Appendix F:

Miscellansous Documents Cited in Testimony

AREA DEVELOPMENT SITE AND FACILITY PLANNING ONLINE

7th Annual Consultants Survey

Surveyed consultants still selected labor costs as the top site selection factor.

Geraldine Gambale, Editor, Area Development Magazine (Winter 2011)

In order to gain a broader perspective of industry executives' facility plans and priorities, we once again asked the consultants who serve industry to tell us about their clients' site selection needs and what the future holds for these clients. As previously stated, only half of the respondents to our 2010 Corporate Survey claim to use outside consultants when site selecting. Therefore, we would expect the results of our 2010 Consultants Survey to differ somewhat from the results of our 2010 Corporate Survey. The following analysis points to the differences and similarities in the responses of the two groups.

Consultants' Clients

Although many of the 110 individuals responding to our Consultants Survey say they have worked with clients in varied manufacturing sectors, no more than 30 percent of the respondents have worked with any one particular industry. However, nearly half of the respondents have worked on projects in the logistics and distribution/warehouse sector, nearly a fifth with clients in the financial services industries, and 11 percent with those in the renewable energy sector (Slideshow, Chart A), so we could expect their responses to be skewed to the needs of those particular facility clients. Of note, the financial services sector is only represented by 3 percent of the Corporate Survey respondents and the renewable energy sector by a mere 1 percent of the corporate respondents.

Nearly 40 percent of those responding to our Consultants Survey say they work primarily with mid-size (100–499 employees) firms (Slideshow, Chart B). A third of our Corporate Survey respondents say their firms employ 100 to 499 workers; therefore, once again, we note that this will come to bear on the similarities and differences in the results of our two surveys.

The responding consultants claim they primarily perform location studies/comparative analyses (30 percent) and incentives comparisons and negotiations (25 percent) for their clients. Interestingly, more than a quarter also say they make the final site selection decision (Slideshow, Chart C). Nevertheless, about a quarter also say that most of the clients who ask them to perform a location search have already gathered preliminary site data, and nearly 40 percent have narrowed down the geographic area in which they wish to locate before calling in the consultants (Slideshow, Chart D).

Although those responding to our Corporate Survey note the effects of the Great Recession on their plans, the responding consultants appear to feel even more strongly about the recession's effects on their clients' plans: 40 percent or more say their clients have put new facility plans on hold, closed or consolidated facilities, deferred capital spending, and are seeking ways to optimize current facilities and layouts (Slideshow, Chart E).

The respondents to our Consultants Survey did tend to agree with those responding to our place spot, with an 86.4 percent importance rating. The respondents to our Corporate Survey ranked these factors slightly higher.

Although the respondents to our Corporate Survey ranked highway accessibility as the most important site selection factor, it is ranked third by the responding consultants, considered “very important” or “important” by 95.8 percent of the respondents. Once again, a site needs good infrastructure access in order to make a client’s short list of potential locations.

Fourth on the consultants’ list of priorities is availability of skilled labor, with a 92.6 percent importance rating. This factor was in seventh position on the corporate respondents’ list. Having a work force with the required skill sets is always important. But, interestingly, the availability of unskilled labor factor showed the greatest change since 2009 in the consultants’ ratings — dropping 14 percentage points in importance to 47.9 percent and ranking 24th this year among the factors. The same reasons accounting for its drop in importance in the Corporate Survey (down 10.1 percentage points) can be blamed here, i.e., high unemployment rates have made a large pool of unskilled workers readily available and, therefore, not as much of a site selection concern for consultants and their clients. This reasoning — as well as the industry mix of the responding consultants’ clients — might also be behind the second-largest drop in importance among the factors: the right-to-work state factor dropped 9.9 percentage points to a 71.3 percent importance rating, and fell from 13th position in 2009 to 20th in the 2010 Consultants Survey — the greatest drop in the rankings among the site selection factors.

The responding consultants ranked energy availability and costs fifth among the factors with a 91.5 percent importance rating. Consultants appear to be more keenly aware of the volatility of energy costs than their corporate counterparts, who only gave this factor an 82.1 percent importance rating. Also, nearly half of the responding consultants say rising energy costs are impacting their clients’ facility plans (Slideshow, Chart Q). In fact, nearly four-fifths say sustainable development is more important to their clients now than in the past (Slideshow, Chart R). When it comes to measures to reduce a company’s carbon footprint, 80 percent of the respondents to the Consultants Survey say their clients are making energy-saving modifications to their facilities, and more than 40 percent say their clients are seeking LEED certification for facilities, as well as recycling or re-using waste products (Slideshow, Chart S). Nearly 60 percent claim that the communities they are working with are offering their clients specific incentives for “green” initiatives (Slideshow, Chart T). Only 40 percent of the Corporate Survey respondents found this to be true.

Along with their awareness of the importance of energy costs, the consultants have placed proximity to major markets in the sixth spot, with 90.5 percent of the responding consultants considering this factor as “very important” or “important.” And proximity to suppliers, although ranked just 15th, showed the largest percentage increase among the site selection factors — jumping 8.9 percentage points to a 79.8 percent importance rating. Additionally, the consultants agree with the corporate respondents regarding the increasing importance of railroad service, which showed the second-largest increase in importance — 8.7 percentage points — and is considered “very important” or “important” by 46.8 percent of the responding consultants.

Occupancy and construction costs is ranked eighth by the consultants, considered “very

The Brookings Institution
METROPOLITAN POLICY PROGRAM

Katrina's Window:
Confronting Concentrated Poverty Across America

Alan Berube and Bruce Katz

Executive Summary

Hurricane Katrina's assault on New Orleans' most vulnerable residents and neighborhoods has reinvigorated a dialogue on race and class in America. This paper argues that the conversation should focus special attention on alleviating concentrated urban poverty—the segregation of poor families into extremely distressed neighborhoods.

- **Overall, nearly 50,000 poor New Orleanians lived in neighborhoods where the poverty rate exceeded 40 percent.** New Orleans ranked second among the nation's 50 largest cities on the degree to which its poor families, mostly African American, were clustered in extremely poor neighborhoods like the Lower Ninth Ward. In these places, the average household earned barely more than $20,000 annually, only one in twelve adults held a college degree, four in five children were raised in single-parent families, and four in ten working-age adults—many of them disabled—were not connected to the labor force.

- **Areas of concentrated poverty are not confined to New Orleans.** Despite improvements in the 1990s, nearly every major American city still contains a collection of extremely poor, racially segregated neighborhoods. In cities as diverse as Cleveland, New York, Atlanta, and Los Angeles, more than 30 percent of poor blacks live in areas of severe social and economic distress.

- **These neighborhoods did not appear by accident.** They emerged in part due to decades of policies that confined poor households, especially poor black ones, to these economically isolated areas. The federal government concentrated public housing in segregated inner-city neighborhoods, subsidized metropolitan sprawl, and failed to create affordable housing for low-income families and minorities in rapidly developing suburbs, cutting them off from decent housing, educational, and economic opportunities.

- **A large body of research has demonstrated that concentrated poverty exacts multiple costs on individuals and society.** These costs come in the form of: reduced private-sector investment and local job opportunities; increased prices for the poor; higher levels of crime; negative impacts on mental and physical health; low-quality neighborhood schools; and heavy burdens on local governments that induce out-migration of middle-class households. Together, these factors combine to limit the life chances and quality of life available to residents of high-poverty neighborhoods.

- **With a set of smart policy tools and a booming economy, progress was made in the 1990s towards reducing concentrated poverty in America.** Yet recent federal actions, such as the gutting of the highly successful HOPE VI program, reductions in funding and flexibility for the Housing Choice Voucher program, and proposed cuts to the Earned Income Tax Credit, threaten to reduce mobility for low-income families and erase the advances made in the 1990s.

