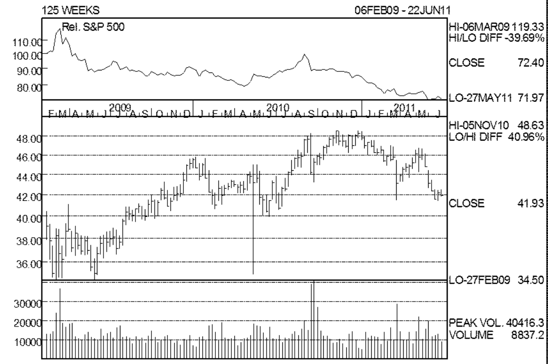
INITIATION | COMMENT

JUNE 23, 2011

PG&E Corporation (NYSE: PCG)

Mixed Fundamentals But Good Entry Point



Outperform
Above Average Risk

Price:	41.50	Price Target:	48.00
		Implied All-In Return:	20%
Shares O/S (MM):	396.0	Market Cap (MM):	16,434
Dividend:	1.82	Yield:	4.4%

Priced at market close June 23, 2011 ET.

RBC Capital Markets, LLC

Shelby Tucker, CFA (Analyst)
(212) 428-6462; shelby.tucker@rbccm.com

FY Dec	2010A	2011E	2012E	2013E
Adj EPS - FD	3.42	3.53	3.71	3.74
P/AEPS	12.1x	11.8x	11.2x	11.1x
Adj EPS - FD	Q1	Q2	Q3	Q4
2010	0.79A	0.91A	1.02A	0.70A
2011	0.58A	1.09E	1.08E	0.78E

All values in USD unless otherwise noted.

Initiate with Outperform Rating, Above Average Risk, and $48 PT

Investment Opinion

We believe that the recent weakness in PG&E's stock price represents an attractive entry point for a stock that still retains a reasonable rate base (invested capital) growth profile dominated by infrastructure upgrades and renewable requirements in California. A number of events have weighed on the stock lately, some temporary in our opinion (San Bruno gas explosion, Fukushima nuclear plant), some more permanent (change of personnel at the state commission).

Our earnings estimates of $3.53, $3.71, and $3.74/share assume a recovery from San Bruno in 2012, but a 50 bps drop in Pacific Gas & Electric's allowed ROE in 2013 causes our estimate that year to be flat relative to 2012. These earnings translate into a 3.1% growth rate over 2010, in contrast to an average 7.4% growth since 2006. Yet, we still expect rate base to grow by 5%-8% through 2014.

Given the aforementioned issues--though somewhat offset by rate base growth--we believe that a slight P/E multiple discount is appropriate. We value PacGas using a 12.9x 2013 P/E, which leads to our $48 price target. Absent the changes at the California Public Utilities Commission (CPUC) and the San Bruno tragedy, our multiple would have probably carried a 10% premium.

Currently, PG&E trades at a discount to most defensive utilities, with an 11.3x 2012 P/E versus 13.4x for the defensive utilities and 11.2x 2013 versus 12.6x. While we understand why the stock trades at a discount, we believe that it is greater than appropriate. We expect the discount to narrow over the next 12-18 months.

The biggest risk to our call is that a combination of non-recoverable costs tied to the San Bruno tragedy and even lower 2013 ROE could lead to our estimates being too high. These risks have prompted us to assign an Above Average Risk rating to PG&E despite the company's defensive nature. We will be monitoring closely the current general rate cases (GRC) that are taking place at the commission for the other two large utilities in the state. Other risks include a premature departure by President Peevey from the CPUC and lower rate base growth.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 17.

Investment Summary

PG&E Corporation (PG&E) is the holding company of Pacific Gas & Electric (PacGas), which serves 5.2 million electric and 4.3 million natural gas customer in Northern and Central California. It owns 7,342 MW of generation – 6,136 MW of which is nuclear and hydroelectric – 49,000 miles of natural gas pipelines (transportation and distribution), 18,600 miles of electric transmission lines, and 141,346 miles of electric distribution lines. PG&E does not have material investments in unregulated assets.

We are initiating coverage of PG&E with an Outperform Above Average Risk rating and a $48 price target. We believe that recent weakness in the stock offers an attractive entry point for a company, whose utility should still be able to grow its rate base by 5%-8% per year through 2013. PacGas' investments are primarily focused on large infrastructure projects, as California seeks to bolster its electric distribution grid and reduce its carbon footprint. Regulation for the most part has been constructive, with the allowed return – currently at 11.35% – set by a bond benchmark through the end of 2012. The recent passage of State Senate Bill 14 (SB14), which mandates a 33% renewable portfolio standard by 2020, insures that the California utilities will continue to invest in their infrastructure. The underlying investment needs should lead to earnings growing at a 6%-8% secular rate, all else being equal. Unfortunately, all else might not be equal.

PG&E is facing a few headwinds, some specific to PacGas, some related to California utilities that have caused the stock to underperform its peers. Management has been dealing with the consequences of a deadly natural gas pipeline explosion that took place on September 9, 2010 in San Bruno, a suburb of San Francisco. Other actions, such as sponsoring failed Proposition 16, have generated negative press that has influenced how PacGas is viewed by politicians and regulators. On a state level, the California Public Utility Commission (CPUC) has gone through some important changes, with the appointment of no fewer than three new commissioners out of five. Given California's checkered history with regulation, particularly during the 2001 energy crisis, such a change can lead to increased regulatory uncertainty for investors. The single most important regulatory development for California will be the upcoming setting of a potentially a new allowed return on equity (ROE) for 2013.

The impact of the San Bruno tragedy is apparent in our estimates, as we expect reduced earnings growth in the next few years, as compared to the past few years. Furthermore, we have assumed that there will be a reset of the ROE in 2013 of 50 basis points (bps) for PacGas, although we believe the CPUC will maintain PacGas' 52% equity layer. As a result of the San Bruno cost and the resetting of the ROE, we expect earnings per share of $3.53, $3.71, and $3.74 for 2011-2013, from $3.42 in 2010. This represents a 3.1% compounded annual growth rate, which is a departure from the 7.4% CAGR PG&E experienced from 2006 to 2010. We expect some of these issues to be an overhang for the stock over the next 18 months. We should get more clarity on the ramifications of the San Bruno accident later this year. Discussions over the setting of the ROE should gain momentum mid-2012. Given some of these uncertainties, we are assigning a discounted P/E multiple of 12.9x on 2013 estimated earnings (2.5% discount). Absent some of PG&E's current unresolved woes, we would have normally assigned a premium multiple, as we do for other California utilities. Using 12.9x P/E, we derive a $48 price target.

Despite our more muted view on the fundamentals, we believe that the market has incorporated many of these issues and more. We also believe that consensus has made the necessary adjustments. Our ROE haircut reduced what could have been our 2013 estimate by about $0.20. Yet our 2013 estimate of $3.74 is about $0.02 above consensus. We would be surprised if the CPUC were to cut the ROE by more than 50 bps.

The biggest risks to our call are two-fold. First, the new commissioners (which could form a majority block) are regulatory unknowns. While we would be very surprised if decisions were reached that threatened the utility's financial outlook, we only need to go back to the California crisis to be reminded that such decisions have been reached in the past by prior commissioners. Second, we are assuming that the growth in the dividend, which was put on hold this year, will resume early next year. If the company, under a new CEO, decides to further delay or even cut the dividend, it would send a powerfully negative message.

We will be closely monitoring the general rate case (GRC) proceedings that will take place this year (and possibly early next year) for the other two major electric utilities in California, Southern California Edison and San Diego Gas & Electric. Other catalysts should be the appointment of a new chief executive officer; the findings from the National Transportation Safety Board (NTSB) and a special panel nominated by the CPUC; and an upcoming equity issuance. Beyond 2011, we expect management to resume its policy of growing its dividend, with increases of 4%-7% per year.

