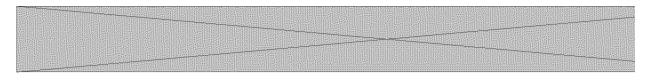
From: Togneri, Gabriel
Sent: Tuesday, September 18, 2012 3:32 PM
To: Earley Jr., Anthony; Johns, Christopher; Harvey, Kent M; Mistry, Dinyar; Pruett, Greg S.; Park, Hyun; Bottorff, Thomas E
Cc: Cherry, Brian K; Frizzell, Roger; Hayes, Kathleen (Law); Hertzog, Brian; Redacted Investor Relations (list); Bijur, Nicholas M.; Wells, Jason
Subject: FW: CPSD Consultant Report Issued in San Bruno Olls

All,

IR has received numerous requests today for the Overland consulting report and we have been providing the redacted version that was sent to the service list this morning. Dan Ford at Barclays has issued the brief email summary and comments below. Their conclusion is that the analysis is flawed because the company would have difficulty raising more than \$2 billion of equity with a 0% return potential, especially if the report is suggesting that some of that additional equity could be "raised" by cutting the dividend. The final point is that they expect this report will create an overhang to PCG stock performance in the near term.

Gabe

From: Daniel Ford, CFA [mailto:daniel.x.ford@barclays.com] Sent: Tuesday, September 18, 2012 2:47 PM To: Togneri, Gabriel Subject: PCG: CPSD Consultant Report Issued in San Bruno Olls



EQUITY RESEARCH | INSTANT INSIGHTS

18 September 2012

 Daniel Ford,
 +1 212 526 daniel.x.ford@barcBQt.Mew York

 CFA
 0836

 Ross A.
 +1 212 526 ross.a.fowler@bardBQts.Mew York

 Fowler, CFA
 3432

PCG: CPSD Consultant Report Issued in San Bruno OIIs

Stock Rating/Industry View: Equal Weight/Positive Price Target: \$51 Price (18-SEP-2012): \$42.56 Potential Upside/Downside: +20% Ticker: PCG

Overland Consulting Issues Report to California Public Utilities Commission's Consumer Product Safety Division Indicating \$2.25B in Equity Issuance is the Threshold Level for the Company

On Tuesday September 18th, Overland Consulting issued a report to the Consumer Product Safety Division (CPSD) indicating that in their view a "reasonable estimate of PG&E's ability to raise equity capital is \$2,250 million." (Overland Consulting Report to CPSD, page 13). This analysis seems to focus on the companies ability to do the following: (1) cut the dividend to a 50% payout ratio from current levels to raise internal equity; (2) raise additional needed equity that amounts to as much as 12% of the company's market cap because other comparable companies have been able to do so; (3) all this would have minimal stock price impacts as the market expectation is for a fine of between \$500 and \$750 million, and a fine and resolution of the San Bruno matter, in the consultant's view, could have a positive effect as the future cash flows of the company could be more certain ex post facto.

We view this analysis as flawed. We believe it would be difficult for a company to raise 12% of its market capitalization as equity to investors while offering a 0% return on that investment capital. Furthermore, it would be even more difficult to raise that said equity in an enviroment where the dividend is being cut. We believe that the report with such a high number vs. market expectations (\$500-\$750 million) for threshold equity issuance (\$2.25 Billion) could make any ongoing settlement discussions incrementally more difficult. As a result, the expected fine amount by the market may increase and the expected timing of any settlement could be pushed out. We view the \$2.25 billion in threshold equity issuance as a very punative outcome. We hope that settlement discussions lead to a more rational analysis of a fine or penalty that will be assessed to the company and that the system itself can be brought up to the necessary safety and performance standards for customers. We anticipate that this report will provide an overhang to share performance in the near term.

Barclays Capital Inc. and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.

Investors should consider this communication as only a single factor in making their investment decision.

For analyst certifications and important disclosures including, where applicable, foreign affiliate disclosures, please **click here**.

Edit my subscriptions profile | Unsubscribe me from this email

The Corporate and Investment Banking division of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays") uses your contact information to deliver information to you. Barclays reserves the right, as permitted by applicable law, to monitor electronic communications. Barclays uses cookies and other tracking technologies to collect information about recipients of electronic communications (such as internet protocol addresses). Barclays uses the information collected to monitor the effectiveness, and extent and frequency of usage of our products, and to further improve our products and our relationships with our clients. This e-mail is intended only for the person to whom it was originally sent, and may contain information that is confidential, proprietary, privileged or otherwise protected from disclosure. If you are not the intended recipient of this e-mail, please advise the sender by reply e-mail. Do not duplicate or redistribute it by any means. Please delete it and any attachments without retaining any copies. Unless specifically indicated, this e-mail is not an offer to buy or sell, or a solicitation to buy or sell any securities, investment products, or other financial product or service, an official confirmation of any transaction, or an official statement of Barclays. Any views or opinions presented are solely those of the author and do not necessarily represent those of Barclays you consent to the foregoing. Barclays Bank PLC, a company registered in England (number 1026167) with its registered office at 1 Churchill Place, London, E14 5HP. This email may relate to or be sent from other divisions or affiliates of Barclays.