 2. 11042025

Price objective basis & risk

PG&E Corporation (PCG)

Our \$48 price objective assumes an average P/E of 12.5x 2013E earnings, in line with the regulated utility average. Risks to our outlook are: 1) liability related to the San Bruno explosion, 2) approval of the settlement in the 2011 general rate case and 3) Any unforeseen changes to California regulation.

Link to Definitions

Energy

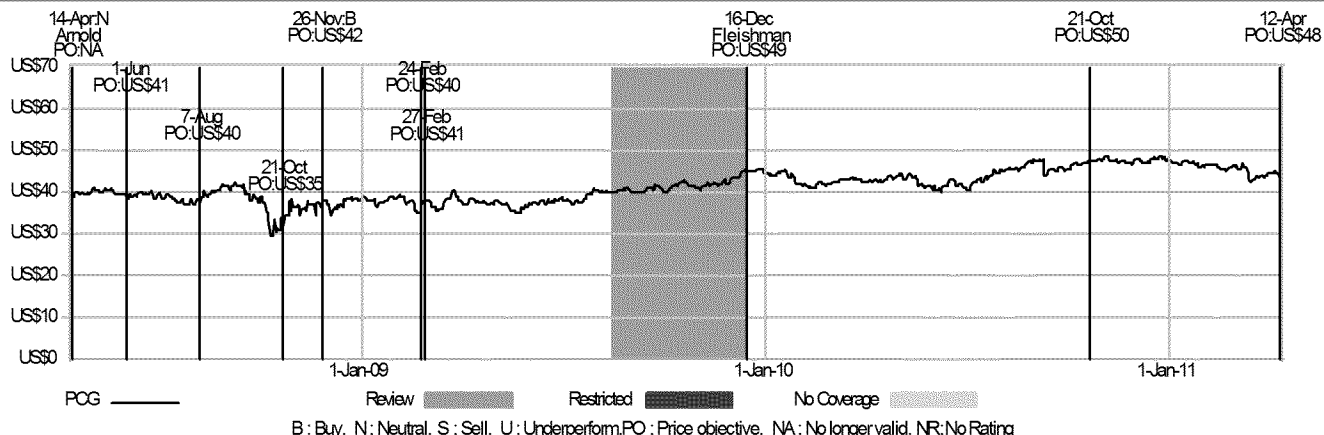
Click [here](#) for definitions of commonly used terms.

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PCG Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR : No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2011 or such later date as indicated.

Investment Rating Distribution: Utilities Group (as of 01 Apr 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	77	42.08%	Buy	33	47.83%
Neutral	53	28.96%	Neutral	33	68.75%
Sell	53	28.96%	Sell	18	38.30%

Investment Rating Distribution: Global Group (as of 01 Apr 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2009	53.66%	Buy	912	49.89%
Neutral	955	25.51%	Neutral	439	50.93%
Sell	780	20.83%	Sell	257	35.11%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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