Investment Positives

Achievable Rate Base Growth Driven by State Law: We expect PacGas to invest about $12 billion from 2011-2013. Most of the company's future capital spending is driven by state rather than federal initiative. Earlier this year, California passed Senate Bill 14 which requires a 33% renewable portfolio standard (RPS) for all utilities by 2020. We expect a large portion of the renewable portfolio to be self-served, i.e. in rate base. We expect further transmission investment opportunities to make the 33% RPS mandate a reality. Overall, we believe that the rate base should be able to grow by 7%-9% through 2020. Additional recoverable investments could be mandated for the gas pipeline business following the San Bruno tragedy.

Stock Trading at a Discount: According to our estimate, PG&E is trading at 11.4x 2012 and 11.3x 2013 earnings. These multiples are the lowest among Defensive Utilities, which range between 11.4x-15.3x (for an average 13.2x) for 2012 and 11.3x-14x (for an average of 12.6x) for 2013. Even among the broader electric utility sector, the stock trades at the low end on a P/E basis. When looking at enterprise value-to-EBITDA, the value disconnect is even greater. The stock trades at less than 6x our EBITDA estimate in 2012 and 2013 versus the Defensive Utilities' multiple of about 7.5x. While we realize that the stock could languish at the low end of the valuation range, we ultimately expect PG&E to trade closer to its peers over time and revert back to the average.

Regulation Still Constructive…: California has developed over time a number of mechanisms that should reduce regulatory lag. These include forward test year, timely recovery of generation costs, rate decoupling that virtually eliminates the sensitivity of earnings to the state of the economy or even weather variation, among other measures. Such mechanisms tend to lower the lag between building new assets and incorporating the recovery of those investments through new rates. The current ROE-setting mechanism is also very unique to California. A base ROE is set with CPUC approval at the beginning of a three-year period (the last one was set in 2009). During that period, if the Moody's A-rated utility bond index or BBB-rated utility index moves by more that 100 bps on average from October 1 of the prior year to September 30 of the current year, the base ROE is changed by half of that movement. For example, if the benchmark increases by 180 bps, the ROE would be reset upward by 90 bps. Such mechanism provides tremendous visibility and allows investors to assess what the ROE might be without trying to second-guess the CPUC.

Investment Risks

…Higher Risk that Regulation is Becoming Less Constructive: While we noted above that regulation in California has been geared toward proper recovery and innovative rate making activity, the arrival of a new set of commissioners nominated by Governor Brown creates some uncertainty regarding the level of commitment to balanced returns. In particular, we believe that the ROE currently authorized (11.35%) could be at risk at the end of 2012. Our modeling assumption is a 50 bps reduction in ROE starting at the beginning of 2013 but also a continuation of the use of the three-year benchmarking after the reset. The commission could of course choose to re-engage itself in the determination of allowed returns on equity, which would send yet another uncomfortable signal to the market. A premature departure of President Peevey from the CPUC could further spook the market, as he has been instrumental in bringing the utilities out of the energy crisis and back to financial health. His term expires at the end of 2014.

More Severe Repercussions from the San Bruno Accident: On September 9, 2010, a pipeline owned and run by PasGas exploded in San Bruno, a suburb of San Francisco, killing eight people and destroying nearly forty homes. The costs incurred in 2010 were about $63 million, with an additional $220 million accrued for third-party liability; the latter should be mostly covered by insurance. For 2011, management's guidance assumes incurred costs of $350 million to $550 million and accrued third-party liability of up to $180 million; these numbers exclude potential fines and penalties. At this point, it is unclear how much, if any, will be recoverable through rates. The final tally will likely be determined by early next week, in our opinion.

Material Slow Down in Rate Base Growth: While we remain confident that California will continue to require a substantial amount of investment of the electric infrastructure, there is a slight possibility that PacGas will need to invest in its natural gas transportation line due to the San Bruno accident with reduced ability to recover some of the invested capital. Such a mandate that would have to come from the CPUC would divert capital away from the growing electric infrastructure investment requirements and slow down the pace at which rate base could grow. Again, this type of decision by the CPUC could have a serious impact on PG&E's stock price.

Financial Outlook

EPS and Cash Flow Forecast

Our 2011-2013 adjusted consolidated earnings are $3.53, $3.71, and $3.74 per share, off of a 2010 base of $3.42. From 2010 to 2011, we see an increase from the 2010 General Rate Case (GRC) offset by cost incurred due to the San Bruno explosion. From 2011 to 2012, the absence of most of the costs associated with the San Bruno should positively affect earnings. From 2012 to 2013, we expect a 50 bps reduction for the allowed return on equity that will keep earnings nearly flat. Absent the ROE reduction, our estimates would have been north of $3.90 per share.

Pacific Gas & Electric continues to invest heavily in infrastructure program. The bulk of the investment is in the electric and natural gas distribution infrastructure; our model assumes about $1.6 billion in that bucket in 2011. While we have assumed about $235 million as a run rate investment in natural gas transmission, we would not be surprised if a regulatory mandate prompts that number to increase.

Exhibit 1: Capital Spending Peaks in 2012 Thanks to Bonus Depreciation

	2008	2009	2010	2011E	2012E	2013E
Cash Flows From Operating Activities	2,763	3,039	3,206	4,024	4,200	3,728
Cash Flows From Investing Activities	(3,652)	(3,336)	(3,857)	(3,960)	(4,350)	(3,850)
Cash Flows From Financing Activities	763	605	415	(96)	74	332
Net Change in Cash	(126)	308	(236)	(32)	(76)	210
Beginning of Period	345	219	527	291	259	183
End of Period	**219**	**527**	**291**	**259**	**183**	**393**

Source: Company reports, RBC Capital Markets estimate

Exhibit 2: Utility Free Cash Flow Remains Negative

	2008	2009	2010	2011E	2012E	2013E
Funds From Operations	3,203	2,349	3,212	4,177	4,370	3,874
Less Capex	(3,628)	(3,958)	(3,802)	(4,060)	(4,300)	(3,800)
Free Cash Flow	(425)	(1,609)	(590)	117	70	74
Less Dividends	(546)	(590)	(662)	(721)	(780)	(814)
Free Cash Flow after Dividends	$ (971)	$ (2,199)	$ (1,252)	$ (604)	$ (711)	$ (741)

Source: Company reports, RBC Capital Markets estimates

Dividend Policy

In keeping with management's decision to keep the dividend flat in 2011, we do not assume a dividend increase in 2011. However, we believe that a dividend increase could come in 2012 in keeping with the dividend growth that we had seen over the last few years. Our assumption is that the new Chief Executive Officer (CEO) will continue to recommend to the Board that the dividend payout ratio should be in a 50%-70% range. Our assumption is that the dividend will be increased by 5.5% in 2012, which would bring the payout ratio on 2012 earnings of $3.71 per share to 51.8%, which is at the lower end of current guidance. Of course, our assumption is that new management will follow the recommendation of prior management under the leadership of CEO Peter Darbee.

Exhibit 3: Dividend Properly Balanced

	2008	2009	2010	2011E	2012E	2013E
Ongoing Earnings per Share	**$ 2.99**	**$ 3.21**	**$ 3.42**	**$ 3.53**	**$ 3.71**	**$ 3.74**
Dividend per Share	$ 1.5600	$ 1.6800	$ 1.8200	$ 1.8200	$ 1.9200	$ 2.0000
Dividend per Share Growth	3.3%	7.7%	8.3%	0.0%	5.5%	4.2%
Payout Ratio	52.2%	52.4%	53.3%	51.6%	51.8%	53.4%
Utility Earnings per Share	$ 3.11	$ 3.25	$ 3.44	$ 3.53	$ 3.72	$ 3.75
Parent Dividend Covered by Utility Earnings	50.1%	51.7%	53.0%	51.5%	51.7%	53.3%

Source: Company reports, RBC Capital Markets estimate

Capital Expenditures

Our outlook for the company's capital expenditure program is $4.06 billion in 2011, $4.3 billion in 2012, and $3.8 billion in 2013. The higher capital spending in 2011 and 2012 assumes some accelerated investments due to additional generated from bonus depreciation. The largest area of investment remains the basic electric and natural gas distribution network, as PacGas' infrastructure is old, as is most the United States' network. Our model assumes about $1.64 billion in 2011 for the bolstering of the distribution network. Other projects that we include in our model are electric transmission ($850 million), new natural gas-fired generation ($405 million), photovoltaic installation ($300 million), and the SmartMeter program ($165 million).

