PG&E Corporation

Price Objective Change

BUY

Equity | United States | Electric Utilities
04 November 2011

Project New PCG

Bank of America Merrill Lynch

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New CEO lays out costs, earnings and long-term value

PCG held its first earnings call since Tony Earley took over as CEO. PCG initiated 2012 guidance of \$3.10-\$3.30/sh, well below us at \$3.61 and consensus of \$3.66/sh. This is primarily due to \$200M of unrecoverable costs on operational spend. PCG expects a comparable amount in 2013. PCG plans to forego a dividend increase in 2012 as well. Most importantly to us though, Earley indicated the company intends to earn its allowed ROE in 2014, Thus, PCG should eventually return to a more normal operating status. We look for more clarity at EEI.

Large capex and opex spend, high equity issuances

PCG targets to spend \$200M in 2012 and a comparable amount in 2013 on additional resources to accelerate gas and electric operations and customer service improvements. These costs are incremental to the spend in 2011, and to the spend in the OIR. PCG has a healthy \$4.8B capex budget in 2012 including ~\$380M of pipeline safety spend. PCG estimates \$600M of equity in 2012, in addition to the \$400M in 2011. In addition PCG will take charges for Hinkley, some OIR expense and near-term unrecovered third party liability costs.

Lowering estimates to a reasonable downside case

We are lowering our 2012-2014 estimates to \$3.17, \$3.01 and \$3.42/sh. Our major assumptions include \$150M of unrecoverable OIR costs, \$200M of other costs, and a \$500M fine. In 2013 we cut the CPUC ROE to 10.5%, the FERC ROE to 11.5% and a 50% equity ratio. We issue \$1.1B of equity in 2012 and \$400M in 2013. Our prior 2012-2014 estimates were \$3.61, \$3.60 and \$3.78.

Moving to 2014 valuation, lowering PO to \$44

We value PCG on 13x 2014 estimates, an average multiple to the group on our downside case estimate. Risks are liability related to the explosion, regulatory changes, unrecoverable costs.

Estimates (Dec)

(US$)	2009A	2010A	2011E	2012E	2013E
EPS	3.20	3.43	3.55	3.17	3.01
GAAP EPS	3.20	2.84	2.24	1.96	3.01
EPS Change (YoY)	6.0%	7.2%	3.5%	-10.7%	-5.0%
Consensus EPS (Bloomberg)			3.52	3.67	3.63
DPS	1.68	1.82	1.82	1.82	1.89

Valuation (Dec)

	2009A	2010A	2011E	2012E	2013E
P/E	12.8x	11.9x	11.5x	12.9x	13.6x
GAAP P/E	12.8x	14.4x	18.2x	20.8x	13.6x
Dividend Yield	4.1%	4.5%	4.5%	4.5%	4.6%
EV / EBITDA*	11.2x	10.9x	11.7x	11.5x	9.2x
Free Cash Flow Yield*	-5.6%	-3.7%	-2.5%	-8.3%	-8.1%

* For full definitions of *iQmethod*℠ measures, see page 9.

Stock Data

Price	US$40.86
Price Objective	US$44.00
Date Established	4-Nov-2011
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
52-Week Range	US$37.57-48.63
Mrkt Val / Shares Out (mn)	US$16,319 / 399.4
BofAML Ticker / Exchange	PCG / NYS
Bloomberg / Reuters	PCG US / PCG.N
ROE (2011E)	12.3%
Total Dbt to Cap (Dec-2010A)	49.2%
Est. 5-Yr EPS / DPS Growth	3.0% / 4.0%

Key Changes

(US$)	Previous	Current
Price Obj.	47.00	44.00
2011E Rev (m)	15,084.2	15,095.4
2012E Rev (m)	15,490.5	15,604.3
2013E Rev (m)	15,359.0	15,522.4
2012E EPS	3.61	3.17
2013E EPS	3.60	3.01

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.

