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Sent: 2/21/2013 5:09:52 PM
To: Michael R. Peevey (michael.peevey@cpuc.ca.gov) (michael.peevey@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: DJ, CCT, Bloomberg, PCN - PG&E Posts 4th-Quarter Loss, Sees 2013 as 'Down Year'

Bad day for us today.

From: owner-Newsflash-Real-Time@pge.com [mailto:owner-Newsflash-Real-Time@pge.com] **On Behalf Of** News Flash
Sent: Thursday, February 21, 2013 4:59 PM
To: Newsflash-Real-Time
Subject: DJ, CCT, Bloomberg, PCN - PG&E Posts 4th-Quarter Loss, Sees 2013 as 'Down Year'

Dow Jones Newswires, Contra Costa Times, Bloomberg and Platts Commodity News reported on PG&E's fourth-quarter 2012 earnings. PG&E Corp. Chairman, CEO and President Anthony Earley and PG&E Chief Financial Officer Kent Harvey were quoted. Chris Johns, PG&E President, was mentioned in the *Platts Commodity News* story.

PG&E Posts 4th-Quarter Loss, Sees 2013 as 'Down Year'

By Cassandra Sweet, Ben Fox Rubin

Dow Jones Newswires, February 21, 2013

- PG&E posts quarterly loss amid costs tied to San Bruno pipeline explosion
- PG&E forecasts 2013 earnings below those of 2012
- Company expects to spend about \$1 billion in 2013 that it can't charge to customers

PG&E Corp. (PCG) reported a fourth-quarter loss Thursday amid rising costs from the San Bruno pipeline explosion, which the company said would contribute to making

2013 a "down year."

The San Francisco utility said it expects 2013 adjusted earnings of \$2.55 to \$2.75 a share, down from 2012 earnings of \$3.22 a share and missing analysts' estimates of \$2.78 a share.

PG&E has continued to face expenses and liabilities stemming from the explosion of the utility's natural gas pipeline in San Bruno, Calif., in September 2010, in which eight people died, 58 people were injured and more than 100 homes were damaged or destroyed.

"We weren't able to resolve all of the San Bruno issues last year as we had hoped to do, but we have resolved many of them," **PG&E Chief Executive Anthony Earley** said Thursday during a conference call with analysts.

Shares of PG&E were recently trading down 4% at about \$41.24.

Federal investigators blamed PG&E for the blast and concluded that pipeline defects that went unnoticed for decades caused the rupture. The investigators also found the utility's poor record-keeping and inadequate attention to pipeline safety were contributing factors.

State investigators have accused PG&E of violating numerous safety rules over several years and state regulators have vowed to make the company pay fines, that could be as much as \$1 billion. In addition, more than 100 victims of the disaster have filed lawsuits against the company, with many of those lawsuits still pending.

To date, PG&E has spent about \$1.9 billion on costs related to San Bruno and the company's troubled pipeline system. PG&E said Thursday it plans to spend about \$1 billion in 2013 on pipeline and other work that the company won't be able to charge to its customers this year.

Those costs and a decision by state regulators in December to cut PG&E's authorized rate of return on capital investments will contribute to lower expected profit in 2013, said **PG&E Chief Financial Officer Kent Harvey**.

"2013 is going to be a down year for us," **Mr. Harvey** said during a conference call with analysts.

PG&E has set aside \$200 million to cover the pending fines, although company executives said they expect the fines to exceed that amount. The company has estimated that the lawsuits could cost up to \$600 million. And the company faces hundreds of millions of dollars in other costs associated with beefing up its pipeline system over the next few years.

While the fines and lawsuits remained unresolved, California regulators in December ordered PG&E to pay a little less than half of an estimated \$2.2 billion effort to improve the safety of the company's natural gas pipeline system, with the utility's customers paying the rest.

PG&E reported a fourth-quarter loss of \$13 million, or three cents a share, compared with a year-earlier profit of \$83 million, or 20 cents. The latest period includes pipeline-related costs, penalties, third-party claims, and insurance recoveries, as well as environmental costs associated with historic operations at the natural gas compressor station in Hinkley, Calif. Excluding these items, earnings from operations fell to 59 cents from 89 cents.

Analysts most recently forecast earnings of 59 cents a share.

PG&E Suffers Fourth-Quarter Loss, Weighed Down by Natural Gas

and Environmental Expenses

By George Avalos

Contra Costa Times, February 21, 2013

http://www.mercurynews.com/business/ci_22637273/pg-e-suffers-fourth-quarter-loss-weighed-down

PG&E suffered a fourth-quarter loss, burdened by natural gas pipeline costs and penalties, as well as environmental expenses at a gas compressor station, in a report that caused the company's shares to plunge Thursday.

San Francisco-based PG&E lost \$13 million during the October-December fourth quarter, compared to a year-ago profit of \$83 million.

PG&E shares fell nearly 5 percent in mid-day trading.

Excluding the one-time costs from the environmental operations, PG&E earned 59 cents a share from its operations. Analysts had been expecting earnings of 60 cents a share.

"Our results continue to reflect the significant impact of legacy issues, but we are encouraged by our continued progress in building a stronger utility to serve our customers," said **Tony Earley, Chairman, CEO, and President of PG&E Corporation.**

PG&E has been upgrading its pipeline system after a fatal natural gas explosion in San Bruno in 2010.

The total cost for natural gas pipeline-related actions since the San Bruno accident in 2010 is now approximately \$1.4 billion on a pre-tax basis. All of those expenses have

been borne by PG&E's shareholders, the utility said.

