



Regulatory Overview

Investor Conference
May 22, 2008

Tom Bottorff
Senior Vice President, Regulatory Relations



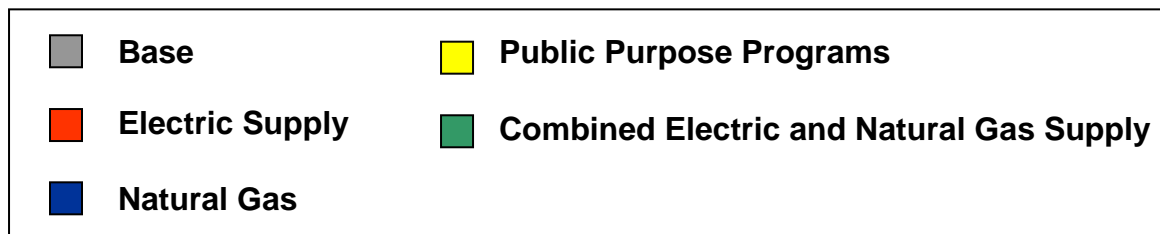
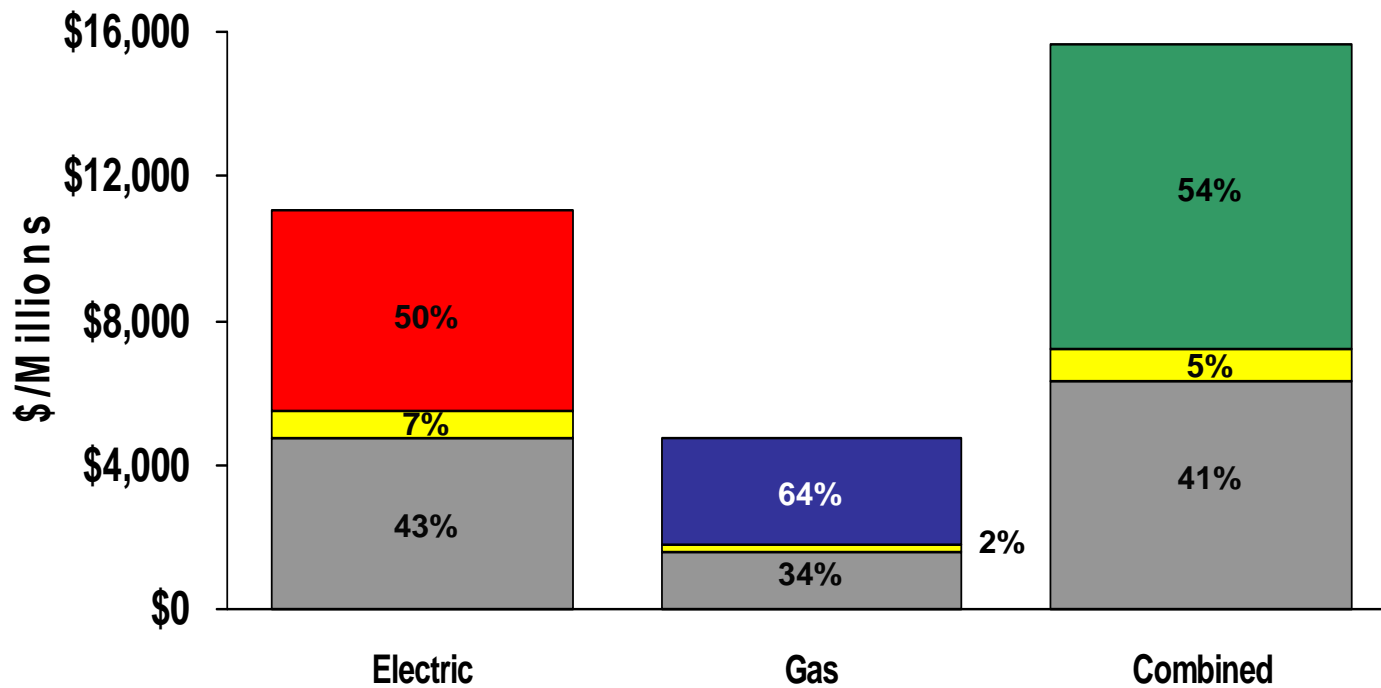
Topics for Discussion

- **Utility Revenue Requirement**
- **Revenue Protected from Sales Fluctuations**
- **Key Regulatory Proceedings**
- **Average Electric Rate Compared to CPI**
- **CPUC Commissioner Terms**