Credit Metrics

Exhibits 4 and 5 show the credit metrics for consolidated PG&E as well as for Pacific Gas & Electric. As these tables show, PG&E's credit metrics are quite strong through 2013, although we note that PacGas' ratio start declining in 2012 and 2013; the lowered ROE and reduced bonus depreciation brings PacGas FFO Interest coverage to its lowest level in our Exhibit 2.

Exhibit 4: Credit Metrics of Consolidated Entity

	2008	2009	2010	2011E	2012E	2013E
Total Debt/Capitalization	51.5%	52.2%	52.1%	49.9%	50.5%	48.5%
EBIT Interest Coverage (x)	3.1	3.4	3.4	3.8	3.8	3.7
FFO Interest Coverage (x)	5.4	4.3	5.7	6.7	6.4	5.5
FFO/Debt	32.1%	21.3%	26.2%	33.9%	31.9%	28.9%
Discretionary Cash Flow to Debt	-9.5%	-19.0%	-10.0%	-4.8%	-5.1%	-5.4%
Net Cash Flow to Capex	0.6	0.6	0.7	0.8	0.8	0.8

Source: Company reports; RBC Capital Markets estimates

Exhibit 5: Credit Metrics of Pacific Gas & Electric

	2008	2009	2010	2011E	2012E	2013E
Debt/Capitalization	46.5%	47.1%	45.7%	45.1%	47.1%	45.2%
EBIT Interest Coverage (x)	3.1	3.4	3.4	3.8	3.8	3.7
FFO Interest Coverage (x)	6.1	6.8	7.1	6.8	6.5	5.6
FFO/Debt	36.8%	39.3%	34.8%	35.9%	33.6%	27.8%
Discretionary Cash Flow to Debt	-6.9%	-7.2%	-5.1%	-5.2%	-5.7%	-5.8%
Net Cash Flow to Capex	0.6	0.6	0.7	0.8	0.8	0.8

Source: Company reports; RBC Capital Markets estimates

Valuation

Our price target for PG&E is $48. We derive our price target by using a sum-of-the-part methodology, as shown in Exhibit 6. We value the utility separately from the parent. We believe that PacGas should be valued at a slight discount to other defensive utilities, at 12.9x 2013 P/E (representing a 2.5% discount). Our multiple incorporates some of the uncertainty surrounding PG&E even relative to the other California utilities that share the same commission. Once we derive the equity value of Pacific Gas & Electric, we add parent cash and subtract total parent debt to get the consolidated equity value. Using this method, we get a $48 per share value. This implies a 2013 consolidated P/E multiple of 12.8x.

Exhibit 6: Sum-of-the-Parts Points to a $48 Price Target

2013 Utility Net Income	$	1,528.2
P/E Multiple (peer average)		12.9x
PacGas Equity Value		$19,668
Less: 2013 Parent Debt (incl. Short-Term Debt)	$	(470.0)
Plus: 2013 Holding Cash	$	371.3
Consolidated Equity Value	$	19,569.3
2013 Shares Outstanding		407.1
Value per Share (rounded)	$	48.00

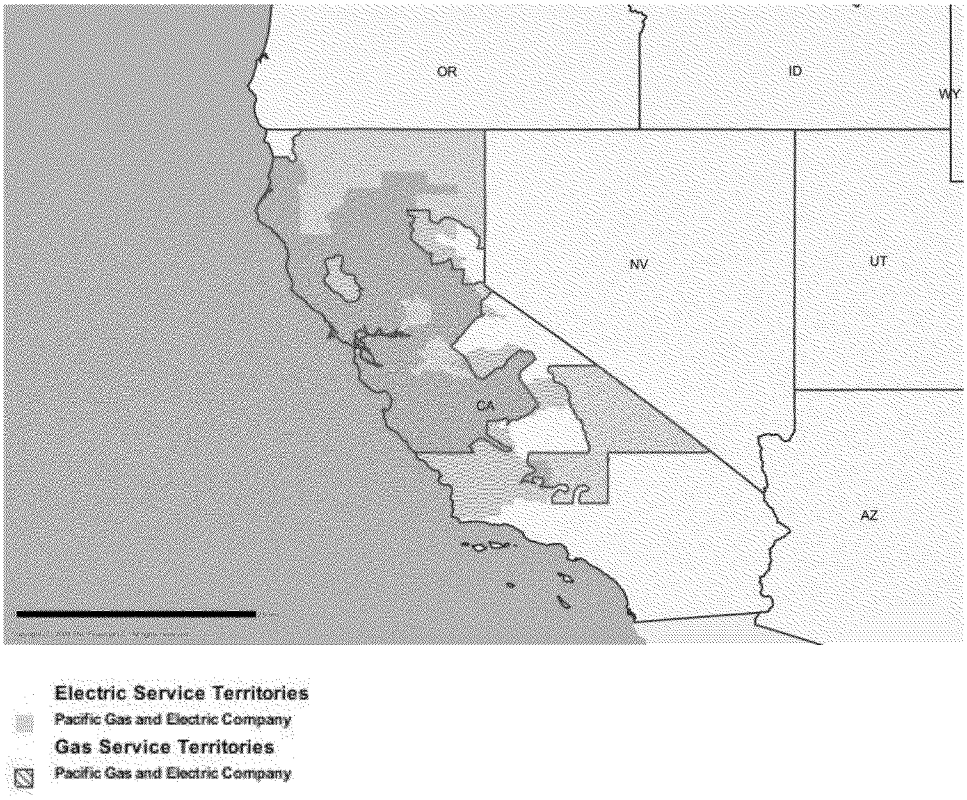
Source: RBC Capital Markets estimate

SB_GT&S_0236159

Company Overview

PG&E's principal activity is the generation, procurement, and transmission of electricity and procurement, transportation, and storage of natural gas. It operates through its subsidiary, Pacific Gas & Electric Co. in northern California. The utility serves 5.2 million electricity and 4.3 million natural gas customers. It also owns over 6,000 miles of intrastate pipeline and over 18,000 miles of California-based transmission lines.

Exhibit 7: Pacific Gas & Electric's Service Territory



Source: SNL Financial

Regulation

PacGas is principally regulated by the California Public Utility Commission (CPUC) for the state-based assets and the Federal Energy Regulatory Commission (FERC) for interstate assets. The other main regulatory body would be the Nuclear Regulatory Commission (NRC). The main focus of regulation lies with the CPUC.

The commission is composed of five commissioners, all appointed by the governor for a six-year term and confirmed by the state Senate. The governor also nominates one of the acting commissioners as a President of the CPUC, who serves in that leadership capacity at the governor's discretion. Currently, President Michael Peevey (D) and Commissioner Simon (R) are the legacy commissioners. President Peevey was originally appointed by Governor Davis then re-appointed by Governor Schwarzenegger while Commissioner Simon was appointed by Governor Schwarzenegger. Since Governor Brown took office, he has appointed Commissioners Catherine Sandoval (D), Mike Florio (D), and Mark Ferron (D). Commissioner Simon's term ends on January 1, 2013. The term for both President Peevey and Commissioner Ferron (who replaced a series of unconfirmed commissioners) ends on January 1, 2015, while the remaining commissioners' term ends January 1, 2017.

One of the hallmarks of the California Public Utilities Commission since the 2000-2001 energy crisis has been its consistency and balanced stand on public policy issues. We are concerned that the wholesale change at the CPUC could lead California back to uncertain times. A case-in-point was the recent vote on the recovery of smart meter costs that the former CPUC had directed PacGas to make. Given that the investment was directed by the CPUC, we would have expected the allowed return for those assets to match that of other projects. Yet both Commissioners Sandoval and Ferron (Commissioner Florio had to recluse himself from the vote, having argued against allowing for a return when he was working as a senior lawyer for TURN, a consumer group). We will be monitoring very carefully upcoming comments during GRC proceedings for Southern California Edison and San Diego Gas & Electric.