- **Congress should consider several policy options to put the nation back on track towards alleviating concentrated poverty, by supporting choice and opportunity for lower-income residents in distressed neighborhoods.** Options include: restoring funding to the HOPE VI program; increasing support for housing vouchers; piloting a "housing-to-school" voucher initiative; adopting President Bush's proposed homeownership tax credit; targeting affordable housing to low-poverty areas with the assistance of regional housing corporations; and expanding the EITC to help working families afford housing in better neighborhoods.

Though these policies alone cannot erase the gaps between rich and poor in America, creating more neighborhoods of *choice* and *connection* would offer millions of low-income Americans—especially children—a true chance at social and economic mobility.

income one-half that of the typical white household. Troublingly, among out-of-school, out-of-work young men and women in New Orleans, Census 2000 counted just 133 whites, but more than 3,700 blacks.[5]

The most visible divide between blacks and whites in New Orleans, however, concerned the neighborhoods in which they lived. Between 1980 and 2000, segregation between blacks and whites in the city grew, bucking the national trend. By 2000, the average African American resident of New Orleans lived in a neighborhood where 82 percent of fellow residents were black.[6]

Given the high rate of black poverty in the city, it comes as no surprise that the physical separation of the races in New Orleans accompanied the isolation of poor households in poor neighborhoods. Over the past ten years, a growing number of poverty researchers have defined "extreme-poverty" neighborhoods as those in which at least 40 percent of residents have family incomes below the federal poverty threshold.[7] By this measure, New Orleans alone had 47 extreme-poverty communities in 2000, representing one out of every four neighborhoods in the city, and home to nearly 100,000 residents.

Poor black households in New Orleans were highly concentrated in these high-poverty zones. Of the 131,000 poor people in the city in 2000, nearly 50,000 (38 percent) lived in these neighborhoods. This ranked New Orleans second among large U.S. cities in 2000, and far above the national average (Table 1). For blacks, this "concentrated poverty rate" was even higher, at 43 percent. Moreover, these distressed neighborhoods were not islands scattered about the city, close to more prosperous sections, but clustered around the downtown and in the city's economically struggling eastern half.[8] New Orleans' many visitors rarely saw such neighborhoods, or even knew they existed.

On nearly every social and economic indicator, New Orleans' neighborhoods of high poverty lagged far behind the rest of the city and the region as a whole (Table 2). Four in five children were raised in single-parent families. Only 60 percent of working-age residents were attached to the labor market. And only one in 12 adults held a college degree.

Concentrated Poverty Exists Beyond New Orleans

Though concentrated poverty had spread more widely throughout New Orleans than many other American cities, similar pockets of urban distress can be found nationwide.

Cities continue to bear the brunt of the nation's concentrated poverty. Of the nearly 8 million people living in extreme-poverty neighborhoods in 2000, roughly 6 million (75 percent) inhabited big cities.[9]

Table 1. New Orleans Ranked Second Among Large U.S. Cities on Concentrated Poverty

City	Concentrated Poverty Rate*—Total	Concentrated Poverty Rate—Blacks	Extreme-Poverty Neighborhoods**
Fresno, CA	43.5	44.9	22
New Orleans, LA	**37.7**	**42.6**	**47**
Louisville, KY***	36.7	53.2	11
Miami, FL	36.4	67.6	23
Atlanta, GA	35.8	41.0	28
Long Beach, CA	30.7	26.8	17
Cleveland, OH	29.8	35.6	52
Philadelphia, PA	27.9	27.1	54
Milwaukee, WI	27.0	39.3	42
New York, NY	25.9	33.7	248
U.S. Total	**10.3**	**18.6**	**2,510**

* The concentrated poverty rate reflects the proportion of all poor people citywide who lived in extreme-poverty neighborhoods.
** Extreme-poverty neighborhoods had more than 40 percent of their residents living below the federal poverty threshold in 2000.
*** Louisville, KY defined as of Census 2000, prior to its merger with surrounding Jefferson County, KY.
Source: Census 2000

B

Appendix A. Extreme-Poverty Neighborhoods[a], and Percentage of Poor People Living in those Neighborhoods, by Race/Ethnicity, 50 Largest Cities in the U.S., 2000

City	Concentrated Poverty Rate (%)				Extreme-Poverty
	Total	Blacks	Whites	Hispanics	Neighborhoods
Fresno, CA	43.5	44.9	17.9	49.6	22
New Orleans, LA	**37.7**	**42.6**	**10.9**	**18.0**	**47**
Louisville[b], KY	36.7	53.2	14.3	24.3	11
Miami, FL	36.4	67.6	11.5	18.0	23
Atlanta, GA	35.8	41.0	9.0	14.2	28
Long Beach, CA	30.7	26.8	11.4	36.8	17
Cleveland, OH	29.8	35.6	16.1	24.6	52
Philadelphia, PA	27.9	27.1	10.7	61.6	54
Milwaukee, WI	27.0	39.3	10.4	5.9	42
New York, NY	25.9	33.7	11.4	33.5	248
Washington, DC	23.8	29.2	6.4	1.7	23
Memphis, TN	23.7	28.8	4.2	2.7	34
Baltimore, MD	22.7	27.1	7.4	8.5	30
Los Angeles, CA	22.4	29.7	8.8	25.0	103
Minneapolis, MN	20.6	20.3	19.8	12.6	12
El Paso, TX	20.5	9.2	9.8	21.5	14
Chicago, IL	19.9	32.0	2.5	6.8	110
Detroit, MI	17.5	17.8	15.4	10.4	47
Columbus[c], OH	16.8	16.9	16.9	12.6	13
San Diego, CA	16.4	18.1	5.7	23.6	17
Oklahoma City[c], OK	14.3	13.1	11.2	22.9	16
Phoenix, AZ	13.6	19.8	3.7	17.2	22
Nashville, TN	13.4	24.6	3.4	1.7	7
Austin, TX	12.0	9.5	17.2	7.0	5
Boston, MA	10.8	8.3	9.7	14.8	12
Tulsa, OK	10.6	20.6	6.0	4.9	6
Fort Worth, TX	9.7	19.9	4.3	4.3	8
Oakland, CA	9.5	14.6	6.6	4.6	7
Honolulu, HI	9.4	19.7	2.6	6.8	5
Kansas City, MO	9.2	13.2	3.0	7.2	11
Dallas, TX	9.1	18.1	2.6	5.3	17
San Antonio, TX	8.9	15.1	2.9	9.6	17
Jacksonville, FL	8.8	14.4	2.6	1.4	7
Sacramento, CA	8.3	8.5	4.4	10.9	4
Houston[c], TX	8.1	19.5	1.6	3.5	23
Seattle, WA	7.0	6.3	5.9	4.2	4
Omaha, NE	5.7	13.3	1.8	0.8	3
Charlotte, NC	4.7	9.0	0.5	0.1	4
Albuquerque, NM	4.5	6.9	2.9	5.6	2
Portland, OR	3.6	2.3	4.2	1.8	3
Denver, CO	3.3	3.3	1.5	4.2	2
San Francisco, CA	2.8	12.6	0.0	0.2	1
Tucson, AZ	2.7	2.8	3.8	1.3	3
Las Vegas, NV	2.4	7.6	1.0	1.2	1
Indianapolis, IN	2.3	4.5	0.5	0.3	3
Colorado Springs, CO	2.1	1.4	1.9	2.5	1
Arlington, TX	0.0	0.0	0.0	0.0	0
Mesa, AZ	0.0	0.0	0.0	0.0	0
San Jose, CA	0.0	0.0	0.0	0.0	0
Virginia Beach, VA	0.0	0.0	0.0	0.0	0
UNITED STATES	**10.3**	**18.6**	**5.9**	**13.8**	**2,510**

[a] Extreme-poverty neighborhoods are census tracts in which at least 40 percent of the population lives in families with incomes below the federal poverty threshold. Because census tracts, our proxy for neighborhoods, do not align exactly with city boundaries in all cases, these figures represent our best estimates of the true concentrated poverty rates in these cities in 2000. In most cases, the census tracts analyzed slightly over-bound the city borders, so that the rates are estimated conservatively (since neighborhoods outside the city may contain more people but are not likely to exhibit extreme poverty).

