From: Cherry, Brian K
Sent: 6/2/2011 5:11:45 PM
To: 'Simon, Timothy A.' (timothy.simon@cpuc.ca.gov)
Cc:
Bcc:
Subject: Re: Analyst Report - J.P. Morgan CA Investor Tour

You are never here ! Had lunch today with Ralph Clark of Shotspotter and ex Controller, EBay exec Steve Westley. Ralph suggested introducing you to Westley. Let me know when you have time to meet next.

From: Simon, Timothy A. [mailto:timothy.simon@cpuc.ca.gov]
Sent: Thursday, June 02, 2011 5:03 PM
To: Cherry, Brian K
Subject: Re: Analyst Report - J.P. Morgan CA Investor Tour

Thanks. We are overdue on getting together.

From: Cherry, Brian K [mailto:BKC7@pge.com]
Sent: Thursday, June 02, 2011 03:56 PM
To: Simon, Timothy A.
Subject: FW: Analyst Report - J.P. Morgan CA Investor Tour

FYI

From: Lam, Lisa [mailto:LxLy@pge.com]
Sent: Thursday, June 02, 2011 1:51 PM
To: Officers of PG&E Corporation; Officers of Pacific Gas and Electric
Cc: Investor Relations (list)
Subject: Analyst Report - J.P. Morgan CA Investor Tour

This morning, Andy Smith of J.P. Morgan issued a report summarizing the recent utility investor tour of California that he led last week. Investors met with Sempra, Edison International, and PG&E Corporation in their home cities, and also staff from the CPUC. Overall, Smith believes that the CPUC may be more constructive than initially expected following Governor Brown's appointment of three new Commissioners earlier this year, but still treat the California utilities less favorably compared to the past. The report finds that residual regulatory risk in California will continue to be an overhang on the companies. For PCG, this relates to uncertainty in the resolution of San Bruno issues, and for SRE and EIX the risk relates to pending general rate cases that won't be resolved until 2012. As a result, J.P. Morgan maintains a Neutral rating on all three California companies.

Smith believes PCG will continue to face cost pressures from the San Bruno accident with a significant chance that it will continue to absorb ongoing costs in 2012. While the company has applied for a memorandum account to track costs related to pipeline spending, there is no clear indication on when or if the CPUC may authorize such an account and/or the recovery of costs.

With respect to earnings guidance, the report questions if a new CEO could take the opportunity to "rebase" near-term EPS expectations and growth aspirations for PCG, which is one other factor that could also weigh on the stock. The report also mentions that it's unclear if PCG will be in a position to raise its dividend in 2012, and that a dividend hike in 2012, if any, will be very modest. As a result of its updated view of the issues facing the company, J.P. Morgan reduces its 2011 and 2012 EPS estimates for PCG to $3.45 and $3.70, respectively.

In trading today, PCG, SRE and EIX each closed down 0.8%, compared to the average comparator group company which was down 0.2%. The Dow Jones Utility Average was down 0.4% and the S&P 500 was down 0.1%.

For your reference, the full report is attached.

Lisa

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Lisa Lam

PG&E Investor Relations

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