

From: Florio, Michel Peter  
Sent: 12/20/2012 10:03:56 PM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)  
Cc:  
Bcc:  
Subject: Re: Fwd: PCG: A Sign of Light? PSEP Returns Back to ROE

Good! Keep me posted if you see other reactions. Mike

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

From: Cherry, Brian K [mailto:BKC7@pge.com]  
Sent: Thursday, December 20, 2012 07:11 AM Pacific Standard Time  
To: Florio, Michel Peter  
Subject: Fwd: PCG: A Sign of Light? PSEP Returns Back to ROE

Brian K. Cherry  
PG&E Company  
VP, Regulatory Relations  
77 Beale Street  
San Francisco, CA. 94105  
(415) 973-4977

Begin forwarded message:

From: "Togneri, Gabriel" <Gabriel.Togneri@pge-corp.com<mailto:Gabriel.Togneri@pge-corp.com>>  
Date: December 20, 2012, 7:08:53 AM PST  
To: "Harvey, Kent M" <Kent.Harvey@pge-corp.com<mailto:Kent.Harvey@pge-corp.com>>, "Mistry, Dinyar" <DBMd@pge.com<mailto:DBMd@pge.com>>, "Bottorff, Thomas E" <TEB3@pge.com<mailto:TEB3@pge.com>>, "Cherry, Brian K" <BKC7@pge.com<mailto:BKC7@pge.com>>

Cc: "Investor Relations (list)" <InvestorRelations@pge-corp.com<mailto:InvestorRelations@pge-corp.com>>  
Subject: FW: PCG: A Sign of Light? PSEP Returns Back to ROE

[[https://registration.csfb.com/images/logo\\_cs.gif](https://registration.csfb.com/images/logo_cs.gif)]

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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<<mailto:dan.eggerts@credit-suisse.com>> [dan.eggerts@credit-suisse.com<<mailto: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.

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)

Document Link (7 Pages, 239KB)<<https://plus.credit-suisse.com/u/sslYKF>>

Recent Research

Valuation & Comps:

Current Valuation

Sheet<[http://release.theplatform.com/content.select?pid=MwKo9W8D8vj88S4qywpHgeD8gBo7\\_Lw1&UserName=](http://release.theplatform.com/content.select?pid=MwKo9W8D8vj88S4qywpHgeD8gBo7_Lw1&UserName=)

Short Interest:

Current Short Interest

Monitor<<http://release.theplatform.com/content.select?pid=HbZQx3qUz0qOe2C6TTBINVEPNxEmbCJY&UserNa>

Electric Utilities: 2012 Conference Season Questions (and More)<[https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document\\_id=998435251&:](https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document_id=998435251&:)

Regulated Utilities:

Evolution-izing Valuation

§ Evolution-izing Valuation

(Deck)<[http://release.theplatform.com/content.select?pid=NJjwCTVFazd\\_3QIDsCxsIKZRCZ0SxEfT&UserName=](http://release.theplatform.com/content.select?pid=NJjwCTVFazd_3QIDsCxsIKZRCZ0SxEfT&UserName=)

§

Webcast<<http://release.theplatform.com/content.select?pid=ObqT2O5RuX6o1j0sWChVnj4iqTGs84EZ&UserName=>

§ Evolution-izing Valuation

(Model)<[http://release.theplatform.com/content.select?pid=CymPRihJdrf7puZnmb\\_DZTprp6J8VqUI&UserName=](http://release.theplatform.com/content.select?pid=CymPRihJdrf7puZnmb_DZTprp6J8VqUI&UserName=)

§ Revisiting Those Left Behind (aka Reg Utes of Late)<<https://plus.credit-suisse.com/u/NnrasL>>

§ Still Some Defense Left in the Regulated Utilities (Deck)<<https://plus.credit-suisse.com/u/sslZEI>>

Power Market Reports:

Adventures in Power Market Expectations... - Group Needs Self-Help; Valuations Too Rich (Note) <<https://plus.credit-suisse.com/u/g42ZeW>>