[b] Louisville as of 2000, prior to the central city's merger with Jefferson County, KY, in 2003.

[c] Discrepancy between city population and census-tract aggregate population exceeds 20 percent. These cities have annexed significant suburban territory and thus their borders do not align well with census tracts.

Source: Census 2000

PGECORP

10−K

Annual report pursuant to section 13 and 15(d)
Filed on 2/16/2012
Filed Period 12/31/2011

The Utility's failure to recover any material amount of its costs through its rates in a timely manner would have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, and cash flows.

The Utility's ability to procure electricity to meet customer demand at reasonable prices and recover procurement costs timely may be affected by increasing renewable energy requirements, new state cap-and trade regulations, and the continuing functioning of the wholesale electricity market in California.

The Utility meets customer demand for electricity from a variety of sources, including electricity generated from the Utility's own generation facilities, electricity provided by third parties under power purchase contracts, and purchases on the wholesale electricity market. The Utility must manage these sources using the principles of "least cost dispatch." If the CPUC found that the Utility did not act prudently in following the principles of least cost dispatch, the CPUC could disallow costs that the CPUC determined the Utility incurred as a result of the imprudent action.

The Utility enters into power purchase agreements, including contracts to purchase renewable energy, following competitive requests for offers. The Utility submits the winning contracts to the CPUC for approval and authorization to recover contract costs through rates. There is a risk that the contractual prices the Utility is required to pay will become uneconomic in the future for a variety of reasons, including developments in alternative energy technology, increased self-generation by customers, an increase in distributed generation, and lower customer demand due to economic conditions or the loss of the Utility's customers to other generation providers. In particular, as the market for renewable energy develops in response to California's new renewable energy requirements, there is a risk that the Utility's contractual commitments could result in procurement costs that are higher than the market price of renewable energy in the future. This could create a further risk that the CPUC would disallow contract costs in the future if the CPUC determines that the costs are unreasonably above market. The Utility also may incur costs in connection with GHG cap-and-trade regulations adopted by the CARB pursuant to AB 32. The CARB will issue a fixed number of free emission allowances (i.e., the rights to emit GHGs), to the Utility that will be sold through the CARB-managed auction for the benefit of the Utility's customers. The ultimate costs that the Utility incurs to purchase emission allowances and offsets on behalf of its customers may exceed the value of the auction revenues. It is uncertain how the Utility's costs would be affected if federal or regional cap and trade programs are adopted.

The Utility also purchases energy through the day-ahead wholesale electricity market operated by the CAISO. The amount of electricity the Utility purchases on the wholesale market fluctuates due to a variety of factors, including, the level of electricity generated by the Utility's own generation facilities, changes in customer demand, periodic expirations or terminations of power purchase contracts, the execution of new power purchase contracts, fluctuation in the output of hydroelectric and other renewable power facilities owned or under contract by the Utility, and the implementation of new energy efficiency and demand response programs. The market prices of electricity also fluctuate. Although market mechanisms are designed to limit excessive prices, these market mechanisms could fail, or the related systems and software on which the market mechanisms rely may not perform as intended, which could result in excessive market prices. In addition, the Utility may incur costs to implement systems and software needed to adapt to new market features.

Although procurement costs and costs to adapt to new market features are expected to be passed through to customers, there is a risk that, as rates rise to reflect these costs, increasing public pressure to reduce rates could cause the CPUC to disallow some of these costs and PG&E Corporation's and the Utility's financial condition, results of operations, and cash flows could be materially adversely affected.

PG&E Corporation's and the Utility's financial results can be affected by the loss of Utility customers and decreased new customer growth due to municipalization, an increase in the number of community choice aggregators, increasing levels of "direct access," and the development and integration of self-generation technologies.

The Utility's customers could bypass its distribution and transmission system by obtaining such services from other providers. This may result in stranded investment capital, loss of customer growth, and additional barriers to cost recovery. Forms of bypass of the Utility's electricity distribution system include construction of duplicate distribution facilities to serve specific existing or new customers. In addition, municipalities could exercise their power of eminent domain to acquire the Utility's facilities and use the facilities to provide utility service to the municipalities' residents. The Utility may be unable to recover its investment in the distribution assets that it no longer owns. The Utility's natural gas transmission facilities could risk being bypassed by interstate pipeline companies that construct facilities in the Utility's markets, by customers who build pipeline connections that bypass the Utility's natural gas transmission and distribution system, or by customers who use and transport liquefied natural gas.

PG&E CORP

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 05/02/2012
Filed Period 03/31/2012

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- the ability of PG&E Corporation, the Utility, and their counterparties to access capital markets and other sources of credit in a timely manner on acceptable terms;

- the amount of equity issued by PG&E Corporation in the future to fund equity contributions to the Utility to enable the Utility to maintain its authorized capital structure that will primarily depend on the timing and amount of charges and costs the Utility incurs that will not be recoverable through rates or insurance; and the ability of PG&E Corporation, the Utility, and other counterparties to access capital markets and other sources of credit in a timely manner on acceptable terms;

- the impact of environmental remediation laws, regulations, and orders; the extent to which the Utility is able to recover compliance and remediation costs from third parties or through rates or insurance; and the ultimate amount of costs the Utility incurs in connection with the Hinkley natural gas compressor site, which are not recoverable through rates or insurance;

- the loss of customers due to various forms of bypass and competition, including municipalization of the Utility's electric distribution facilities, increasing levels of "direct access," by which consumers procure electricity from alternative energy providers, and implementation of "community choice aggregation," which permits certain types of governmental bodies to purchase and sell electricity for their local residents and businesses; and

- the outcome of federal or state tax audits and the impact of any changes in federal or state tax laws, policies, or regulations.

For more information about the significant risks that could affect the outcome of these forward-looking statements and PG&E Corporation's and the Utility's future financial condition, results of operations, and cash flows, see the discussion in the section entitled "Risk Factors" in the 2011 Annual Report. PG&E Corporation and the Utility do not undertake an obligation to update forward-looking statements, whether in response to new information, future events, or otherwise.

PG&E CORP

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 08/07/2012
Filed Period 06/30/2012

- the outcome of future investigations or proceedings that may be commenced by the CPUC or other regulatory authorities relating to the Utility's compliance with laws, rules, regulations, or orders applicable to the operation, inspection, and maintenance of its electric and gas facilities (in addition to investigations or proceedings related to the San Bruno accident and natural gas matters);

- the ultimate amount of additional costs the Utility incurs in 2012 and 2013, for incremental work to improve the safety and reliability of its electric and natural gas operations, that are not recovered through rates;

- whether PG&E Corporation and the Utility are able to repair the reputational harm that they have suffered, and may suffer in the future, due to the San Bruno accident and the related civil litigation, the occurrence of adverse developments in the CPUC investigations or the criminal investigation, including any finding of criminal liability;

- the level of equity contributions that PG&E Corporation must make to the Utility to enable the Utility to maintain its authorized capital structure as the Utility incurs charges and costs, including costs associated with natural gas matters and penalties imposed in connection with the pending investigations, that are not recoverable through rates or insurance;

- the impact of environmental remediation laws, regulations, and orders; the ultimate amount of costs incurred to discharge the Utility's known and unknown remediation obligations; the extent to which the Utility is able to recover compliance and remediation costs from third parties or through rates or insurance; and the ultimate amount of costs the Utility incurs in connection with environmental remediation liabilities that are not recoverable through rates or insurance, such as the remediation costs associated with the Utility's natural gas compressor station site located near Hinkley, California;