SB_GT&S_0236160

Valuation

We assign a 12.9x P/E multiple to PG&E's utility earnings. This represents a 2.5% discount to our target peer group P/E multiple of 13.2x. It takes into account the ongoing overhang from the San Bruno gas explosion tragedy and a change of commissioners at the Public Utilities Commission, which is offset the favorable rate base (invested capital) growth at Pacific Gas & Electric. Our peer P/E multiple is derived from a dividend discount model.

Price Target Impediment

A more devastating outcome from the San Bruno investigation that forces shareholders to shoulder most of the costs would impede realizing our price target. Our price target also depends on regulatory decision that at least match our expectation.

Company Description

PG&E is the holding company of Pacific Gas & Electric, which serves 5.2 million electric and 4.3 million natural gas customer in Northern and Central California. It owns 7,342 MW of generation – 6,136 MW of which is nuclear and hydroelectric – 49,000 miles of natural gas pipelines (transportation and distribution), 18,600 miles of electric transmission lines, and 141,346 miles of electric distribution lines. PG&E does not have material investments in unregulated assets.

PG&E Corporation						Shelby G. Tucker, CFA; RBC Capital Markets
Consolidated Income Statement						+1 (212) 428-6462; shelby.tucker@rbccm.com
Millions of Dollars, except Per Share Amounts						
Fiscal Year Ended December 31,						
	2008	**2009**	**2010**	**2011E**	**2012E**	**2013E**
Operating Revenues						
Regulated Electric	10,738	10,214	10,645	10,650	11,045	11,453
Regulated Natural Gas	3,890	3,142	3,196	3,232	3,402	3,566
Other Ongoing Revenues	-	-	-	-	-	-
Non-Recurring Revenues	-	43	-	-	-	-
Total Revenues	**14,628**	**13,399**	**13,841**	**13,882**	**14,447**	**15,019**
Operating Expenses						
Cost of Electricity	(4,425)	(3,711)	(3,898)	(3,437)	(3,571)	(3,755)
Cost of Natural Gas	(2,090)	(1,291)	(1,291)	(1,318)	(1,395)	(1,473)
Operating and Maintenance	(4,201)	(4,205)	(4,093)	(4,306)	(4,265)	(4,331)
Depreciation and Amortization	(1,651)	(1,752)	(1,905)	(1,981)	(2,153)	(2,319)
Non-Recurring Operating Expenses	-	(141)	(346)	(50)	-	-
Total Operating Expenses	**(12,367)**	**(11,100)**	**(11,533)**	**(11,093)**	**(11,384)**	**(11,877)**
Operating Income	**2,261**	**2,299**	**2,308**	**2,790**	**3,063**	**3,142**
Operating Margin	*15.5%*	*17.2%*	*16.7%*	*20.1%*	*21.2%*	*20.9%*
Other Income (Expenses), net	(4)	67	27	47	46	46
Non-Recurring Other Income (Expenses)	-	-	-	-	-	-
EBIT	**2,257**	**2,366**	**2,335**	**2,837**	**3,109**	**3,188**
Adjusted EBITDA	3,912	4,051	4,213	4,771	5,216	5,461
EBITDA Margin	*26.7%*	*30.2%*	*30.4%*	*34.4%*	*36.1%*	*36.4%*
Interest Income	94	33	9	10	10	10
Interest Expenses	(728)	(705)	(684)	(738)	(814)	(868)
EBT	1,623	1,694	1,660	2,108	2,305	2,330
Income Tax	(528)	(526)	(547)	(717)	(784)	(792)
Tax Rate	32.5%	31.1%	33.0%	34.0%	34.0%	34.0%
Income from Continuing Operations	1,095	1,168	1,113	1,392	1,521	1,537
Disc. Ops. and Extraordinary Items	257	66	-	-	-	-
Net Income	1,352	1,234	1,113	1,392	1,521	1,537
Preferred Dividend of Subsidiary	(14)	(14)	(14)	(14)	(14)	(14)
Net Income Available to Common Stock	**1,338**	**1,220**	**1,099**	**1,378**	**1,507**	**1,523**
Adjusted Diluted Net Income	1,081	1,223	1,331	1,411	1,507	1,523
EPS Impact from Treasury Method on Basic Shares	($0.03)	$0.04	$0.02	$0.00	$0.00	$0.00
Diluted GAAP EPS	$3.71	$3.20	$2.82	$3.45	$3.71	$3.74
Diluted Adjusted EPS	**$2.99**	**$3.21**	**$3.42**	**$3.53**	**$3.71**	**$3.74**
EPS Growth		7.3%	6.4%	3.3%	5.1%	0.9%
Dividend per Share	$1.5600	$1.6800	$1.8200	$1.8200	$1.9200	$2.0000
Dividend Growth		7.7%	8.3%	0.0%	5.5%	4.2%
Dividend Payout Ratio	52.2%	52.4%	53.3%	51.6%	51.8%	53.4%
Basic Shares Outstanding	357	368	382	400	406	407
Diluted Shares Outstanding	358	386	392	400	406	407
Difference	1	18	10	0	-	-

Source: Company reports, RBC Capital Markets estimates

PG&E Corporation — Shelby G. Tucker, CFA; RBC Capital Markets
Consolidated Statement of Cash Flow — +1 (212) 428-6462; shelby.tucker@rbccm.com

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Operating Cash Flow						
Net Income	1,352	1,234	1,113	1,392	1,521	1,537
Depreciation, Amortization, and Decommissioning	1,863	1,947	2,151	2,187	2,359	2,525
Deferred Taxes, Investment Tax Credit, etc.	590	809	756	578	436	(333)
Working Capital	(440)	690	(6)	(153)	(169)	(145)
Other - Operating	(602)	(941)	(808)	21	54	144
Non-Recurring Operating Cash Flows	-	(700)	-	-	-	-
Cash Flow from Operations	2,763	3,039	3,206	4,024	4,200	3,728
Cash Flow from Investing						
Capital Expenditure	(3,628)	(3,958)	(3,802)	(4,060)	(4,300)	(3,800)
Sale (Purchase)	-	-	-	-	-	-
Other - Investing	(24)	(78)	(55)	150	-	-
Non-Recurring Investing Cash Flows	-	700	-	(50)	(50)	(50)
Cash Flow from Investing	(3,652)	(3,336)	(3,857)	(3,960)	(4,350)	(3,850)
Cash Flow from Financing						
Change in Short-Term Debt, net	(244)	542	16	395	(290)	(440)
Long-Term Debt Issued	2,185	1,730	1,327	1,050	2,000	1,700
Maturing Long-Term Debt	-	(600)	(95)	(809)	(664)	(400)
Early Retirement of Long-Term Debt	(454)	(309)	-	-	-	-
Maturing Securitization Bonds	(354)	(370)	(386)	(404)	(423)	-
Change in Preferred	-	-	-	-	-	-
Change in Common Stock	225	219	303	407	245	300
Common Dividends	(546)	(590)	(662)	(721)	(780)	(814)
Preferred Dividends	(14)	(14)	(14)	(14)	(14)	(14)
Other - Financing	(35)	(3)	(74)	-	-	-
Non-Recurring Investing Cash Flows	-	-	-	-	-	-
Cash Flow from Financing	763	605	415	(96)	74	332
Cash at Beginning of Period	345	219	527	291	259	183
Cash from Continuing Operations	(126)	308	(236)	(32)	(76)	210
Cash from Disc. Ops. and Other	-	-	-	-	-	-
Cash at End of Period	**219**	**527**	**291**	**259**	**183**	**393**

	2008	2009	2010	2011E	2012E	2013E
Funds From Operations	3,203	2,349	3,212	4,177	4,370	3,874
Less Capex	(3,628)	(3,958)	(3,802)	(4,060)	(4,300)	(3,800)
Free Cash Flow	(425)	(1,609)	(590)	117	70	74
Less Dividends	(546)	(590)	(662)	(721)	(780)	(814)
Free Cash Flow after Dividends	$ (971)	$ (2,199)	$ (1,252)	$ (604)	$ (711)	$ (741)