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iQprofile℠ PG&E Corporation

iQmethod℠ – Bus Performance*

(US$ Millions)	2009A	2010A	2011E	2012E	2013E
Return on Capital Employed	4.8%	4.0%	3.3%	3.1%	4.1%
Return on Equity	12.5%	12.4%	12.3%	10.7%	9.8%
Operating Margin	17.7%	16.9%	20.4%	19.3%	20.0%
Free Cash Flow	(919)	(596)	(404)	(1,353)	(1,321)

iQmethod℠ – Quality of Earnings*

(US$ Millions)	2009A	2010A	2011E	2012E	2013E
Cash Realization Ratio	2.5x	2.4x	2.6x	2.6x	2.4x
Asset Replacement Ratio	2.3x	2.0x	2.4x	2.6x	2.3x
Tax Rate	27.2%	33.0%	39.0%	39.0%	39.0%
Net Debt-to-Equity Ratio	109.7%	108.7%	114.3%	116.5%	121.5%
Interest Cover	3.4x	3.4x	2.9x	2.6x	3.3x

Income Statement Data (Dec)

(US$ Millions)	2009A	2010A	2011E	2012E	2013E
Sales	13,399	13,841	15,095	15,604	15,522
% Change	-8.4%	3.3%	9.1%	3.4%	-0.5%
Gross Profit	8,397	8,652	9,836	10,322	10,218
% Change	3.5%	3.0%	13.7%	4.9%	-1.0%
EBITDA	4,118	4,240	3,942	4,029	5,047
% Change	8.6%	3.0%	-7.0%	2.2%	25.3%
Net Interest & Other Income	(672)	(675)	(764)	(843)	(942)
Net Income (Adjusted)	**1,234**	**1,345**	**1,420**	**1,332**	**1,318**
% Change	**14.2%**	**9.0%**	**5.6%**	**-6.2%**	**-1.1%**

Free Cash Flow Data (Dec)

(US$ Millions)	2009A	2010A	2011E	2012E	2013E
Net Income from Cont Operations (GAAP)	1,234	1,113	895	826	1,318
Depreciation & Amortization	1,752	1,905	1,711	1,832	1,945
Change in Working Capital	(814)	(861)	0	0	0
Deferred Taxation Charge	809	756	(100)	(50)	(50)
Other Adjustments, Net	58	293	1,164	873	0
Capital Expenditure	(3,958)	(3,802)	(4,074)	(4,834)	(4,534)
Free Cash Flow	**-919**	**-596**	**-404**	**-1,353**	**-1,321**
% Change	**-4.6%**	**35.1%**	**32.2%**	**-235.1%**	**2.4%**

Balance Sheet Data (Dec)

(US$ Millions)	2009A	2010A	2011E	2012E	2013E
Cash & Equivalents	1,160	854	56	14	266
Trade Receivables	2,280	2,387	2,387	2,387	2,387
Other Current Assets	2,217	2,301	1,541	1,091	1,091
Property, Plant & Equipment	28,892	31,449	33,408	35,987	38,576
Other Non-Current Assets	8,396	9,034	9,034	9,634	9,634
Total Assets	**42,945**	**46,025**	**46,426**	**49,113**	**51,953**
Short-Term Debt	1,175	1,662	1,662	1,662	1,662
Other Current Liabilities	5,252	5,119	4,556	4,556	4,556
Long-Term Debt	11,594	11,733	12,229	13,806	15,806
Other Non-Current Liabilities	14,339	15,977	15,877	15,827	15,777
Total Liabilities	**32,360**	**34,491**	**34,324**	**35,851**	**37,801**
Total Equity	**10,585**	**11,534**	**12,102**	**13,262**	**14,152**
Total Equity & Liabilities	**42,945**	**46,025**	**46,426**	**49,113**	**51,953**

* For full definitions of *iQmethod*℠ measures, see page 9.

Company Description

PG&E Corp is one of the largest combination natural gas and electric utilities in the United States and the third largest regulated utility in our coverage universe. Based in San Francisco, California, the company primary business is the transmission and delivery of energy. The company provides natural gas and electric service to approximately 15 million people throughout a 70,000-square-mile service area to most of the northern two-thirds of California.

Investment Thesis

PCG offers a compelling regulated growth story that should return to a more normal operating state post the San Bruno aftermath. PCG benefits from very supportive state regulation in CA. We project earnings growth of 6-7% LT driven by a 7% growth in ratebase, through investments in transmission and distribution and generation. We expect PCG to increase the dividend as earnings grow LT.

