

From: Cherry, Brian K
Sent: 1/31/2012 12:42:44 PM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov) (paul.clanon@cpuc.ca.gov); Lindh, Frank (frank.lindh@cpuc.ca.gov) (frank.lindh@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.

In trading so far today, PCG is up 0.7% and the average comparator company is up 0.4%. The S&P 500 is down 0.1% and the Dow Jones Industrials down 0.2%. Yesterday, PCG closed down 1.1%, while the average comparator company was down 0.7%. The S&P 500 was down 0.3% and Dow Jones Industrials down 0.1%.

The full report is attached for your reference.

Lisa

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Lisa Lam

PG&E Investor Relations

One Market Plaza, Spear Tower, 2400

San Francisco, CA 94105

(415) 817-8137