

From: Cherry, Brian K  
Sent: 12/8/2011 2:57:19 PM  
To: Sandoval, Catherine J.K. (catherine.sandoval@cpuc.ca.gov)  
(catherine.sandoval@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: FW: S&P Ratings Action  
FYI

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**From:** Redacted  
**Sent:** Thursday, December 08, 2011 12:59 PM  
**To:** Earley Jr., Anthony  
**Cc:** Johns, Christopher; Harvey, Kent M; Park, Hyun; Pruett, Greg S.; Bottorff, Thomas E; Cherry, Brian K; Stavropoulos, Nickolas; Cheng, Linda Y. H. (Corp. Sec.); Togneri, Gabriel; Bijur, Nicholas M.  
**Subject:** RE: S&P Ratings Action

The S&P report was just released, please see attached.

Mari

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**From:** Bijur, Nicholas M.

**Sent:** Thursday, December 08, 2011 9:32 AM

**To:** Earley Jr., Anthony

**Cc:** Johns, Christopher; Harvey, Kent M; Park, Hyun; Pruett, Greg S.; Bottorff, Thomas E; Cherry, Brian K; Stavropoulos, Nickolas; Cheng, Linda Y. H. (Corp. Sec.); Togneri, Gabriel; Redacted

**Subject:** S&P Ratings Action

Tony,

S&P notified us this morning that they will be downgrading PG&E's long term ratings by one notch today. The new issuer ratings will be BBB and BBB- at the utility and corporation, respectively. On a slightly better note, they will assign a Stable outlook and will maintain the short term rating at A2.

The action reflects their view that PG&E is starting a multiyear rebuilding of gas operations, customer reputation, and regulatory relations following San Bruno. Along these lines, they believe PG&E's business profile has eroded since March, when they put us on negative outlook. S&P noted to us that while there was very little dissent from the committee on this decision, there was also near-unanimity that the company has "bottomed out" from a ratings perspective. Our analyst noted that "executive management changes have helped to deliver a credible plan to correct the company's operational

shortcomings."

Of note, the fees on our credit facility are determined by the "higher of the two" ratings from S&P and Moody's, so pricing will not be impacted by today's action. However, we will most likely see an impact on pricing the next time we access the long term capital markets.

We expect the report to be issued sometime this morning. We will forward the report once it is officially released.

Nick

**Nicholas Bijur**

Vice President, Treasurer

Pacific Gas and Electric Company

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