Source: Company reports, RBC Capital Markets estimates

PG&E Corporation — Shelby G. Tucker, CFA; RBC Capital Markets
Consolidated Balance Sheet — +1 (212) 428-6462; shelby.tucker@rbccm.com

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Assets						
Current Assets						
Cash and Cash Equivalents	219	527	291	259	183	393
Restricted Cash	1,290	633	563	540	510	482
Accounts Receivables	3,633	3,389	3,492	3,569	3,736	3,905
Inventories	423	314	357	403	437	467
Other Current Assets	838	794	839	872	893	906
Total Current Assets	6,403	5,657	5,542	5,643	5,760	6,154
Property, Plant, and Equipment, gross	39,833	43,080	46,289	50,349	54,649	58,449
Less Accumulated Depreciation	(13,572)	(14,188)	(14,840)	(17,010)	(19,352)	(21,860)
Property, Plant, and Equipment, net	26,261	28,892	31,449	33,339	35,297	36,589
Other Non-Current Assets						
Regulatory Assets	5,996	5,522	5,846	6,021	6,202	6,326
Nuclear Decommissioning Funds	1,718	1,899	2,009	2,069	2,131	2,174
Other	482	975	1,179	443	754	(149)
Total Other Non-Current Assets	8,196	8,396	9,034	8,534	9,087	8,351
Total Assets	**40,860**	**42,945**	**46,025**	**47,515**	**50,144**	**51,093**
Liabilities and Shareholders' Equity						
Current Liabilities						
Short-Term Debt	287	833	853	1,248	958	518
Current Portion of Long-Term Debt	600	342	809	-	-	400
Current Portion of Securitization Bonds	370	386	404	423	-	-
Accounts Payable	3,749	2,387	2,509	2,494	2,493	2,507
Other Current Liabilities	2,620	2,865	2,610	2,604	2,629	2,654
Total Current Liabilities	7,626	6,813	7,185	6,770	6,080	6,079
Non-Current Liabilities						
Long-Term Debt	9,321	10,381	10,906	11,323	12,923	12,873
Securitization Bonds	1,213	827	423	-	-	-
Regulatory Liabilities	3,657	4,125	4,525	4,751	4,989	5,238
Deferred Income Taxes and Tax Credits	3,491	4,732	5,547	6,125	6,561	6,228
Pension/Postretirement Benefits	2,088	1,773	2,234	2,282	2,332	2,382
Asset Retirement Obligations	1,684	1,593	1,586	1,554	1,523	1,493
Other Non-Current Liabilities	2,151	2,116	2,085	2,098	2,139	2,181
Total Non-Current Liabilities	23,605	25,547	27,306	28,134	30,467	30,395
Preferred Stock (incl. Subs.)	252	252	252	252	252	252
Common Shareholders' Equity						
Common Paid-In Capital	5,984	6,280	6,878	7,285	7,530	7,830
Retained Earnings	3,614	4,213	4,606	5,276	6,017	6,740
Other Common Equity	(221)	(160)	(202)	(202)	(202)	(202)
Total Common Shareholders' Equity	9,377	10,333	11,282	12,359	13,345	14,368
Total Liability and Shareholders' Equity	**40,860**	**42,945**	**46,025**	**47,515**	**50,144**	**51,093**

Source: Company reports, RBC Capital Markets estimates

Pacific Gas & Electric Co.	Shelby G. Tucker, CFA; RBC Capital Markets
Consolidated Income Statement	+1 (212) 428-6462; shelby.tucker@rbccm.com

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Operating Revenues						
Regulated Electric	10,738	10,216	10,644	10,649	11,045	11,453
Regulated Natural Gas	3,890	3,142	3,196	3,232	3,402	3,566
Other Ongoing Revenues	-	-	-	-	-	-
Non-Recurring Revenues	-	41	-	-	-	-
Total Revenues	**14,628**	**13,399**	**13,840**	**13,881**	**14,447**	**15,019**
Operating Expenses						
Cost of Electricity	(4,425)	(3,711)	(3,898)	(3,437)	(3,571)	(3,755)
Cost of Natural Gas	(2,090)	(1,291)	(1,291)	(1,318)	(1,395)	(1,473)
Operating and Maintenance	(4,197)	(4,201)	(4,081)	(4,296)	(4,253)	(4,317)
Depreciation and Amortization	(1,650)	(1,752)	(1,905)	(1,980)	(2,152)	(2,318)
Non-Recurring Operating Expenses	-	(142)	(351)	(51)	-	-
Total Operating Expenses	**(12,362)**	**(11,097)**	**(11,526)**	**(11,083)**	**(11,371)**	**(11,862)**
Operating Income	2,266	2,302	2,314	2,799	3,076	3,157
Operating Income/Gross Margin	*27.9%*	*27.4%*	*26.7%*	*30.7%*	*32.4%*	*32.2%*
Other Income (Expenses), net	28	59	22	50	50	50
Non-Recurring Other Income (Expenses)	-	-	-	-	-	-
EBIT	2,294	2,361	2,336	2,849	3,126	3,207
Adjusted EBITDA	3,916	4,054	4,219	4,779	5,228	5,475
EBITDA Margin	*26.8%*	*30.3%*	*30.5%*	*34.4%*	*36.2%*	*36.5%*
Interest Income	91	33	9	10	10	10
Interest Expenses	(698)	(662)	(650)	(714)	(790)	(844)
EBT	1,687	1,732	1,695	2,144	2,346	2,373
Income Tax	(548)	(548)	(574)	(751)	(821)	(830)
Tax Rate	32.5%	31.6%	33.9%	35.0%	35.0%	35.0%
Income from Continuing Operations	1,139	1,184	1,121	1,394	1,525	1,542
Disc. Ops. And Extraordinary Items	60	66	-	-	-	-
Net Income	1,199	1,250	1,121	1,394	1,525	1,542
Preferred Stock Dividend Requirement	(14)	(14)	(14)	(14)	(14)	(14)
Net Income Available to Common Stock	**1,185**	**1,236**	**1,107**	**1,380**	**1,511**	**1,528**
Adjusted Net Income	1,125	1,239	1,339	1,413	1,511	1,528
EPS Impact from Treasury Method on Basic Shares	($0.03)	$0.04	$0.02	$0.00	$0.00	$0.00
Diluted GAAP EPS	$ 3.28	$ 3.24	$ 2.84	$ 3.45	$ 3.72	$ 3.75
Diluted Adjusted EPS	**$ 3.11**	**$ 3.25**	**$ 3.44**	**$ 3.53**	**$ 3.72**	**$ 3.75**
Parent Dividend per Share	$1.5600	$1.6800	$1.8200	$1.8200	$1.9200	$2.0000
Parent Dividend/PacGas Earnings	48.5%	47.6%	49.4%	51.0%	51.7%	53.3%

Source: Company reports, RBC Capital Markets estimates

Pacific Gas & Electric Co. — Shelby G. Tucker, CFA; RBC Capital Markets
+1 (212) 428-6462; shelby.tucker@rbccm.com

Consolidated Statement of Cash Flow

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Operating Cash Flow						
Net Income	1,199	1,250	1,121	1,394	1,525	1,542
Depreciation, Amort., and Decommissioning	1,838	1,927	2,116	2,170	2,342	2,508
Deferred Taxes, Investment Tax Credit, etc.	593	787	762	566	436	(333)
Working Capital	(763)	(945)	(699)	(89)	(154)	(130)
Other - Operating	(100)	(115)	(64)	43	49	139
Non-Recurring Operating Cash Flows	(1)	-	-	-	-	-
Cash Flow from Operations	2,766	2,904	3,236	4,083	4,197	3,726
Cash Flow from Investing						
Capital Expenditure	(3,628)	(3,958)	(3,802)	(4,060)	(4,300)	(3,800)
Sale (Purchase)	26	-	-	-	-	-
Other - Investing	(38)	614	34	150	-	-
Non-Recurring Investing Cash Flows	-	-	-	-	-	-
Cash Flow from Investing	(3,640)	(3,344)	(3,768)	(3,910)	(4,300)	(3,800)
Cash Flow from Financing						
Change in Short-Term Debt, net	(244)	542	16	395	(290)	(560)
Long-Term Debt Issued	2,185	1,384	1,327	1,050	2,000	1,700
Maturing Long-Term Debt	-	(600)	(95)	(809)	(664)	(400)
Early Retirement of Long-Term Debt	(454)	(309)	-	-	-	-
Maturing Securitization Bonds	(354)	(370)	(386)	(404)	(423)	-
Change in Preferred	-	-	-	-	-	-
Equity Contribution from Parent	270	718	190	290	300	200
Common Dividends	(568)	(624)	(716)	(716)	(788)	(866)
Preferred Dividends	(14)	(14)	(14)	(14)	(14)	(14)
Other - Financing	(36)	(5)	(73)	-	-	-
Non-Recurring Investing Cash Flows		-	-	-	-	-
Cash Flow from Financing	785	722	249	(208)	121	60
Cash at Beginning of Period	141	52	334	51	16	35
Cash from Continuing Operations	(89)	282	(283)	(35)	19	(14)
Cash from Disc. Ops. and Other	-	-	-	-	-	-
Cash at End of Period	**52**	**334**	**51**	**16**	**35**	**21**