- the results of seismic studies the Utility is conducting that could affect the Utility's ability to continue operating its Diablo Canyon nuclear power plant ("Diablo Canyon") or renew the operating licenses for Diablo Canyon, and the impact of new legislation, regulations, recommendations or policies applicable to the operations, security, safety, or decommissioning of nuclear facilities, the storage of spent nuclear fuel, seismic design, cooling water intake, or other issues;

- the impact of weather-related conditions or events (such as storms, tornadoes, floods, drought, solar or electromagnetic events, and wildland and other fires), natural disasters (such as earthquakes, tsunamis, and pandemics), and other events (such as explosions, fires, accidents, mechanical breakdowns, equipment failures, human errors, and labor disruptions), as well as acts of terrorism, war, or vandalism, including cyber-attacks, that can cause unplanned outages, reduce generating output, disrupt the Utility's service to customers, or damage or disrupt the facilities, operations, or information technology and systems owned by the Utility, its customers, or third parties on which the Utility relies; and subject the Utility to third-party liability for property damage or personal injury, or result in the imposition of civil, criminal, or regulatory penalties on the Utility;

- the impact of environmental laws and regulations aimed at the reduction of carbon dioxide and other greenhouse gases ("GHG"s), and whether the Utility is able to recover associated compliance costs, including the cost of emission allowances and offsets, that the Utility may incur under cap-and-trade regulations;

- changes in customer demand for electricity ("load") and natural gas resulting from unanticipated population growth or decline in the Utility's service area, general and regional economic and financial market conditions, the extent of municipalization of the Utility's electric distribution facilities, changing levels of "direct access" customers who procure electricity from alternative energy providers, changing levels of customers who purchase electricity from governmental bodies that act as "community choice aggregators," and the development of alternative energy technologies including self-generation and distributed generation technologies;

- the adequacy and price of electricity, natural gas, and nuclear fuel supplies; the extent to which the Utility can manage and respond to the volatility of energy commodity prices; the ability of the Utility and its counterparties to post or return collateral in connection with price risk management activities; and whether the Utility is able to recover timely its energy commodity costs through rates;

- whether the Utility's information technology, operating systems and networks, including the newly installed advanced metering system infrastructure, customer billing, financial, and other systems, continue to function accurately; whether the Utility can modify its operating systems and networks as needed to timely implement "dynamic pricing" retail electric rates and comply with other requirements established by the CPUC; whether the Utility is able to protect its operating systems and networks from damage, disruption, or failure caused by cyber-attacks, computer viruses, or other hazards; whether the Utility's security measures are sufficient to protect confidential customer, vendor, and financial data

California Proposition 16, Supermajority Vote Required to Create a Community Choice Aggregator (June 2010)

From Ballotpedia

Proposition 16, the New Two-Thirds Requirement for Local Public Electricity Providers Act was on the June 8, 2010 ballot in California as an initiated constitutional amendment, where it was **defeated.**

If Proposition 16 had been approved by voters, it would have henceforward taken a two-thirds vote of the electorate before a public agency could enter the retail power business. This would have made it more difficult than it is currently for local entities to form either municipal utilities, or community wide clean electricity districts called Community Choice Aggregators (CCAs). Forming a local municipal utility or a CCA, if Proposition 16 had been approved, would have required the approval, through election, of 2/3rds of the voters who live in the area of the would-be local municipal utility or CCA.[1]

Pacific Gas & Electric was the primary financial sponsor of the initiative, having contributed $46.1 million. That made PG&E the Goliath in a David-v-Goliath battle, since Prop 16's opponents had access to less than $100,000.[2],[3]

The proposed constitutional amendment would have required a two-thirds majority vote of local voters before a local government could:

- Establish a Community Choice Aggregation (CCA) program.
- Use public funding to implement a plan to become a CCA provider
- Expand electric service to new territory or new customers.[4]

Contents

The CCA program, established in 2002, allows local governments to purchase blocks of power to sell to residents, and to construct municipal electricity generation facilities, which means that cities and counties can become competitors to private utilities.

Share

Prop 16 is June's priciest ballot initiative, with PG&E coughing up big money

By Kurtis Alexander
Posted: 03/26/2010 01:30:17 AM PDT

PG&E has thrown $28 million behind a ballot measure that would limit competition in the electricity market, making the utility the biggest contributor so far in June's state of initiatives and drawing charges from critics that customer rates are being used to finance lavish campaign spending.

The investor-owned company, though, says it's only looking out for the interests of the state's electricity users.

The measure, Proposition 16, would change the state Constitution to mandate a two-thirds vote of residents when a city or county wants to enter the power business and broker its own electricity. PG&E representatives say public power is too risky a venture not to include such voter input, while critics say PG&E should not try to control what local governments do.

Although public power hasn't been pursued in Santa Cruz County, the proposition could have ramifications for the broader market, affecting service and costs across the state.

"The only credible threat to PG&E is public power. If you take away that threat, all PG&E ratepayers are going to be locked into higher rates because there will be no competition," said Mark Toney, executive director of consumer advocacy The Utility Reform Network.

TURN is the primary funder of the opposition campaign. Financial reports due this week showed opponents of the measure have raised roughly $40,000, compared to the millions raised by supporters whose sole contributor, according to the reports, is PG&E.

"People should be upset that their ratepayer money is being used to finance this situation," Toney said, suggesting bills could be lower if the company wasn't spending so much money on the campaign.

A PG&E spokesman said Thursday the company's campaign funding is coming from investors and is a worthwhile price to pay for trying to protect California energy users.

"At a time when state and local governments are facing dire budget conditions, it's more important than ever that local residents be guaranteed a voice in major financial decisions," said Andrew Souvall with PG&E. "We think that in a lot of instances there are risks associated with this business."

Souvall said bad decisions by inexperienced public agencies buying and selling their own power could mean ratepayers have to pick up the slack and pay more as a result.

Marin County and San Francisco are among a handful of communities looking to provide their own electricity with the hope of better controlling customer prices and their power sources. Legislation that followed the state's energy crisis last decade gives cities and counties the ability to buy electricity on the wholesale market.

Municipal power is already provided in some areas of the state, including Santa Clara

Santa Cruz resident Carolina Van Horn, an employee of the nonprofit California Public Interest Research Group, says Proposition 16 would have the additional disadvantage of hampering the pursuit of clean energy, a goal of many of the communities now trying to buy their own power

power to make that decision

Horn said. "It's really important that we have the

From across Santa Cruz County
Breaking from our news staff

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(From the last 12 hours)
1. Safeway expansion bad for business, Ace Hardware owner says
2. Ristorante Avanti, Restaurant Review: Same great food, great new look
3. Coroner identifies man whose body was found on rocks below West ...
4. Man acquitted after 'Ambien defense' now faces parole board
5. Cops and Courts, Aug. 22, 2012
6. Two arrested for stolen property linked to auto burglaries
7. Three Santa Cruz County 'Most Wanted' suspects arrested recently
8. Top county ed official to warn Santa Cruz City Schools district
9. Cops and Courts, Aug. 2, 2012: Man trapped in pickup after crash
10. Hearing set for young man accused of sex acts with 13-year-old

PG&E Corp (PCG.N)

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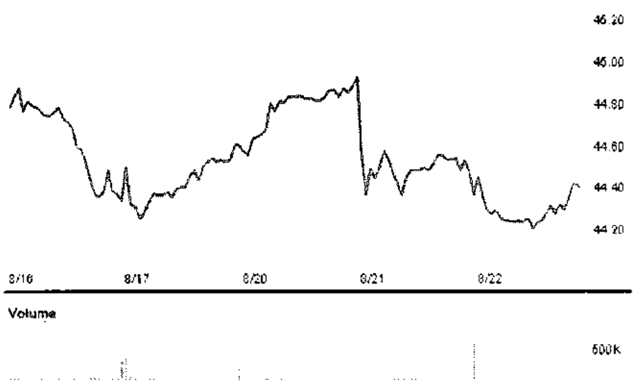
OVERVIEW NEWS KEY DEVELOPMENTS PEOPLE CHARTS FINANCIALS OPTIONS ANALYSTS RESEARCH PULSE