Stock Data

Average Daily Volume	3,282,824

Quarterly Earnings Estimates

	2010	2011
Q1	0.79A	0.58A
Q2	0.91A	1.02A
Q3	1.02A	1.08A
Q4	0.72A	NA

Earnings call takeaways

We believe things will remain difficult for some time for the company, however we believe PCG should return to a more normal operating status in the 2014 timeframe

We continue to view San Bruno as a major overhang on the PCG story. We believe things will remain difficult for some time for the company. However, we believe management is taking the right steps to fix the company. While Edison (EIX, $41.13, B-1-7) remains our preferred California utility, we believe PCG should return to a more normal operating status in the 2014 timeframe.

Longer-term we believe the company will be well positioned given its rigorous operational improvements and could see some earnings upside from potential recovery of pipeline capex spend. Finally, we continue to see CA as a constructive regulatory environment with LT rate base growth at the utilities from renewables and transmission investments.

2012 guidance initiated, though not a total write-down in estimate

PCG initiated 2012 guidance of $3.10-$3.30 per share, well below expectations. However, 2012 guidance does not include any fines or penalties that may result, and assumes the PSEP goes in as proposed.

PCG initiated 2012 guidance of $3.10-$3.30 per share, well below expectations. While it is definitively conservative, most of the assumptions in the guidance are reasonable and based on current management knowledge. However, 2012 guidance does not include any fines or penalties that may result from San Bruno and it assumes the pipeline safety enhancement plan (PSEP) as proposed in the OIR goes in as proposed. We expect fines are likely to come from the OII case. In addition, we believe there may be some additional costs disallowed for pass through in the OIR, and some capex may be moderated.

While these costs will likely be considered one-time, the charge and resulting equity may impact operating earnings. It is unclear to us if this is the worst that 2012 guidance will get. That said, we note most investors have essentially written off 2012 anyway, and we expect more normalized earnings by 2014.

PCG should file its next T&D rate case for new rates by 2014. PCG expects that many operating costs will be trued up then.

PCG should file its next electric T&D and gas distribution rate case in 2013 with new rates in by 2014. It will file a gas transmission & storage rate case in 2014 for new rates by 2015. Thus, PCG expects that many operating costs will be trued up then, with the majority to be covered by the electric and gas distribution case.

San Bruno costs

We summarize the costs associated with the San Bruno disaster and its aftermath as follows:

- **2011: $350-$550M of direct costs**: PCG expects direct costs for San Bruno to be $350-$550M in 2011, unchanged from previous expectations.
- **2011: $155-$380M of third party liability provision**: These are costs that the company expects to eventually recover from insurance. PCG booked a $220M provision in 2010. While we expect eventual recovery, PCG does not book the insurance recovery until the money is collected. In the meantime, these charges are treated the same as direct costs in which it is a hit to GAAP earnings, cash and the equity layer. YTD PCG has recovered $60M.
- **2012: $200M of unrecoverable operating costs:** PCG sees $200M of unrecoverable costs in 2012 on additional resources to accelerate gas and electric operations and customer service. The company also sees a comparable amount in 2013.

- **2012: $0-$225M of third party liability provision:** We estimate $115M of third party liability charges in our 2012 estimate. If PCG is towards the higher end of this, it could raise our equity need for 2012 or for 2013.

- **2012: $100-$200M of unrecoverable pipeline safety spend:** PCG has proposed as part of its OIR filing that shareholders will absorb $53M of costs for future work associated with existing regulations. This amount, plus some additional spend makes up this line item. We estimate $150M of unrecoverable pipeline safety spend in our estimate.

As stated above, PCG does not include any estimated fines or penalties in its 2012 costs. We estimate a fine of $500M as part of the OII.

- **2012: $500M (BofAML estimate) of fines and penalties:** The Order Instituting Investigation (OII) will likely result in fines for PCG. We estimate a fine of around $500M, which is a worst case scenario in our view. One important point to note is that fines and charges directly impact equity and thus must be funded almost 1 to 1 with equity.

Other costs (Hinkley)

PCG will also book some costs associated with Hinkley environmental remediation and the Rancho Cordova disaster.

- **2011: $125M environmental provision related to Hinkley:** PCG took a $125M incremental pre-tax provision for environmental costs at Hinkley, CA in 3Q 2011. As a reminder, PCG has already booked a $54M provision.

- **2011: $38M charge related to Rancho Cordova:** PCG increased the charge related to Rancho Cordova from $26M to $38M based on the ALJ proposed order.