	2008	2009	2010	2011E	2012E	2013E
Funds From Operations (excl. WC)	$ 3,530	$ 3,849	$ 3,935	$ 4,173	$ 4,351	$ 3,856
Less Capex	(3,628)	(3,958)	(3,802)	(4,060)	(4,300)	(3,800)
Free Cash Flow	(98)	(109)	133	113	51	56
Less Dividends	(568)	(624)	(716)	(716)	(788)	(866)
Free Cash Flow after Dividends	$ (666)	$ (733)	$ (583)	$ (603)	$ (736)	$ (810)

Source: Company reports, RBC Capital Markets estimates

Pacific Gas & Electric Co. — Shelby G. Tucker, CFA; RBC Capital Markets
+1 (212) 428-6462; shelby.tucker@rbccm.com

Consolidated Balance Sheet

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Assets						
Current Assets						
Cash and Cash Equivalents	52	334	51	16	35	21
Restricted Cash	1,290	633	563	540	510	482
Accounts Receivables	3,635	3,390	3,554	3,609	3,756	3,905
Inventories	423	314	357	403	437	467
Other Current Assets	730	800	837	862	888	906
Total Current Assets	6,130	5,471	5,362	5,430	5,627	5,781
Property, Plant, and Equipment, gross	39,816	43,066	46,274	50,334	54,634	58,434
Less Accumulated Depreciation	(13,557)	(14,175)	(14,826)	(16,996)	(19,338)	(21,846)
Property, Plant, and Equipment, net	26,259	28,891	31,448	33,338	35,296	36,588
Other Non-Current Assets						
Regulatory Assets	5,996	5,522	5,846	6,021	6,202	6,326
Nuclear Decommissioning Funds	1,718	1,899	2,009	2,069	2,131	2,174
Other	434	926	1,014	908	922	536
Total Other Non-Current Assets	8,148	8,347	8,869	8,999	9,255	9,036
Total Assets	**40,537**	**42,709**	**45,679**	**47,767**	**50,178**	**51,405**
Liabilities and Shareholders' Equity						
Current Liabilities						
Short-Term Debt	287	833	853	1,248	958	398
Current Portion of Long-Term Debt	600	95	809	664	400	1,000
Current Portion of Securitization Bonds	370	386	404	423	-	-
Accounts Payable	3,756	2,401	2,520	2,509	2,508	2,522
Other Current Liabilities	2,483	2,677	2,440	2,464	2,489	2,514
Total Current Liabilities	7,496	6,392	7,026	7,309	6,355	6,434
Non-Current Liabilities						
Long-Term Debt	9,041	10,033	10,557	10,973	12,573	12,873
Securitization Bonds	1,213	827	423	-	-	-
Regulatory Liabilities	3,657	4,125	4,525	4,751	4,989	5,238
Deferred Income Taxes and Tax Credits	3,543	4,764	5,659	6,225	6,661	6,328
Pension/Postretirement Benefits	2,040	1,717	2,174	2,217	2,262	2,307
Asset Retirement Obligations	1,684	1,593	1,586	1,554	1,523	1,493
Other Non-Current Liabilities	2,076	2,073	2,008	2,048	2,089	2,131
Total Non-Current Liabilities	23,254	25,132	26,932	27,769	30,097	30,370
Preferred Stock	258	258	258	258	258	258
Common Shareholders' Equity						
Common Paid-In Capital	3,653	4,377	4,563	4,853	5,153	5,353
Retained Earnings	6,092	6,704	7,095	7,773	8,510	9,186
Other Common Equity	(216)	(154)	(195)	(195)	(195)	(195)
Total Common Shareholders' Equity	9,529	10,927	11,463	12,431	13,468	14,344
Total Liability and Shareholders' Equity	**40,537**	**42,709**	**45,679**	**47,767**	**50,178**	**51,405**

Source: Company reports, RBC Capital Markets estimates

Pacific Gas & Electric — Shelby G. Tucker, CFA; RBC Capital Markets
Electric Utility Statistics — +1 (212) 428-6462; shelby.tucker@rbccm.com

Millions of Dollars, except Per Share Amounts
Fiscal Year Ended December 31,

	2008	2009	2010	2011E	2012E	2013E
Customers (Average For The Year)						
Residential	4,488,884	4,492,359	4,509,620	4,559,226	4,609,377	4,660,080
Commercial	527,045	528,786	529,318	535,140	541,027	546,978
Industrial	1,265	1,285	1,254	1,268	1,282	1,296
Agricultural	81,757	83,581	83,787	84,709	85,640	86,582
Public Street/Highway Lighting	30,474	31,227	31,743	32,378	33,025	33,686
Other Electric Utilties	2	2	2	2	2	2
Total Customers	5,129,427	5,137,240	5,155,724	5,212,723	5,270,354	5,328,625
% Change in Customers						
Residential	*0.5%*	*0.1%*	*0.4%*	*1.1%*	*1.1%*	*1.1%*
Commercial	*1.0%*	*0.3%*	*0.1%*	*1.1%*	*1.1%*	*1.1%*
Industrial	*0.3%*	*1.6%*	*-2.4%*	*1.1%*	*1.1%*	*1.1%*
Agricultural	*1.7%*	*2.2%*	*0.2%*	*1.1%*	*1.1%*	*1.1%*
Public Street/Highway Lighting	*2.8%*	*2.5%*	*1.7%*	*2.0%*	*2.0%*	*2.0%*
Other	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Customer Growth	*0.6%*	*0.2%*	*-2.0%*	*1.7%*	*1.7%*	*1.7%*
Sales (GWh)						
Residential	31,454	31,234	30,744	31,390	32,049	32,722
Commercial	34,053	32,958	32,863	33,422	33,990	34,568
Industrial	16,148	14,806	14,415	14,559	14,705	14,852
Agricultural	5,594	5,804	5,071	5,127	5,183	5,240
Public Street and Highway Lighting	877	826	815	822	830	837
Other Electric Utilities	1	1	-	-	-	-
Total Energy Sold	88,127	85,629	83,908	85,319	86,756	88,218
Department of Water Resources Contracts	(13,344)	(13,244)	(4,274)	(5,000)	(5,000)	(5,000)
Total Non-DWR Energy Sold	74,783	72,385	79,634	80,319	81,756	83,218
% Change						
Residential	*2.1%*	*-0.7%*	*-1.6%*	*2.1%*	*2.1%*	*2.1%*
Commercial	*0.2%*	*-3.2%*	*-0.3%*	*1.7%*	*1.7%*	*1.7%*
Industrial	*6.5%*	*-8.3%*	*-2.6%*	*1.0%*	*1.5%*	*1.0%*
Agricultural	*3.6%*	*3.8%*	*-12.6%*	*1.1%*	*1.1%*	*1.1%*
Public Street/Highway Lighting	*5.3%*	*-5.8%*	*-1.3%*	*0.0%*	*0.0%*	*0.0%*
Other	*-66.7%*	*0.0%*	*N/A*	*N/A*	*N/A*	*N/A*
Total	*2.3%*	*-2.8%*	*-2.0%*	*1.7%*	*1.7%*	*1.7%*
Quarterly weighting of DWR contracts	*100.0%*	*100.0%*	*233.3%*	*100.0%*	*100.0%*	*100.0%*
Cost Analysis						
Revenue from Electricity Customers	$ 10,738	$ 10,257	$ 10,644	$ 10,649	$ 11,045	$ 11,453
Cost of Electricity	(4,425)	(3,711)	(3,898)	(3,437)	(3,571)	(3,755)
Gross Electric Margins	6,313	6,546	6,746	7,212	7,473	7,698
Gross Electric Margin Growth	-33.4%	3.7%	3.1%	6.9%	3.6%	3.0%
Cost of Electricity per MWh	59.17	51.27	48.95	42.79	43.68	45.12
Gross Margin per MWh	84.42	90.43	84.71	89.80	91.41	92.51
Gross Electric Margin per MWh Growth	-33.4%	7.1%	-6.3%	6.0%	1.8%	1.2%
Cost of Electricity						
Cost of Electric Energy ($mm)	4,425	3,711	3,898	3,437	3,571	3,755
Non-DWR Energy Sold (GWh)	74,783	72,385	79,634	80,319	81,756	83,218
Cost of Electric Energy per MWh	$59.17	$51.27	$48.95	$42.79	$43.68	$45.12
Cost of Natural Gas (mcf)	$7.96	$5.11	$5.18	$5.25	$5.50	$5.75
Marginal Heat Rate (mmbtu/kWh)	7,436	10,038	9,445	8,150	7,942	7,847

