

From: Cherry, Brian K  
Sent: 8/24/2012 5:06:38 PM  
To: Catherine Sandoval (cjs@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: Fwd: FYI - Fitch Release - CA Regulation  
FYI

Begin forwarded message:

**From:** "Togneri, Gabriel" <Gabriel.Togneri@pge-corp.com>  
**Date:** August 24, 2012 10:59:31 AM PDT  
**To:** "Bottorff, Thomas E" <TEB3@pge.com>, "Cherry, Brian K" <BKC7@pge.com>, "Harvey, Kent M" <Kent.Harvey@pge-corp.com>  
**Subject: FW: FYI - Fitch Release - CA Regulation**

Tom/Brian,

Fitch just released this concise report containing their opinions on California regulation. Some highlights:

- "the jurisdictional regulatory compact is a key factor in the evaluation of creditworthiness for utility operating companies..."
- "Certain developments have injected a measure of uncertainty into the regulatory compact in California, including a delay in the release of final decisions..." (for SCE, SDG&E, and SCG GRCs)
- "The California utilities have above-average rating levels and significant adverse regulatory decisions, indicating an unexpected deterioration to the regulatory compact in California would likely lead to future credit rating downgrades for PG&E, SCE, SDG&E, SCG"
- "Fitch believes that the CPUC's final CoC decision may push authorized returns somewhat lower than levels requested by the utilities."

Fitch expects authorized returns at the end of the CoC proceeding to remain well above the industry average authorized ROE of approximately 10.1%. An unexpectedly large adjustment downward to authorized ROEs by the commission would be an adverse development, in Fitch's opinion."

In addition, the Fitch report mentions that PG&E's earnings and financials have been pressured by San Bruno-related costs that are not being recovered of \$778 million through Q2 2012. In the last page of their report, they chart the earned ROEs of the four primary utility companies. As a result of San Bruno costs, our earned ROE dips to roughly 7% in 2011 and roughly 6% thus far in 2012. This is in contrast to the other companies that are earning or exceeding their authorized ROE.

Gabe

NOTE: NEW PHONE NUMBER AS OF AUG 20<sup>th</sup>, 2012

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*Gabe Togneri | VP Investor Relations | PG&E Corporation | 415.973.9725*

**From:** [Redacted]  
**Sent:** Friday, August 24, 2012 9:36 AM  
**To:** Togneri, Gabriel  
**Cc:** Martin, Jamie; [Redacted]  
**Subject:** FW: FYI - Fitch Release - CA Regulation

FYI

Let me know if you have any questions.

[Redacted]

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Redacted

**From:** Redacted  
**Sent:** Friday, August 24, 2012 9:34 AM  
**To:** Bijur, Nicholas M.  
**Cc:** Redacted  
**Subject:** FYI - Fitch Release - CA Regulation

FYI, Fitch has published its most recent release on California Regulation.  
Publication saved under:

\\go260\bmm\_apps\Finance\Rating Agency\Fitch\Credit Opinions and  
Releases\2012

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