PCG.N on New York Stock Exchange
44.21 USD
12:54pm EDT

Price Change (% chg)
$-0.12 (-0.27%)

Prev Close $44.33	**Day's High** $44.47	**Volume** 95,663	**52-wk High** $47.03
Open $44.31	**Day's Low** $44.17	**Avg. Vol** 2,551,512	**52-wk Low** $36.84

PCG.N



ABOUT

PG&E Corporation is a holding company that conducts its business through Pacific Gas and Electric Company (Utility). The Utility's revenues are generated mainly through the sale and delivery of electricity and natural gas to customers. The Utility served approximately 5.2 million electricity distribution customers and approximately ... more

BUY/SELL

Sell Buy

» Analyst Consensus

OVERALL

Beta:	0.27
Market Cap (Mil.):	$18,905.09
Shares Outstanding (Mil.):	426.46
Dividend:	0.46
Yield (%):	4.11

FINANCIALS

	PCG.N	Industry	Sector
P/E (TTM):	24.46	16.95	8.45
EPS (TTM):	1.81	--	--
ROI:	1.83	3.31	0.77
ROE:	6.11	9.47	0.60

SEARCH STOCKS

Enter company name or Symbol SEARCH

LATEST NEWS ABOUT PCG.N

Poland's PGE extends Belchatow 858 MW unit shutdown to Aug. 17

WARSAW, Aug 8 - Poland's top utility PGE extended the maintenance shutdown of the country's largest coal-fired unit by one day to August 17, grid operator PSE-Operator said on Wednesday.

8 Aug 2012

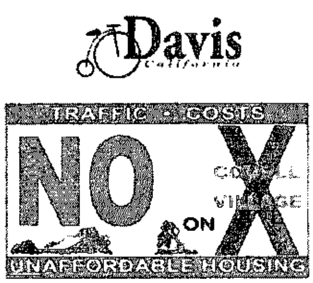
» More PCG.N News

COMPETITORS

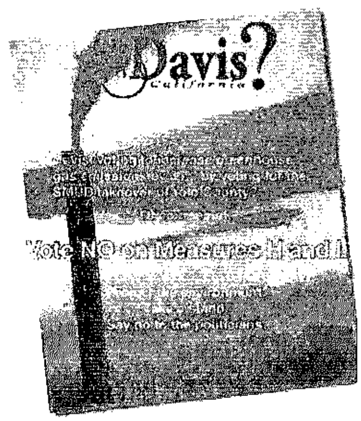
		Price Change
Duke Energy Corp (DUK.N)	$65.94	[illegible]
RWE AG (RWEG.DE)	€33.13	[illegible]
Iberdrola SA (IBE.MC)	€3.20	[illegible]

PG&E Trying to Make Fight For Public Power Nearly Impossible

Written by David Greenwald
Friday, 24 July 2009 05:57



Davis: Where saying "NO" to the politicians usually means protecting the community from backroom deals and hidden costs.



In 2006 the public was allowed to vote on two measures in Yolo County and there were two counterpart measures in Sacramento County to allow Yolo County residents to discontinue using PG&E as their power company and join SMUD. SMUD represented a cheaper and more environmentally friendly approach through its public owned, not-for-profit enterprise. In a rare show of unanimity among local elected officials, nearly every elected official from the Yolo County board of Superivisors, the city Councils of Davis, Woodland, West Sacramento, and Winters, and even school boards all supported the move.

PG&E seeing its livelihood threatened proceeded to dump over 11 million dollars into a campaign to discredit the efforts of SMUD and scare the daylights out of residents in Sacramento County. It worked. One of the ballot measures in Yolo County passed and the other failed by a small margin of votes. However the ballot measures were overwhelmingly defeated in Sacramento County.

In this week's Sacramento News and Review, we have now learned that this lesson was too close for the comfort of PG&E. Cosmo Garvin reports that PG&E is now making a push for an amendment to the state constitution that would make it difficult if not impossible for publicly owned utilities like SMUD to expand into new territory.

> *The "Taxpayers Right to Vote Act" would also hamper the ability of communities to create their own public utilities, an activity that ballot measure spokesman Greg Larsen likens to a government takeover.*
>
> *"If communities choose to pursue any kind of government takeover, it can happen, but there has to be a vote," he said.*

The very name of this ballot measure is misleading. For it is clear that in fact in 2006 there was a vote--in fact four votes two in Yolo and two in Sacramento County. However, apparently those elections were not actually required by law.

Nevertheless this measure would set a much higher standard, according to Mr. Garvin's article, "requiring voters to approve any takeover of an existing public power grid by a two-thirds vote. Raising the bar even further, the new law requires an election in the proposed new service area, along with a separate election in the existing service area, without exception."

The communications director of SMUD, Elisabeth Brinton suggests in the article that the PG&E backed constitutional amendment would not give the ratepayers much of a choice

> *"It really goes to the heart of the right of people to have choices, that's the intent of this measure. It's horrendous. The cost of doing these elections, the whole process is really extraordinary."*

Like the misleading name of the ballot measure, the initiative is being pushed by a group with a deceptive name, Californians to Protect our Right to Vote. It's basically an "*astroturf*" effort however as the filing fees are being paid for by PG&E and according to spokesperson Greg Larsen, PG&E is "definitely part of our coalition."

Wikipedia refers to the term *astroturfing* as:

"Political, advertising, or public relations campaigns seeking to create the impression of being spontaneous "grassroots" behavior, hence the reference to the artificial grass, AstroTurf."

It continues:

"The goal of such a campaign is to disguise the efforts of a political or commercial entity as an independent public reaction to some political entity—a politician, political group, product, service or event. Astroturfers attempt to orchestrate the actions of apparently diverse and geographically distributed individuals, by both overt ("outreach", "awareness", etc.) and covert (disinformation) means. Astroturfing may be undertaken by an individual pushing a personal agenda or highly organized professional groups with financial backing from large corporations, non-profits, or activist organizations."

Clearly this term would apply to the current situation.

The News and Review further ties the two efforts:

"Although it's still early in the process, Larsen said any future campaign would likely rely on the services of Townsend Raimundo Besler & Usher, the same Sacramento firm which ran PG&E's anti-public power campaigns in Sacramento and Yolo counties in 2006. Townsend Raimundo Besler & Usher is also the firm that ran Kevin Johnson's successful mayoral bid in 2008 and is now trying to help one company obtain the rights to store 3 billion cubic feet of natural gas under the ground (and under houses and business) in the Avondale-Glen Elder neighborhood of Sacramento."

The push for public power in part has to do with the lower electrical rates but also the greener energy mix. Mr. Larsen argues that the voters should have a say in this process but fails to cite a single case where they have not.

"SMUD customers have historically paid lower electricity rates than PG&E customers, and they now have access to an energy mix that is slightly greener, using more power from renewable sources like wind and solar. While PG&E customers can try their luck complaining to the company's customer-service department if they have a problem, SMUD ratepayers can directly harangue the utility's board of directors at weekly public meetings, should they choose to do so.

Therefore, it's not surprising that where SMUD and PG&E butt up against each other, PG&E customers occasionally try to defect. The proposed ballot measure would erect a wall making such defections difficult, if not impossible. It's only fair, Larson says, because switching to public power generally requires the government agency to buy out the private agency's land, power lines and other equipment.

"If a government goes to go and buy out a power system, the people wind up footing the bill," Larsen said. "When governments want to get involved in the energy business, the voters should have the final say."

Still, Larsen couldn't name any occasion where the electorate had been denied a vote on a public power proposal. "You're making it too complicated," he said. "This measure simply sets up a standard."