- **2012: $0-$100M provision on additional environmental spend at Hinkley:** PCG has estimated that Hinkley could cost up to an additional $100M in 2012 based on some of the requirements of the Lahontan Water Board. We conservatively estimate a $50M charge in 2012, though we note that PCG has said that it is trying to work with the Water Board on a more reasonable outcome.

Other factors affecting earnings

We have PCG meaningfully underearning (particularly for a CA utility) in 2012 and 2013. Much of this underearning is related to the costs detailed above. In addition there are some other factors we detail below:

- **Half of CWIP earnings offset by miscellaneous costs:** Previously PCG has been able to earn its allowed ROE on rate base including CWIP (Construction Work in Progress). However as other earnings such as energy efficiency and tax benefits have gone away, PCG estimates that miscellaneous costs such as advertising and charitable expenses will offset half the CWIP earnings (about $0.10/sh hit annually). We estimate CWIP as $1.6B annually in 2012-2014.

- **Lower gas storage revenues and higher litigation costs:** Due to lower commodity prices and a smaller natural gas basis, PCG is seeing lower gas storage revenues. We estimate this is a $0.10/sh earnings hit in 2012.

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Equity needs

PCG will have significant equity needs over the next several years as it funds its robust base capex program and improves its equity layer for charges taken on San Bruno and other costs. Our equity assumptions are as follows:

- **~$400M YTD 2011:** PCG has issued $400M of equity in 2011 to fund capex and San Bruno charges and provisions.
- **$1.1B in 2011 (includes $500M for fines):** PCG estimates it will need $600M of incremental equity from now until the end of 2012 to fund capex, operational costs, and provisions related to San Bruno, and maintain its 52% equity ratio at the utility. We estimate PCG may also need to do another $500M of equity eventually to fund our estimated fine. PCG expects to do $250M through its DRIP, and may fund the remaining equity either through a DRIBBLE or secondary offering.
- **$400M in 2013:** We estimate $400M of equity in 2013. This is primarily to fund capex. We assume PCG's utility equity ratio is cut to 50% from 52%. If the equity ratio remains 52% it could modestly increase the equity needs, though it will also result in higher earnings.
- **$600M in 2014:** Again the majority of this is to fund capex. In addition, we only assume an incremental $100M of insurance recoveries booked by 2014. Our estimate could prove conservative if the insurance recoveries come in faster than expected. Our consolidated equity ratio is around 45-46% in 2013 and 2014. PCG will likely plan to grow this over time.

Forgoing dividend increase in 2012

PCG has decided to forego its dividend increase in 2012, as it did in 2011. We believe this is the politically sensitive and prudent thing to do. We believe even under worst case scenarios, PCG's dividend is safe.

PCG has decided to forego its dividend increase in 2012, as it did in 2011. We believe this is the politically sensitive and prudent thing to do. PCG remains at a low payout ratio, and with expected long-term stable earnings, we expect PCG to potentially resume its dividend increases in 2013. We believe even under worst case scenarios, PCG's dividend is safe.

3Q 2011 earnings; base business on track

PCG reported 3Q 2011 operating earnings of $1.08 per share, above our estimate and consensus of $1.06 per share. Earnings were benefitted by base rate increases from the GRC.

Schedule of regulatory events

PCG has a busy regulatory calendar ahead. The following are timeframes we expect decisions and rulings:

- December 2011: CPUC San Bruno investigation report
- 1H 2012 (likely mid-year): OIR decision; will include capex spend for PSEP plan and
- 2H 2012 (latter part of 2012): OII ruling, likely will result in fines
- Late 2012/early 2013: Cost of capital ruling in California. We assume PCG's equity ratio is cut to 10.5% and the equity ratio is cut to 50%.