The company expects to undertake infrastructure investments of \$4.5 billion to \$6.0 billion per year during 2014, 2015 and 2016 period in order to maintain safe and reliable electric and gas service.

PG&E also anticipates needing substantial amounts of equity to fund a portion of these investments.

The company pointed to 2014 as a year for it "to significantly recover from the uncertainties of the past several years, pending resolution of the San Bruno investigations and the company's 2014 general rate case," PG&E said as part of its earnings statement.

For all of 2012, PG&E earned \$816 million. That was down 3.3 percent from 2011.

"In 2012, we accomplished all of our ambitious work plans aimed at making us a better performing company," **Earley** said. "We are starting to transition from the uncertainties of the past couple of years, and regain the confidence and support of our customers and our other stakeholders."

PG&E Falls as Forecast Misses Estimates: San Francisco Mover

By Mark Chediak

Bloomberg, February 21, 2013

<http://www.businessweek.com/news/2013-02-21/pg-and-e-falls-as-forecast-misses-estimates-san-francisco-mover>

PG&E Corp. (PCG), California's largest utility, fell the most in more than fifteen months after forecasting earnings below analysts' estimates on natural gas pipeline improvement costs after a deadly 2010 explosion.

The shares dropped 4.5 percent to \$41.15 at 12:42 p.m. in New York. Earlier the shares fell 4.9 percent, the biggest intraday loss since Nov. 3, 2011.

PG&E sees 2013 earnings from continuing operations between \$2.55 a share to \$2.75 a share, below the \$2.79 average of 17 analysts' estimates (PCG) compiled by Bloomberg. The forecast includes the need to issue \$1 billion to \$1.2 billion of new shares to fund improvements to its gas system, the San Francisco-based company said in a statement today.

"There is still remaining uncertainty from the San Bruno incident and the costs that are coming from that," Andrew Smith, a St. Louis-based analyst for Edward Jones, said in a telephone interview. "Investors would like to see some resolution and it is taking longer than they would like," said Smith, who rates the company's shares a hold and doesn't own any.

The utility expects \$400 million to \$500 million in unrecoverable expenses for pipeline safety projects this year from the gas explosion in San Bruno, California, that killed eight people. PG&E's allowed return on equity was also reduced to 10.4 percent, the company said.

PG&E Chief Executive Officer Tony Earley in a conference call today settlement talks with state regulators and other parties related to blast penalties broke down late last year and the company is now involved in resolving regulatory investigations into the pipeline rupture.

PG&E reported a fourth-quarter loss of \$13 million, or 3 cents a share, compared with net income of \$83 million, or 20 cents a share, from the same period a year ago. Excluding pipeline work and other one-time costs, earnings were 59 cents a share, in line with the average of 13 estimates compiled by Bloomberg.

PG&E Records \$426 Million in San Bruno Related Costs in Fourth Quarter 2012

By Stephanie Seay

Platts Commodity News, February 21, 2013

PG&E Corporation said Thursday that it recorded \$426 million more in unrecoverable costs in the fourth quarter 2012 related to the deadly San Bruno pipeline explosion and resulting efforts to modernize its gas system.

Unrecoverable gas costs were \$812 million for all of 2012, and now stand at \$1.4 billion since the September 2010 gas transmission line explosion. The total rises to \$1.9 billion when taking into account charges related to potential penalties, the utility's \$70 million payment to San Bruno, and charges for incremental work to make improvements across its utility operations, the company said in discussing its earnings for the quarter and the year.

In the fourth quarter, pipeline-related costs, including pipeline testing and legal expenses, were \$106 million, and for the full year came in at \$477 million. PG&E also recorded \$353 million in the quarter for capital costs disallowed under its Pipeline Safety Enhancement Plan approved by state regulators late last year.

The utility recorded \$17 million more in potential fines in the San Bruno penalty proceeding during the fourth quarter. PG&E originally estimated in late 2011 that it would pay \$200 million in total penalties. Since then, the utility actually paid \$17 million in fines related to missing pipeline maps, so the new accrual keeps the estimate at \$200 million, PG&E said. The utility said that estimate remains a low-end scenario.

PG&E noted that settlement talks over the San Bruno penalties have reached an

impasse, and that regulatory proceedings are going ahead as scheduled in the case.

The utility said it recorded an additional \$50 million insurance recoveries in the quarter, and \$185 million for the year. Total recoveries since the accident stand at \$284 million.

PG&E also estimated for the first time how much it expects to spend on dealing with gas pipeline right-of-way encroachment mitigation. Based on a survey it is conducting of its rights of way, the utility estimates it will spend \$500 million on such work over five years. Since the utility failed to conduct previous surveys as needed, these costs will not be recoverable, noted **PG&E President Chris Johns**.

PG&E reported an overall loss of \$13 million for the fourth quarter 2012, compared with \$83 million in earnings a year ago. Full-year earnings were \$816 million, down from \$844 million in 2011.

Looking forward, PG&E said it expects to incur another \$400-\$500 million in unrecoverable pipeline-related costs in 2013, including PSEP unrecovered costs, and emerging pipeline work such as the cost to survey and clear its rights of way.

It also expects up to \$145 million in new costs for third-party liability. Third-party liability related to San Bruno currently stands at \$455 million. Guidance does not include future insurance recoveries, penalties or punitive damages related to San Bruno, PG&E noted.

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