Source: Company reports, RBC Capital Markets estimates

Pacific Gas & Electric						Shelby G. Tucker, CFA; RBC Capital Markets
Electric Utility Statistics						+1 (212) 428-6462; shelby.tucker@rbccm.com
Millions of Dollars, except Per Share Amounts						
Fiscal Year Ended December 31,						
	2008	2009	2010	2011E	2012E	2013E
Revenues (In Millions):						
Residential	$ 4,656	$ 4,759	$ 4,795	$ 4,920	$ 5,099	$ 5,284
Commercial	4,413	4,538	4,823	4,930	5,089	5,253
Industrial	1,400	1,392	1,424	1,445	1,482	1,519
Agricultural	727	770	736	748	767	787
Public Street and Highway Lighting	75	74	79	80	82	84
Other Electric Utilities	126	66	60	26	26	26
Revenues from Energy Sales	11,397	11,599	11,917	12,149	12,545	12,953
DWR Pass-Through Revenues	(1,325)	(1,987)	(1,383)	(1,750)	(1,750)	(1,750)
Miscellaneous	336	221	145	250	250	250
Regulatory Balancing Accounts	330	424	(35)	-	-	-
Operating Revenues	$ 10,738	$ 10,257	$ 10,644	$ 10,649	$ 11,045	$ 11,453
Blended $/MWh Rate	$121.85	$119.78	$126.85	$124.81	$127.31	$129.83
Average Revenue Per Customer						
Residential	$ 1,037	$ 1,059	$ 1,063	$ 1,079	$ 1,106	$ 1,134
Commercial	8,373	8,582	9,112	9,212	9,405	9,603
Industrial ('000)	1,107	1,083	1,136	1,140	1,156	1,172
Agricultural	8,892	9,213	8,784	8,828	8,961	9,095
Public Street/Highway Lighting	2,461	2,370	2,489	2,474	2,484	2,494
Other Electric Utilties ('000)	63,000	33,000	30,000	13,000	13,000	13,000
Average Rate Per Customer Class						
Residential	$ 148.03	$ 152.37	$ 155.97	$ 156.75	$ 159.10	$ 161.48
Commercial	129.59	137.69	146.76	147.49	149.71	151.95
Industrial	86.70	94.02	98.79	99.28	100.77	102.28
Agricultural	129.96	132.67	145.14	145.86	148.05	150.27
Public Street/Highway Lighting	85.52	89.59	96.93	97.42	98.88	100.36
Other Electric Utilties	126,000.00	66,000.00	N/A	N/A	N/A	N/A
% Change						
Residential	*-0.5%*	*2.9%*	*2.4%*	*0.5%*	*1.5%*	*1.5%*
Commercial	*-1.8%*	*6.2%*	*6.6%*	*0.5%*	*1.5%*	*1.5%*
Industrial	*5.0%*	*8.4%*	*5.1%*	*0.5%*	*1.5%*	*1.5%*
Agricultural	*5.7%*	*2.1%*	*9.4%*	*0.5%*	*1.5%*	*1.5%*
Public Street/Highway Lighting	*-8.7%*	*4.8%*	*8.2%*	*0.5%*	*1.5%*	*1.5%*
Other Electric Utilties	*344.7%*	*-47.6%*	*N/A*	*N/A*	*N/A*	*N/A*
Average Utilization Per Customer						
Residential	7,007	6,953	6,817	6,885	6,953	7,022
Commercial	64,611	62,328	62,086	62,454	62,825	63,198
Industrial	12,765,217	11,522,179	11,495,215	11,483,845	11,472,486	11,461,139
Agricultural	68,422	69,442	60,523	60,523	60,523	60,523
Public Street/Highway Lighting	28,779	26,451	25,675	25,396	25,119	24,846
Other Electric Utilties	500,000	500,000	N/A	N/A	N/A	N/A
% Change						
Residential	*1.6%*	*-0.8%*	*-1.9%*	*1.0%*	*1.0%*	*1.0%*
Commercial	*-0.8%*	*-3.5%*	*-0.4%*	*0.6%*	*0.6%*	*0.6%*
Industrial	*6.2%*	*-9.7%*	*-0.2%*	*-0.1%*	*-0.1%*	*-0.1%*
Agricultural	*1.8%*	*1.5%*	*-12.8%*	*0.0%*	*0.0%*	*0.0%*
Public Street/Highway Lighting	*2.4%*	*-8.1%*	*-2.9%*	*-1.1%*	*-1.1%*	*-1.1%*
Other Electric Utilties	*-66.7%*	*0.0%*	*N/A*	*N/A*	*N/A*	*N/A*

Source: Company reports, RBC Capital Markets estimates

SB_GT&S_0236169

Required Disclosures

Conflicts Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

RBC Capital Markets, LLC makes a market in the securities of PG&E Corporation and may act as principal with regard to sales or purchases of this security.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from PG&E Corporation during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to PG&E Corporation.

RBC Capital Markets is currently providing PG&E Corporation with non-securities services.

RBC Capital Markets has provided PG&E Corporation with non-securities services in the past 12 months.

RBC Capital Markets, LLC makes a market in the securities of Edison International and may act as principal with regard to sales or purchases of this security.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Edison International during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Edison International.

RBC Capital Markets is currently providing Edison International with non-securities services.

RBC Capital Markets has provided Edison International with non-securities services in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Sempra Energy in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Sempra Energy in the past 12 months.

RBC Capital Markets, LLC makes a market in the securities of Sempra Energy and may act as principal with regard to sales or purchases of this security.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Sempra Energy during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Sempra Energy.

RBC Capital Markets is currently providing Sempra Energy with non-securities services.

RBC Capital Markets has provided Sempra Energy with investment banking services in the past 12 months.

RBC Capital Markets has provided Sempra Energy with non-securities services in the past 12 months.

The author is employed by RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in New York, USA.