Model updates

We are lowering our 2011-2014 estimates to $3.55, $3.17, $3.01 and $3.42/sh. Our prior 2011-2014 estimates were $3.55, $3.61, $3.60 and $3.78/sh. Our model adjustments are detailed above and summarized below:

- **We assume $1.6B of CWIP annually 2012-2014**.
    - **Our rate base inclusive of CWIP is $26.1B in 2012, $27.95B in 2013 and $29.8B in 2014**. Some rate base growth is impacted by bonus depreciation.
- **We increased our capex assumptions in-line with the company's estimates to about $4.8B in 2012.**
- **Assume $600M of unrecoverable costs in 2011**: this includes $450M of San Bruno direct costs, $125M for the Hinkley provision, and $25M of litigation and other costs.
    - **We also separately assume $270M of third party liability,** but believe this will be recovered over time through insurance.
- **Assume $900M of unrecoverable costs in 2012**: this includes $200M of operational costs, $150M for the PSEP, $50M of incremental Hinkley spend, and $500M of fines and penalties.
    - **We also separately assume $115M of third party liability,** but believe this will be recovered over time through insurance.
- **We issue $400M of equity in 2011, $1.1B in 2012, $400M in 2013 and $600M in 2014.** This equity is to fund capex and San Bruno-related expenses.
- **We assume approximately half the CWIP earnings are offset by miscellaneous costs.**
- **We assume a modest earnings hit due to lower gas storage revenues over the next few years.**
- **We assume a 50% equity ratio in 2013.** We had previously assume a bigger cut to 48%.
- **We now assume a 10.5% CPUC jurisdictional ROE and 11.5% FERC ROE** beginning in 2013. This results in a weighted average allowed ROE of about 10.65%. The current CPUC ROE is 11.35% and FERC ROE of 12%.

Tables 2 and 3 highlight our financial summary and modeling assumptions for PCG.

Table 1: Financial Summary

Financial Summary	2011E	2012E	2013E	2014E
EPS	$3.55	$3.17	$3.01	$3.42
Diluted Shares Outstanding	399	421	437	450
Dividends Per Share	$1.82	$1.82	$1.89	$1.97
DividendYield	4.4%	4.4%	4.6%	4.8%
Dividend Payout Ratio	51%	57%	63%	58%
Equity Ratio	47%	46%	45%	46%
FFO/Net Debt	27%	22%	18%	19%
Valuation Metrics				
P/E	11.5x	13.0x	13.6x	12.0x
Price/Book	1.4x	1.3x	1.3x	1.2x
Segment EPS				
Utility	$3.65	$3.19	$3.02	$3.43
Parent	(0.10)	(0.02)	(0.01)	(0.01)
Total EPS	**$3.55**	**$3.17**	**$3.01**	**$3.42**
Utility				
Realized ROE	11.8%	9.9%	9.5%	10.4%
Average Rate Base	$23,693	$26,051	$27,946	$29,781

Source: BofA Merrill Lynch Global Summary

Table 2: Modeling Assumptions

Assumptions	2011E	2012E	2013E	2014E
Total Capital Spending by Segment ($M)				
Electric Distribution	$1,250	$1,400	$1,400	$1,350
Gas Distribution	375	500	500	458
Generation	375	550	375	433
Common Plant	350	425	350	375
Electric Transmission	950	775	950	892
Gas Transmission	200	275	200	225
AMI & Other	165	125	0	0
Solar PV	290	275	290	285
Cornerstone	119	125	119	119
Pipeline Safety	0	384	350	350
Total Capex	**$4,074**	**$4,834**	**$4,534**	**$4,487**
Financings ($M)				
Total Equity Issued/(Repurchased)	$400	$1,100	$400	$600
Total Debt Issued/(Repurchased)	900	2,000	2,000	1,300
Sales Forecast				
Electric Customer Growth	0.0%	0.0%	0.0%	0.0%
Gas Customer Growth	1.8%	1.8%	1.8%	1.8%

Source: BofA Merrill Lynch Global Summary

Price objective basis & risk

PG&E Corporation (PCG)

Our $44 price objective assumes a P/E of 13x 2014E earnings. This is in line with the industry average. Risks to our outlook are: 1) liability related to the San Bruno explosion, 2) lower than expected return and equity layer in cost of capital case in 2012 and 3) Any unforeseen changes to California regulation.

Link to Definitions

Energy

Click here for definitions of commonly used terms.

Analyst Certification

I, Steve Fleishman, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Electric Utilities/Competitive Power Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	American Water Works	AWK	AWK US	Steve Fleishman
	Calpine	CPN	CPN US	Ameet I. Thakkar
	CenterPoint Energy, Inc.	CNP	CNP US	Steve Fleishman
	Edison International	EIX	EIX US	Steve Fleishman
	Exelon	EXC	EXC US	Steve Fleishman
	FirstEnergy	FE	FE US	Steve Fleishman
	GenOn Energy, Inc.	GEN	GEN US	Ameet I. Thakkar
	NextEra Energy	NEE	NEE US	Steve Fleishman
	NRG Energy	NRG	NRG US	Ameet I. Thakkar
	NV Energy	NVE	NVE US	Steve Fleishman
	PG&E Corporation	PCG	PCG US	Steve Fleishman
	PPL Corporation	PPL	PPL US	Ameet I. Thakkar
	Public Service Enterprise Group Inc.	PEG	PEG US	Steve Fleishman
	Southern Company	SO	SO US	Steve Fleishman
	Westar Energy	WR	WR US	Steve Fleishman
	Xcel Energy	XEL	XEL US	Steve Fleishman
NEUTRAL				
	Alliant Energy	LNT	LNT US	Steve Fleishman
	Ameren Corp	AEE	AEE US	Steve Fleishman
	American Electric Power	AEP	AEP US	Steve Fleishman
	CMS Energy	CMS	CMS US	Steve Fleishman
	Dominion Resources	D	D US	Steve Fleishman
	Duke Energy	DUK	DUK US	Steve Fleishman
	Northeast Utilities	NU	NU US	Steve Fleishman
	NSTAR	NST	NST US	Steve Fleishman
	Pinnacle West	PNW	PNW US	Steve Fleishman
	Sempra Energy	SRE	SRE US	Naaz Khumawala
	Wisconsin Energy	WEC	WEC US	Alex Kania

US - Electric Utilities/Competitive Power Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Consolidated Edison	ED	ED US	Steve Fleishman
	DTE Energy	DTE	DTE US	Steve Fleishman
	Entergy	ETR	ETR US	Steve Fleishman
	Hawaiian Electric Industries	HE	HE US	Steve Fleishman
	Portland General Electric Company	POR	POR US	Steve Fleishman
	SCANA Corp.	SCG	SCG US	Steve Fleishman
	TECO Energy	TE	TE US	Steve Fleishman
	UIL Holdings	UIL	UIL US	Steve Fleishman
RSTR				
	DPL Inc.	DPL	DPL US	Steve Fleishman

iQmethod[SM] Measures Definitions

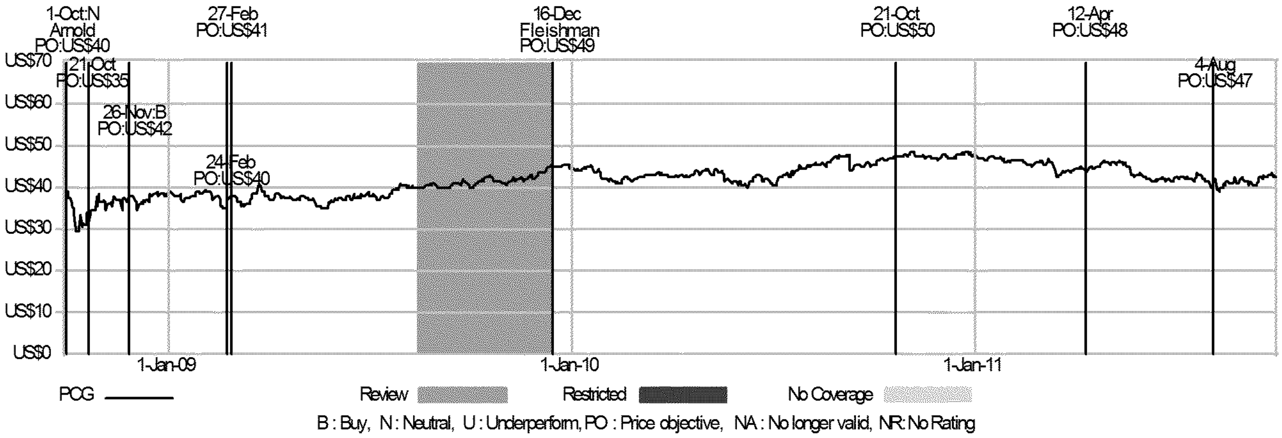
Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod[SM] is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Merrill Lynch.

Important Disclosures

PCG Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [September 30, 2011] or such later date as indicated.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	82	45.30%	Buy	35	48.61%
Neutral	46	25.41%	Neutral	29	65.91%
Sell	53	29.28%	Sell	21	45.65%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

* 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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