Voters have always had the final say on public power proposals, at least in the Sacramento region. In fact, as noted, there were four votes on SMUD's expansion in 2006 alone. PG&E was successful in getting an advisory vote passed on that year's June primary ballot. That measure called for a binding vote in both Sacramento and Yolo counties before SMUD's expansion could be approved."

The bottom line appears to be that if residents want public power, they are going to have to ward off efforts such as these. And it will not be easy. As mentioned earlier, PG&E spent more than $11 million on the fall election which shattered all sorts of local campaign finance records. SMUD as a public agency could not spend any money on the political campaign, and while local businesses and the elected officials were basically united behind the measure, they were no match for the financial clout of PG&E.

It seems overkill that PG&E would wish to further stack the deck, but that is exactly what has happened.

"You see people rebelling all over the place," observed Susan Patterson, a former member of the SMUD board and one of the leaders of the 2006 campaign to expand public power into Yolo County. "This is PG&E's attempt to put the final nail in the coffin for public power."

"SMUD can't put any money into a political campaign," Patterson noted. "But PG&E has a bottomless checking account."

The residents of California now are going to have an uphill fight to keep even the possibility of life without PG&E alive.

MarketWatch
THE WALL STREET JOURNAL

Dec. 13, 2011, 12:00 a.m. EST

California, Florida, Ohio cities in Bottom 10

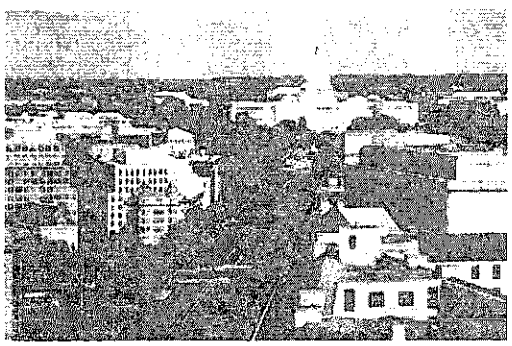
Warm-weather cities dominate lower rungs in MarketWatch survey

By Russ Britt, MarketWatch

LOS ANGELES (MarketWatch) — If you're a prospective business owner, you're probably not going to find much that's inviting — other than weather — about inland California or southwest Florida.

And in parts of Ohio, they don't even have fine weather working in their favor.

BEST CITIES FOR BUSINESS



Washington does it again

The nation's capital has plenty of companies large and small, a strong economy, low jobless rates and, of course, a huge governmental infrastructure.

- **Omaha, Neb., is tops in employment**
- **How Washington rules the ranks**
- **New Orleans on the mend, and on the rise**
- **California, Florida, Ohio cities rule Bottom 10**
- **Slideshow: Best cities, in pictures**
- **Methodology for ranking best cities**

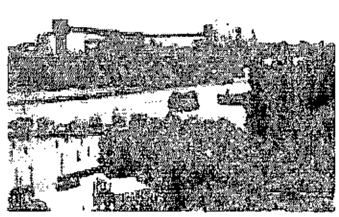
Never before has the Bottom 10 in MarketWatch's study of the Best Cities for Business been so neatly confined to three clearly defined regions of the country. Five inland California communities, three regions around Florida's Gulf Coast and two parts of Ohio get this dubious distinction for 2011.

Many of the usual suspects are in the bottom ranks of the survey, which annually measures the regions with the highest concentration of business and the strength of their economic output. More often than not, a city will suffer a low ranking in part because of its proximity to a bigger, more alluring metro area. In some cases, though, a city may just be so isolated in a region that receives little attention.

MarketWatch surveyed all U.S. cities with populations of 500,000 or more — 102 in all examining 15 criteria. Read about the survey's methodology.

in order from worst to, well, less-worse.

102. Stockton, Calif. 248.5 points: It's probably not surprising that this city, which has vied with Las Vegas for foreclosure capital of the U.S., ends up at the bottom of the list.



Stockton, Calif

Yet it's simply a symptom of a more general malaise that has hit not only Stockton but three other San Joaquin Valley cities in California on the list: Fresno, Modesto and Sacramento. They, along with the Southern California city of Riverside, comprise five of the six worst cities on the list.

"You are looking at the communities that were hardest hit by the housing slump," said Stephen Levy, director of the Center for Continuing Study of the California Economy. "They had so much activity that was related to houses and building new houses."

How they scored

MarketWatch's annual survey covers 102 metro areas. Company score measures the concentration of businesses within a area according to several gauges. Economic score looks at unemployment, job growth, population growth, personal income and local economic output. (A previous version of the company and economic scores column headings in this table were inadvertently reversed. The headings have been corrected.)
Read about the survey's methodology.

RANK	CITY	TOTAL SCORE	ECONOMIC SCORE	COMPANY SCORE
1	Washington	1339.5	720	619.5
2	Boston	1143.5	574	569.5
3	Des Moines, Iowa	1131	586	545
4	Minneapolis-St. Paul	1119.5	496	623.5
5	Omaha, Neb.	1114.5	535	579.5
6	Oklahoma City	1107.5	653	454.5
7	Salt Lake City	1089	610	479
8	Austin, Texas	1072.5	631	441.5
9	New York	1052.5	509.5	543
10	San Antonio	1042	585.5	456.5

*Tie

(Editor's note: An earlier version of this table mislabeled the economic and company score headings. The headings have been corrected.)

During the boom, real estate prices jumped from around $100,000 on average to $400,000 in some cases.

"Then all of a sudden, people remembered they were worth only $150,000," he said.

All the California cities on the list are suffering from high unemployment rates, but Stockton has been hit the hardest. Its jobless rate stood at 15.4% in September, and climbed as high as 18.4% in January.

Last year, Stockton's unemployment rate averaged 17.3% and has been mired in double digits for every month since July 2008.

101. Riverside, Calif. 344 points: Riverside is California's only city not in the San Joaquin Valley that made the bottom 10, but it shares many of the same characteristics as its neighbors to the north.

Riverside is close to the Los Angeles region, and thus gets harder hit when the City of Angels suffers during a rough economy. It has been mired in double-digit unemployment since January 2009, hitting a high of 15.1% in July 2010. As of September, the jobless rate was 13.4%.

Riverside also has the distinction of being the largest city in the U.S. without a Fortune 500 or S&P 500 company within its borders. Most tourism is steered either to the west toward Los Angeles, or to the east in the Palm Springs area.

Yet like all California cities, Riverside's population has skyrocketed over the past decade, much of it due to an overflow of Los Angeles residents moving east. That has made it difficult for the region to adapt to new economic realities.

100. Fresno, Calif. 350 points: Last year's worst city, Fresno climbed a couple of rungs up the ladder thanks to strides made in personal income. The region was nearly in the upper third of cities in personal income growth during the last year.

Still, Fresno's location near the foothills of the Sierra Nevada keeps it from making significant strides up in attracting companies. It has no Fortune 500, S&P 500 nor Forbes private firms, and it is the largest city in the U.S. without a Russell 2000 company.

While Stockton currently has the worst jobless rate, Fresno is at the bottom of the barrel for long-term unemployment. It hit 18.6% in February 2010 and has averaged more than 12% over the last two decades.

