

From: Cherry, Brian K
Sent: 12/20/2012 7:11:23 AM
To: Michel Florio (mike.florio@cpuc.ca.gov)
Cc:
Bcc:
Subject: Fwd: PCG: A Sign of Light? PSEP Returns Back to ROE

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Begin forwarded message:

From: "Togneri, Gabriel" <Gabriel.Togneri@pge-corp.com>
Date: December 20, 2012, 7:08:53 AM PST
To: "Harvey, Kent M" <Kent.Harvey@pge-corp.com>, "Mistry, Dinyar" <DBMd@pge.com>, "Bottorff, Thomas E" <TEB3@pge.com>, "Cherry, Brian K" <BKC7@pge.com>
Cc: "Investor Relations (list)" <InvestorRelations@pge-corp.com>
Subject: FW: PCG: A Sign of Light? PSEP Returns Back to ROE

There's one report out this morning that covers the modified PSEP PD that may be voted on at the CPUC meeting today. Dan Eggers from Credit Suisse calls this "on the margin a more constructive stance from the Commission" and also says "the messaging is the most important issue if looking for good news in what has been a slow to develop recovery story".

Gabe

Gabe Togneri / V.P. Investor Relations / PG&E Corp / 415.973.9725

-----Original Message-----

From: dan.eggerts@credit-suisse.com [dan.eggerts@credit-suisse.com]
Sent: Thursday, December 20, 2012 06:02 AM Pacific Standard Time
To: Investor Relations (mailbox)
Subject: PCG: A Sign of Light? PSEP Returns Back to ROE

Equity Research

PG&E Corporation (PCG)

A Sign of Light? PSEP Returns Back to ROE

The CPUC posted a revised decision for vote later today with limited changes to the ALJ's original PD (preliminary decision) **other than importantly to allow PCG to earn its allowed ROE on PSEP related capex rather than the debt return proposed by the ALJ.** (see page 100 of red-lined version

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M040/K502/40502090.PDF>

Our take: We think the CPUC's pivot to allow PG&E to earn its allowed ROE on approved PSEP capex is an encouraging sign for the Utility and ultimately PCG shares, **demonstrating at least on the margin a more constructive stance from the Commission that the costs and penalties of the San Bruno accident will be kept in the present rather than being a substantial drag into the future.** To be fair the CPUC did not reverse the expense and capital denials from the ALJ's PD so there is still some residual pain, but we do think this is a step in the right direction.

The PSEP capex is admittedly not huge dollars relative to the overall size of PG&E – the shift in returns if approved will only add \$0.01-0.04 of EPS depending on year – **but we think the messaging is the most important issue if looking for good news in what has been a slow to develop recovery story.**

We are tweaking our 2012-14 EPS estimates to \$3.21, \$2.85, and \$3.19.

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Rating: NEUTRAL

Price (19 Dec 12, US\$): 41.47

Target price (US\$): 45.00

12/11A: 3.58

12/12E: 3.21 (from 3.20)

12/13E: 2.85 (from 2.83)

12/14E: 3.19 (from 3.16)

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Dan Eggers' Anal

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