Explanation of RBC Capital Markets Equity Rating System

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers (any of the following criteria may be present):

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no

significant cash flow/financing concerns over coming 12-24 months; fairly liquid.
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.
Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

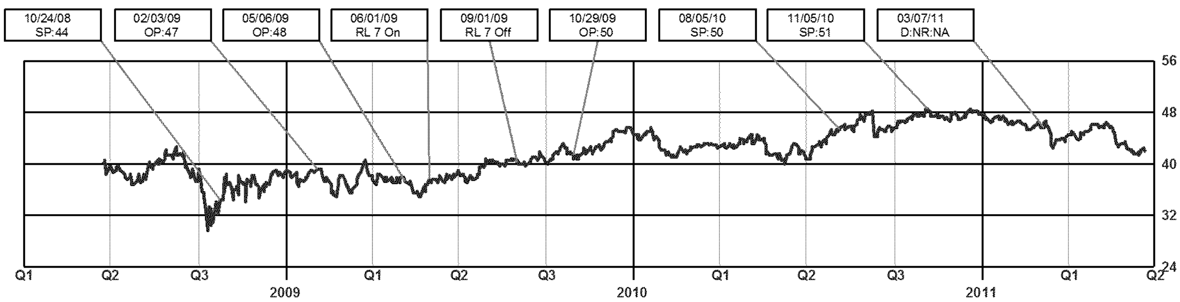
Distribution of Ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Distribution of Ratings
RBC Capital Markets, Equity Research

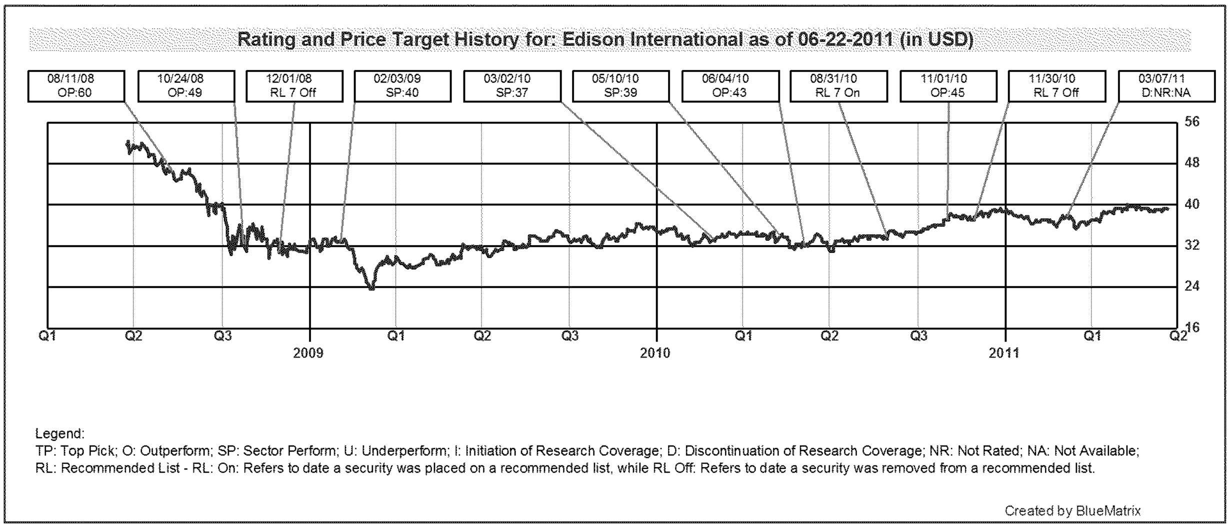
			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY[TP/O]	744	53.10	220	29.57
HOLD[SP]	598	42.70	135	22.58
SELL[U]	60	4.30	11	18.33

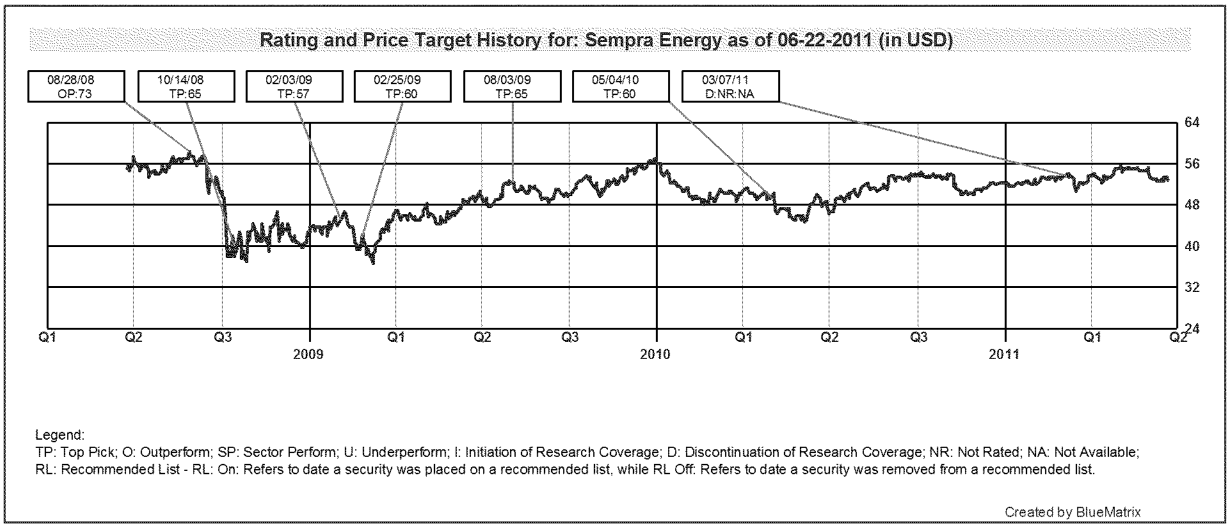
Rating and Price Target History for: PG&E Corporation as of 06-22-2011 (in USD)



Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage; NR: Not Rated; NA: Not Available;
RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date a security was removed from a recommended list.

Created by BlueMatrix





References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a business unit of the Wealth Management Division of RBC Capital Markets, LLC. These Recommended Lists include the Prime Opportunity List (RL 3), a former list called the Private Client Prime Portfolio (RL 4), the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), the Guided Portfolio: Dividend Growth (RL 8), and the Guided Portfolio: Midcap 111 (RL9). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Conflicts Policy

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to
https://www.rbccm.com/global/file-414164.pdf
or send a request to RBC CM Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. We reserve the right to amend or supplement this policy at any time.

Dissemination of Research and Short-Term Trading Calls

RBC Capital Markets endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in ratings, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third-party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets' research. RBC Capital Markets also provides eligible clients with access to SPARC on the Firm's proprietary INSIGHT website. SPARC contains market color and commentary, and may also contain Short-Term Trade Ideas regarding the publicly-traded common equity of subject companies on which the Firm currently provides equity research coverage. SPARC may be accessed via the following hyperlink: https://www.rbcinsight.com. A Short-Term Trade Idea reflects the research analyst's directional view regarding the price of the subject company's publicly-traded common equity in the coming days or weeks, based on market and trading events. A Short-Term Trade Idea may differ from the price targets and recommendations in our published research reports reflecting the research analyst's views of the longer-term (one year) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. Thus, it is possible that a subject company's common equity that is considered a long-term 'sector perform' or even an 'underperform' might be a short-term buying opportunity as a result of temporary selling pressure in the market; conversely, a subject company's common equity rated a long-term 'outperform' could be considered susceptible to a short-term downward price correction. Short-Term Trade Ideas are not ratings, nor are they part of any ratings system, and the Firm generally does not intend, nor undertakes any obligation, to maintain or update Short-Term Trade Ideas. Securities and Short-Term Trade Ideas discussed in SPARC may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any securities or strategies discussed herein.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Disclaimer

RBC Capital Markets is the business name used by certain subsidiaries of Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets, LLC, Royal Bank of Canada Europe Limited and Royal Bank of Canada - Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents:
This publication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE), which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC.

To Canadian Residents:
This publication has been approved by RBC Dominion Securities Inc.(member IIROC). Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents:
This publication has been approved by Royal Bank of Canada Europe Limited ('RBCEL') which is authorized and regulated by Financial ServicesAuthority ('FSA'), in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FSA. However, targeted distribution may be made to selected retail clients of RBC and its affiliates. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To Persons Receiving This Advice in Australia:
This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

To Hong Kong Residents:
This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited and RBC Investment Management (Asia) Limited, licensed corporations under the Securities and Futures Ordinance or, by Royal Bank of Canada, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited or Royal Bank of Canada, Hong Kong Branch at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number

is 2848-1388).

To Singapore Residents:

This publication is distributed in Singapore by RBC (Singapore Branch) and RBC (Asia) Limited, registered entities granted offshore bank status by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance.