

From: Cherry, Brian K
Sent: 11/4/2011 2:38:18 PM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov) (paul.clanon@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: PCG Earnings release - MY VIEW

Paul - some interesting perspective from one of our major investors.

From: Togneri, Gabriel
Sent: Friday, November 04, 2011 11:07 AM
To: Earley Jr., Anthony; Harvey, Kent M; Johns, Christopher; Bottorff, Thomas E; Cherry, Brian K
Cc: Murphy, Margaret; Lam, Lisa
Subject: FW: PCG Earnings release - MY VIEW

All,

See note below from Larry Alberts of Columbia Management. Larry currently represents 4.5 million PCG shares and has been on the buy-side for a long time. He has an interesting calculation below suggesting that the PCG valuation is lagging the market by \$5 billion since the San Bruno accident. Some of this cannot be attributed to San Bruno since Larry points out that all the CA UTEs have had some weakness associated with CA regulation, but a significant amount does represent a San Bruno "cost" to shareholders. I told Larry I would share this with you, including the Reg Rel folks who talk to the commission.

I would also like to share what else Larry said about our call yesterday. "I thought the conference call went very well. I know Tony is an outsider to most at PCG. But I have known him for years, and I think from all the possible CEO's in the industry who could have been considered, he was the best choice IMO for your issues. In actuality, I felt very positive about the prospects of the Company going forward. It is just a matter of getting from here to there."

Larry will not be at the EEI conference this year.

Gabe

Gabe Togneri | VP Investor Relations | PG&E Corporation | 415.267.7100

From: Alberts, Larry [<mailto:larry.alberts@COLUMBIAMANAGEMENT.COM>]
Sent: Friday, November 04, 2011 10:36 AM
To: Togneri, Gabriel
Subject: RE: PCG Earnings release - MY VIEW

Hi Gabe. Not much to say really. It is what it is.

I look at it perhaps in a different way than others. First, assuming San Bruno didn't happen, and PCG just performed with the group since, where would the stock be? About \$53.50. I then take the differential between that number and where the stock trades. That differential is then translated into market cap, about \$5.2B! Some of the premium companies have outperformed the space by an incremental 2%-5%, so that would add another \$300MM-\$900MM of "lost" market cap.

Now I would say the \$5.2B+ covers anything related to San Bruno, changes in cost of capital/equity layer next year, etc., with plenty of cover. The question to PCG, is how do you get it back?

Personally, I would be taking such a calculation to the Commission, the Staff, the Gov, and say enough is enough. If the current PCG is going to be punished for past indiscretions, whether justified or not, the Commission and its staff should also be punished. Past and present, just like PCG.

But what are the repercussions for them? Tarnished reputations? All that I can say is WOW. How does that stack-up against the repercussions PCG has felt? And its investors? That is why I am of the opinion, though it will never happen, that Commissioners and their staff, should have stakes in the game, by being required to own shares in the companies they regulate.

Stock looks cheap, but institutional investors, and I don't mean hedge funds, have to believe it is not a value trap. Right now it looks like that for at least several years. PCG has to figure out of ways to convince institutional investors it is not. And the CA Commission, staff, Governor and legislature have to convince institutional investors it's still a good place to put money into. Right now one would have to say CA went from being one of the better regulatory environments, to average. AT BEST! Evidence has been provided by EIX and SRE being relative underperformers as well.

If all relevant parties in CA believe that there is what I would characterize as a "captive" audience of utility investors, I would emphatically say that is a mistaken view. Go back to the mid-1990's, you couldn't get anyone to buy utilities.

Larry

Lawrence S. Alberts | Vice President, Senior Equity Analyst | Fundamental Equity Corporate Research

Columbia Management | 10354 Ameriprise Financial Center | Minneapolis, MN, 55474

Office: 612.671.4107 | Fax: 612.317.3730 | Mobile: 612.747.9975

larry.alberts@columbiamanagement.com | columbiamanagement.com

Advisory services provided by Columbia Management Investment Advisers, LLC.

From: Togneri, Gabriel [<mailto:Gabriel.Togneri@pge-corp.com>]

Sent: Thursday, November 03, 2011 6:17 AM

To: Alberts, Larry

Cc:

Subject: PCG Earnings release

Larry,

We obviously have some difficult issues we'll be discussing on this quarterly call and I wanted to let you know that I will be available afterwards to talk one-on-one. Would you please let me know several times that would work for me to call you today. My assistant Kristin or I will get back to you with an approximate call time. Otherwise, I'll call you as soon as I can.

Thanks,

Gabe

Gabe Togneri | VP Investor Relations | PG&E Corporation | 415.267.7100

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