MOODY'S
INVESTORS SERVICE

Global Credit Research
Credit Opinion
4 APR 2012

Credit Opinion: Pacific Gas & Electric Company

Pacific Gas & Electric Company

San Francisco, California, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Pref. Stock	Baa2
Commercial Paper	P-2
Other Short Term	P-2
Parent: PG&E Corporation	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Pref. Shelf	(P)Baa3

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William L. Hess/New York City	212.553.3837

Key Indicators

[1]
Pacific Gas & Electric Company

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	6.1x	5.5x	5.3x	5.4x
(CFO Pre-W/C) / Debt	25.0%	23.4%	25.4%	25.9%
(CFO Pre-W/C - Dividends) / Debt	20.8%	18.7%	20.9%	21.7%
Debt / Book Capitalization	48.0%	47.0%	46.9%	50.9%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

-San Bruno remains a significant overhang

-Credit supportive regulation continues

-Conservative capital structure and dividend policy

-Strong financial metrics expected to continue

-Sizable capital investment program

-Economy improving but challenges remain

-New management focused on credibility issues

Corporate Profile

Pacific Gas and Electric Company (PG&E) is a California based integrated electric utility engaged in the electric and natural gas distribution, electric generation, procurement, and transmission businesses as well as natural gas procurement, transportation, and storage. PG&E serves 5.2 million electric distribution customers and approximately 4.3 million natural gas customers. PG&E is wholly-owned by PG&E Corporation (PCG), a holding company headquartered in San Francisco, CA.

At year-end 2011, PG&E's revenues of $14.95 billion were virtually identical to those of PCG's, and PG&E's assets of around $49.2 billion represented 99% of PCG's consolidated assets. PG&E is regulated by the California Public Utilities Commission (CPUC) and by the Federal Energy Regulatory Commission (FERC).

SUMMARY RATING RATIONALE

PG&E 's A3 senior unsecured debt rating reflects the continuation of a credit supportive regulatory environment in California, the sustainability of strong credit metrics, a conservative financing strategy, and a corporate strategy centered around regulated rate base growth through infrastructure related investments. The rating balances these attributes against key issues facing the company including the fallout from the tragic San Bruno accident, a substantial capital spending program, high end-use customer rates and a improving but challenging service territory economy.

DETAILED RATING CONSIDERATIONS

-San Bruno

The San Bruno accident continues to be the dominant rating factor for PG&E. While progress was made during 2011 to begin to resolve matters relating to the accident, additional challenges remain, with San Bruno continuing to be a credit overhang through at least the end of 2012. The company has stated publicly that it is liable for the San Bruno accident and it will take financial responsibility to compensate all of the victims for the injuries they suffered as a result of the accident. To that end, the company in March 2012 announced that it had reached a $70 million settlement with the city of San Bruno which will assist in the community's rebuilding efforts. This $70 million contribution is guaranteed by PCG and it is in addition to the PG&E's previous agreement that it will reimburse the city for costs incurred in connection with the San Bruno accident. As part of the settlement, the city has released PG&E and PCG from all other claims relating to the San Bruno accident.

During 2011 and 2012, three separate reports, including one from the National Transportation Safety Board (NTSB), were issued and all were critical of the company's natural gas operating practices and procedures and its corporate culture. The CPUC has commenced three investigations pertaining to the company's natural gas transmission operations covering 1) safety recordkeeping for the entire gas transmission system, 2) PG&E's operation of its natural gas transmission pipeline system near higher population density locations and 3) whether PG&E violated applicable laws, rules, orders, requirements, and industry safety standards relating to its gas pipeline business. PCG has concluded that PG&E will likely be required to pay penalties associated with these matters and has set up a $200 million reserve as a minimum estimate of such future penalty.

Approximately 100 lawsuits involving third-party claims for personal injury and property damage, including two class action lawsuits, have been filed against the company. Under the company's insurance plan, the aggregate amount of this insurance coverage is approximately $992 million in excess of a $10 million deductible. PG&E has submitted insurance claims to certain insurers and recognized $99 million of insurance recoveries during 2011. Although PG&E believes that a significant portion of the costs incurred for third-party San Bruno related claims will ultimately be recovered through insurance, the amount and timing of such recovery remains difficult to predict.

During 2011, PG&E incurred $483 million of expenses for hydrostatic pressure tests and other pipeline-related activities that will not be recovered through rates. In 2012, PG&E forecasts that it will incur costs associated with its natural gas pipeline system ranging from $450 million to $550 million that may not be recoverable through rates. Also, the company incurred a cumulative charge of $375 million ($155 million in 2011 and $220 million in 2010) for third-party claims related to the San Bruno accident and estimates that it is reasonably possible it will incur up to an additional $225 million, for a total possible loss of $600 million. As mentioned, PCG established a $200 million reserve in 2011 to apply towards a potential penalty. The utility also expects to spend $200 million in each of 2012 and 2013 for other operational enhancements across the business unrelated to San Bruno but intended to improve operational performance. To date, we calculate that shareholders will bear approximately $1.6 to $1.7 billion of costs related to San Bruno.

On August 26, 2011, PG&E filed its proposed pipeline safety enhancement plan (PSEP) with the CPUC to conduct pressure tests, replace certain natural gas pipeline segments, install automatic or remote control shut-off valves, and perform other activities to improve its natural gas pipeline system. PG&E forecasted that its total expenditures over the four-year period of 2011 through 2014 will be about $2.2 billion, of which $1.4 billion is estimated to be capital expenditures and $750 million in operating expenses. PG&E's ability to secure a reasonable outcome to this multi-year request is a key consideration in the direction of the company's rating.

In the end, while we fully anticipate PG&E's financial results to continue to be negatively affected by San Bruno related charges, our current rating and stable outlook assumes that such costs are more likely to occur in a concentrated, shorter-term period and less likely to occur over a multi-year period. In that vein, we expect the company to pay a very sizeable penalty for the San Bruno accident but also believe that the outcome of the PSEP filing will be concluded in a relatively constructive manner as we view many of these costs and capital investments as being new requirements of state and federal authorities. We also recognize that the state's other gas investor-owned gas filed their respective multi-year PSEP plans and we anticipate the CPUC will render a decision that provides timely recovery of costs and a reasonable return on the capital invested. While we recognize that PG&E has credibility problems with key stakeholders in the state, including the CPUC, we believe that it will be difficult for the commission to render a decision that is materially different than one rendered for the state's other gas utility, particularly given the nature of the rate request. Moreover, PG&E, along with the other California utilities, play an important role in advancing various energy policy initiatives across the state which would be compromised if an investor-benign multi-year regulatory decisions was not rendered. In the end, the CPUC will decide the degree to which ratepayers or shareholders, or both, will pay for PG&E's costs incurred in testing, pipe replacement, or other direct costs, and our current rating and outlook incorporates an expectation that such outcome will not materially compromise PG&E's financial strength.

-Credit supportive regulatory environment

In recent years, CPUC regulation has been increasingly more predictable and credit supportive, driving capital market support for investment in large infrastructure projects within the state. Regulatory outcomes in the company's three rate cases during 2011 were credit supportive and help to underpin financial performance.

Specifically, the CPUC approved PG&E's 2011 test-year general electric and gas rate case (GRC) on May 5, 2011. The settlement authorized a $450 million of additional revenue requirement for 2011 and authorized additional attrition increases of $180 million in 2012 and $185 million in 2013. During 2011, the CPUC also approved Gas Accord V, which establishes PG&E's gas transmission and storage rates and related revenue requirements for the four year period of 2011 through 2014 and FERC approved a settlement of the company's, allowing a base transmission revenue requirement of $934 million.

Other elements that continue to support our above average assessment for the regulatory framework and PG&E's ability to recover costs include the existence of a decoupling mechanism which has been in place since the 1990s and has been tested in a variety of economic conditions. The revenue decoupling mechanism, which eliminates volatility in revenues due to fluctuations in customer demand caused by the economy or by weather, is paired with an annual attrition mechanism that adjusts annually for customer growth, inflation and the replacement of aging infrastructure facilities. Also, the existence of the Energy Resource Recovery Account mechanism, which allows for the adjustment of procurement rates should an under or over collection exceed 5% of PG&E's prior year's generation revenues, continues to help the state's utilities better manage changes in power costs. Moreover, the current cost of capital adjustment mechanism has been in place from 2009 through 2012 which helps to underpin financial results, which for PG&E is maintained at an authorized ROE of 11.35% based upon a 52% common equity component.

