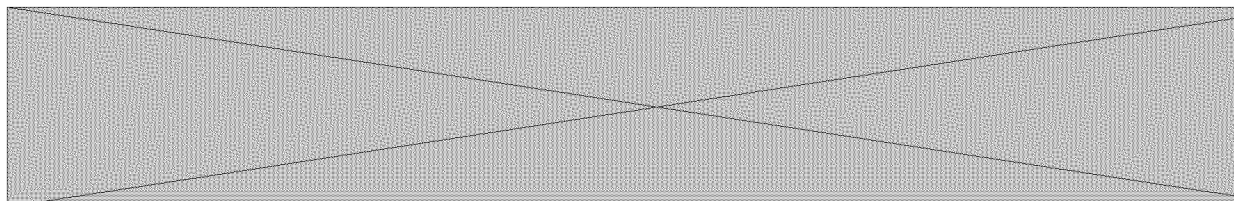


From: Wynne, Hugh N  
Sent: 10/15/2012 3:48:08 AM  
To: Wynne, Hugh N (hugh.wynne@bernstein.com)  
Cc:  
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Subject: BERNSTEIN \* PCG: Proposed Decision Issued in Key Pipeline Safety Proceeding;  
Light at the End of the Regulatory Tunnel?



October 15, 2012

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**PCG: Proposed Decision Issued in Key Pipeline Safety Proceeding; Light at the End of the Regulatory Tunnel?**

- A proposed decision (PD) on PG&E's Pipeline Safety Enhancement Plan (PSEP) was issued on Oct. 12 by ALJ Bushey and now goes to the CPUC for review. The PD would require PG&E to proceed with its \$2.2 billion PSEP, but allows recovery of only \$1.2 billion.
- In addition to disallowing recovery of \$570 million in PSEP O&M costs and \$400 million in PSEP capex, the PD would limit the allowed ROE on the remaining PSEP capex to 6.05% for five years, equivalent to PG&E's cost of debt.
- The CPUC's San Bruno investigation remains pending; we expect it to result in ~\$0.5 billion in fines. Combined with the PD's proposed disallowance of PSEP costs, we believe PG&E will be forced to issue an incremental \$1.1 billion in equity in 2013-2014.

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