A Thought...Adventures in Power Markets (Note) <[https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document\\_id=950837311&:](https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document_id=950837311&:)

A Thought...Adventures in Power Markets (Interactive Model) <[http://release.theplatform.com/content.select?pid=9\\_e8hw6jfox2sHOWr5XCMxLh\\_yfQS5vD&UserName:](http://release.theplatform.com/content.select?pid=9_e8hw6jfox2sHOWr5XCMxLh_yfQS5vD&UserName:)

US Nuclear Power Plant Exposures <<https://plus.credit-suisse.com/u/sslZhv>>

2014/15 PJM

Auction <[http://release.theplatform.com/content.select?pid=\\_jLascQvMEikPVLL8ZoHhUPRbY\\_8nU2D&UserNan](http://release.theplatform.com/content.select?pid=_jLascQvMEikPVLL8ZoHhUPRbY_8nU2D&UserNan)

EPA Policy:

Growth from Subtraction (Full Note) <<https://plus.credit-suisse.com/u/sslZuv>>

Growth from Subtraction (Abridged Version) <<https://plus.credit-suisse.com/u/ssl0Rc>>

EPSA

Presentation <[http://release.theplatform.com/content.select?pid=3kWuLQPHNLYzEo3eOiYNqQQ\\_6\\_18tIvh&Userf](http://release.theplatform.com/content.select?pid=3kWuLQPHNLYzEo3eOiYNqQQ_6_18tIvh&Userf)

Dan Eggers Presents: Aspen Institute Energy Policy

Forum <<http://release.theplatform.com/content.select?pid=cuc5i2uhtv5ZfnTmw02fhv9IOhaVxeP5&UserName=Unl>

MATS Rule Goes Final <[https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document\\_id=936715321&:](https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document_id=936715321&:)

Energy Team Reports:

2012 Power & Utility Investor Survey <[https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document\\_id=941331241&:](https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsendlink&format=PDF&document_id=941331241&:)

Energy in 2011 (Abridged Version) <[http://release.theplatform.com/content.select?pid=pSqsnWe2TVGpxtfoiaU3ce5Qy\\_cd5by7&UserName=:](http://release.theplatform.com/content.select?pid=pSqsnWe2TVGpxtfoiaU3ce5Qy_cd5by7&UserName=:)

Dan Eggers' Analyst page <<http://research-and-analytics.csfb.com/secure/control/controlLoop.asp?type=getAnalystProfilePage&eventID=&analystSearchId=2RDI>

(password required)

#### Other Links

Credit Suisse Website<<https://www.credit-suisse.com/us/en/>>

Registration page for Credit-Suisse Research & Analytics<<https://registration.csfb.com/register.html>>

Dan Eggers' Analyst page<<http://research-and-analytics.csfb.com/secure/control/controlLoop.asp?type=getAnalystProfilePage&eventID=&analystSearchId=2RDI>>

(password required)

#### Research Team

US Equity Research Team:

Dan Eggers, CFA

US Equity Research: Electric Utilities

• (212) 538 8430

• [dan.eggers@credit-suisse.com](mailto:dan.eggers@credit-suisse.com)<<mailto:dan.eggers@credit-suisse.com>>

Kevin Cole, CFA

US Equity Research: Electric Utilities

• (212) 538 8422

• [kevin.cole@credit-suisse.com](mailto:kevin.cole@credit-suisse.com)<<mailto:kevin.cole@credit-suisse.com>>

Matthew Davis

US Equity Research: Electric Utilities

• (212) 325-2573

• [matthew.davis@credit-suisse.com](mailto:matthew.davis@credit-suisse.com)<<mailto:matthew.davis@credit-suisse.com>>

Katie Chapman

US Equity Research: Electric Utilities

• (212) 325-1261

• [katie.chapman@credit-suisse.com](mailto:katie.chapman@credit-suisse.com)<<mailto:katie.chapman@credit-suisse.com>>

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