

From: Cherry, Brian K
Sent: 1/25/2013 2:52:09 PM
To: Mark Ferron (fer@cpuc.ca.gov) (fer@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Analysts Reports – Q4 2012 Quarterly Earnings Preview and 2013 Outlook

Mark - FYI

From: Redacted
Sent: Friday, January 25, 2013 2:15 PM
To: Officers - All
Cc: Investor Relations (list)
Subject: Analysts Reports – Q4 2012 Quarterly Earnings Preview and 2013 Outlook

Over the past few days analysts have issued reports discussing the outlook for upcoming Q4 earnings reports and the drivers for the quarter. The reports reflect on 2012 and provide 2013 outlook including some concerns about both regulated and diversified utilities.

Dan Ford of Barclays estimates regulated utility EPS will increase 3.6% and diversified utility EPS will decrease 4.9% from 2011. Dan cites rate case gains and cost management, offset by the impact of bonus depreciation, as key drivers for the regulated utility increases. He attributes the expected decrease in diversified companies' EPS to weak gas prices and power prices. Dan revised PCG estimates for 2012 to \$3.20 from \$3.10 as his assumed equity issuance related to a potential San Bruno penalty was delayed past year end.

Marc De Croisset of FBR expects another earnings season flush with disappointing news around electric utility fundamentals (usage and natural gas prices). Given the group's underperformance compared to the S&P 500 and a decrease in electric output despite weather that should be favorable for utilities, looking towards 2013 Marc expects "lackluster guidance." He reduced his 2013 EPS estimate for PCG to \$2.80 from \$2.91, reflecting a more conservative view on the company's regulatory items.

Angie Storozynski of Macquarie states that regulated utilities are trading at a premium compared to the S&P 500, while investment grade rating concerns for diversified utilities

continue to mount. She believes 2013 guidance will be disappointing and could drive selloffs with concerns over reduced capex programs and unfavorable hedging. Angie revised PCG estimates for 2012-2015 to \$3.18, \$2.75, \$3.11, and \$3.25 from \$3.15, \$2.78, \$3.15, and \$3.29, respectively.

The full report is attached for your reference.

Thanks,

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Pacific Gas and Electric Company
Investor Relations

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