During 2012, there are several key regulatory decisions expected by the CPUC that could influence future financial performance. As mentioned, there are separate investigations underway relating to San Bruno which we believe will likely result in a material financial penalty for the company. While it is difficult to predict the exact timing of these decisions, the current schedule implies that the investigation will continue at least the end of 2012. As mentioned, PCG has set aside a $200 million reserve for San Bruno related penalties; however, we would not be surprised if the amount of penalties exceeded this level. We understand that the company plans to fund the penalty amount with the issuance of new common equity. Also, the cost of capital hearings for all of the California utilities will occur during 2012 with a decision scheduled for the end of 2012. Moody's believes that the current allowed returns for all of the California utilities (including PG&E's current authorized return of 11.35% based on a 52% common equity ratio) could be adjusted downward at the end of the cost of capital review due to the existence of low interest rates and in recognition of a weak California economy. That said, we believe that the California utilities will end up with above-average return prospects (as compared to the rest of the country) in light of the substantial financing requirements of the state's utilities intended to aggressively advance renewable standards and replace aging infrastructure. Third, a decision on PG&E's $2.2 billion PSEP could be reached sometime during 2012. PG&E's ability to secure a reasonable outcome to this multi-year request is a key consideration in the direction of the company's rating.

Overall, we believe that, even with a weakened economy, the broad elements of the regulatory framework in California continues to remain credit supportive for the state's investor-owned California utilities, including PG&E. This is particularly the case, in our opinion, when one considers the size of the capital expenditure programs at PG&E and at other California utilities, all of which are intended to improve the reliability of electric and natural gas service and, in the case of electric service, through greater use of environmental friendly generation resources. To meet these bold statewide initiatives, substantial capital investment across the state is anticipated which we believe is more likely to occur if the broad regulatory framework that exists today remains largely intact.

-Continuation of strong historical credit metrics expected

PG&E continues to produce credit metrics which position the company well when compared to other A3-rated utilities. For example, Moody's calculates PG&E's average cash flow (CFO/pre-WC) to debt for the past three fiscal years at 24.6 %, the average cash flow coverage of interest expense at 5.6x and average retained cash flow to debt at 20.1%, all of which position the company well in the "A" rating category. During 2011, PG&E's credit metrics strengthened somewhat as cash flow to debt was 25%, cash flow coverage of interest expense was 5.7x and retained cash flow to debt was 20.8%. This modest strengthening is reflective of the receipt of bonus depreciation, incremental cash flows from recent rate cases decisions, the parent company's issuance of $686 million of common equity during 2011, of which $555 million was invested into PG&E as a capital contribution. Together, these factors more than offset the incremental financial burden associated with the San Bruno accident. Going forward, while we expect the company to remain free cash flow negative due to a sizeable capital expenditure program exacerbated by San Bruno related costs, we expect PG&E to generate metrics which continue to strongly position the company for the current rating category.

-Significant capital expenditure program

During 2011, PG&E spent $4.0 billion in capital investments and expects to spend approximately $4.6 to $4.8 billion in 2012. Spending includes San Bruno related capital investments as well as various capital investments focused on improving its electric and gas transmission and distribution infrastructure and electric generation in order to maintain and improve system reliability. A portion of the forecasted capital expenses have been authorized and are recoverable under the rate cases decisions rendered in 2011. Other projects, like the SmartMeter deployment, have been separately CPUC approved.

-Conservative capital structure and dividend policy

The company has been able to maintain its credit metrics along with its current rating and outlook largely because a substantial portion of the costs related to the San Bruno accident and pipeline enhancements have been funded with the issuance of common equity. In 2011, PCG issued $686 million to fund costs related to San Bruno and other operational expenditures and PCG has indicated plans to issue an additional $600 million of common equity during 2012. To that end, on March 14th, PCG sold 5.9 million shares of common stock, raising nearly $254 million. We expect PG&E to continue financing its negative free cash flow, including San Bruno related costs, with a eye towards maintaining a 52% equity ratio.

PCG's dividend policy is rather conservative when compared to other peer companies, particularly given the predictable nature of this rate regulated business. PCG's target dividend policy is 50% to 70% of its continuing earnings, with an objective to remain in the lower end of the range. In 2011, PCG announced that in light of the expected costs and challenges relating to San Bruno, they would maintain the common dividend at $1.82 per share. Moody's calculates PCG's dividend payout ratio at 52%, 65%, and 87% for 2009, 2010, and 2011, respectively. The increase in the 2011 payout ratio is primarily due to pipeline related expenses which decreased earnings per share by approximately 41% to $2.10 share. Excluding the San Bruno related expenditures and charges taken for environmental matters, PCG's earnings for 2011 would have been $3.58 share, suggesting a dividend payout of around 50%. Our current rating and stable rating outlook incorporates the expectation that over the long-term the company will maintain a conservative dividend policy.

-Economy improving but challenges remain

California's economy has improved slightly but continues to face pressures created by a depressed housing market and state budget cuts. According to Moody's economy.com, job growth has rebounded after stalling in the second quarter of 2011 and is now outpacing the US rate. However, in December 2011 the state's unemployment rate remains high at 11.9%, and according to Moody's economy.com, will remain above 10% through 2013 due to the slow recovery of housing-related industries. We understand that approximately 28% of PG&E residential customers are enrolled in the company's California Alternative Rates for Energy program which provides a 20% discount on gas services and up to 75% discount on electric services. Offsetting the effects of a weakened service territory is an extremely diverse customer mix that exists across the company's electric and natural gas Northern California service territory along with a decoupling mechanism for the company's electric and natural gas which eliminates volatility in revenues due to changes in customer demand caused by the economy or by weather. Notwithstanding the benefits of decoupling, which are material from a credit perspective, a weak service territory can magnify affordability issues for customers. This is particularly the case when one considers the substantial amount of purchased power obligations that PG&E procures each year, many of which are from renewable resources which are more expensive than more traditional sources of generation. Current customer rates for electricity and natural gas have been aided by low natural gas prices and by comparably low customer usage, reducing the bill for end-use consumers.

-New management dedicated to improving company creditability

The PG&E brand, along with the firm's credibility across key constituencies, has been severely damaged by San Bruno with such remediation taking years to address. We also believe that efforts are underway to address this important factor, which includes the recent appointment of a new CEO along with the organizational separation of the company's natural gas business under new leadership. Moody's views the changes at the top as an important step in the right direction to improve the firm's credibility but also recognizes that it will take time to alter key constituents views around PCG. In our opinion, some of this negative bias is unrelated to San Bruno and stems from previous management's mishandling of a ballot initiative as well as the manner in which SmartMeters were implemented across the service territory. In the end, actions by the company will be the only way to slowly change the perception of the company in the minds of key stakeholders, but such transformation will be difficult and a several year process.

Liquidity

PG&E has a Prime-2 short-term rating for commercial paper. Moody's expects commercial paper borrowings to be used for working capital requirements, particularly prior to PG&E's natural gas heating season, and to fund, on an interim basis, capital expenditures.

PCG and PG&E maintain separate bank accounts and separate bank facilities. At December 31, 2011, PCG on a stand-alone basis had cash of about $209 million; PG&E had unrestricted cash of approximately $304 million and restricted cash of about $380 million.

On May 31, 2011, PCG and PG&E both replaced their previous credit facilities with new $300 million and $3.0 billion facilities, respectively, that expire on May 31, 2016. As of December 31, 2011, PCG had no commercial paper or letters of credit outstanding with full availability under its facility. PG&E had $1.389 billion of outstanding commercial paper and $343 million of outstanding letters of credit, leaving $1.268 billion available under its credit facility for other working capital needs. Borrowings under the facilities are not subject to a MAC representation and all facilities require each company to maintain a debt to total capitalization ratio of no more than 65%. At December 31, 2011, PCG and PG&E were in compliance with this financial covenant.