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Sent: 1/31/2012 12:29:28 PM
To: Michael R. Peevey (michael.peevey@cpuc.ca.gov) (michael.peevey@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Analyst Report - Citi on CPSD's Penalty Citation

FYI

From: Lam, Lisa [<mailto:LxLy@pge.com>]
Sent: Tuesday, January 31, 2012 12:15 PM
To: Officers of PG&E Corporation; Officers of Pacific Gas and Electric
Cc: Investor Relations (list)
Subject: Analyst Report - Citi on CPSD's Penalty Citation

This morning, Brian Chin of Citigroup issued a report summarizing his reaction to the \$16.8 million penalty citation that the CPSD issued last Friday. The staff penalty addresses PCG's discovery of missing leak surveys along 14 miles of gas distribution lines. PCG's self report on December 30, 2011 was the company's first filing under the new self-reported citation program at the CPUC, which authorizes the CPSD staff to assess penalties for gas violations. PCG has ten days to decide whether or not to appeal the citation.

Chin notes that "the fine sets a negative regulatory precedent if ultimately adopted as-is by the CPUC." The report notes that the magnitude of the recommended fine is high and if the new citation program results in record-level fines for each violation, Chin would consider discounting future gas pipeline infrastructure investment to reflect future unforeseen penalties.

The full report is attached for your reference.

Lisa

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accompany this email and you should not rely on them for investment advice.

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