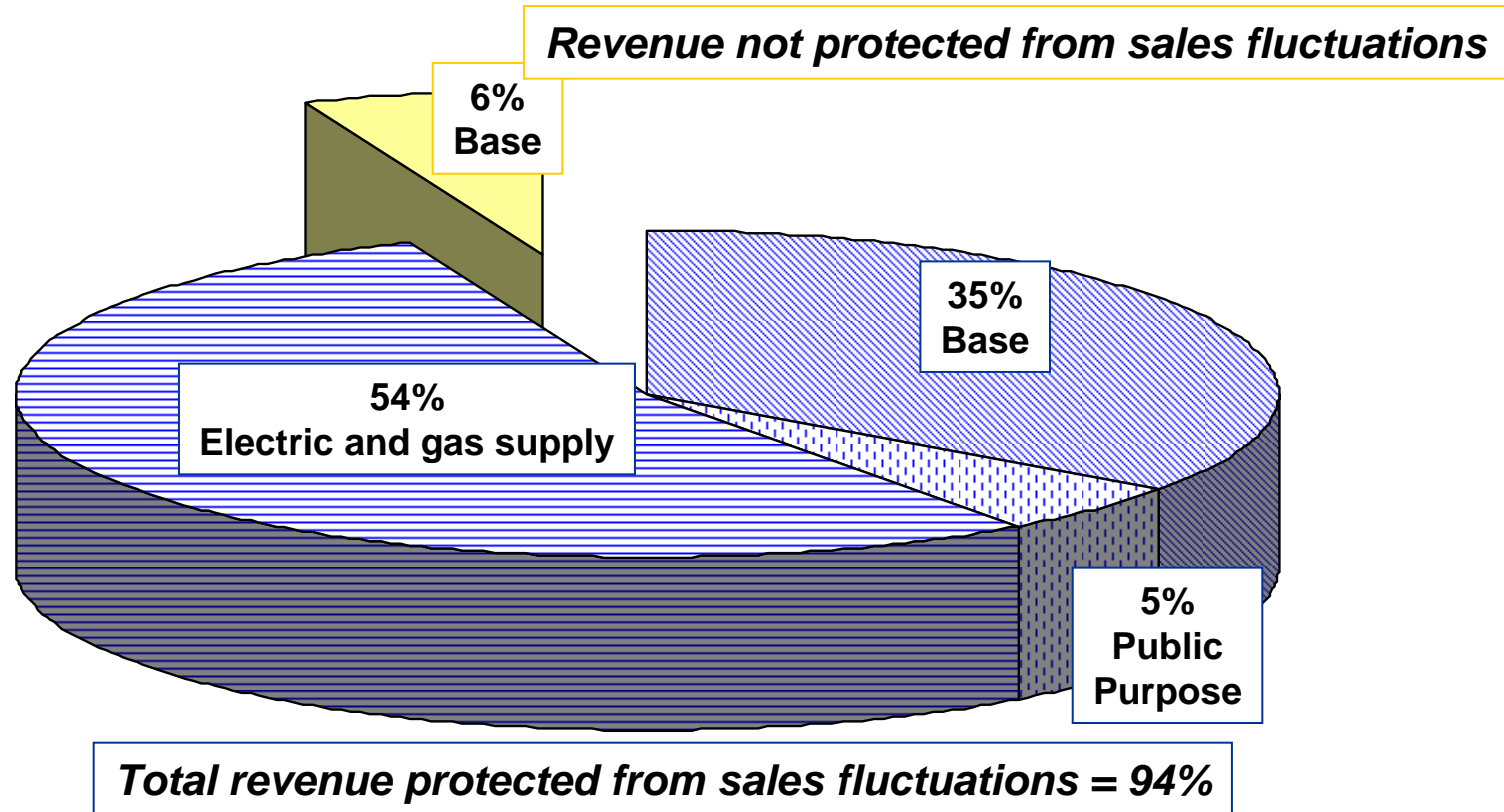
Utility Revenue Requirement

May 2008





Revenue Protected from Sales Fluctuations





Key Regulatory Proceedings

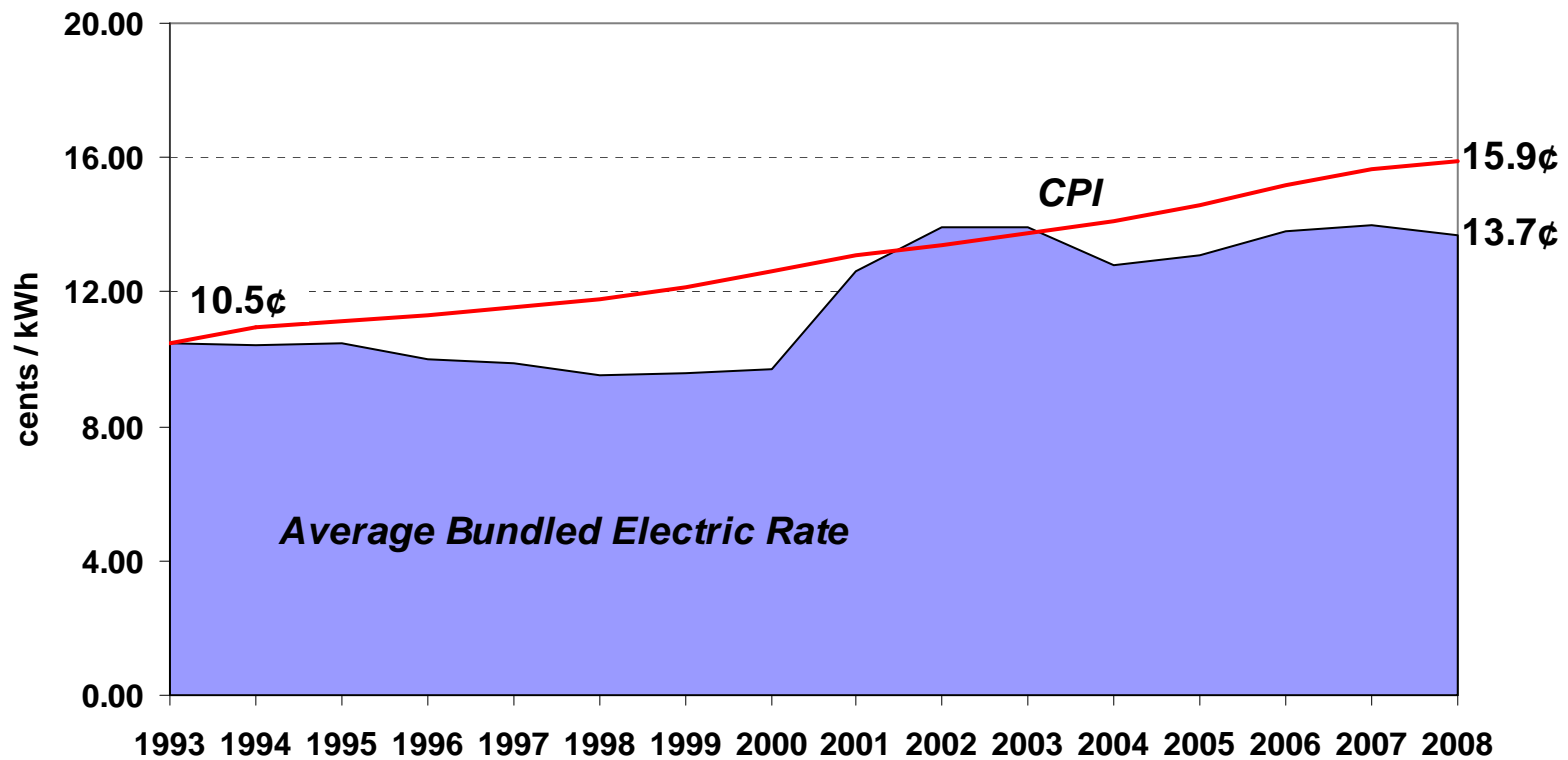
Case	Expected/Actual Filing Date	Expected Decision Date
2011 General Rate Case	August 2009 (NOI)	Q4 2010
Transmission Owners Rate Case 10	7/30/07	Q2 2009/Q3 2010*
Cost of Capital – Phase 2	5/8/07	Q2 2008
Cornerstone Improvement Program	5/15/08	TBD
SmartMeter™ Upgrade	12/12/07**	Q4 2008
Direct Access <ul style="list-style-type: none"> ▪ Phase 1 – Legal Issues ▪ Phase 2a – DWR Contracts ▪ Phase 2b – Merit ▪ Phase 3 – Rules 	OIR: Q2 2007	2/29/08 Q4 2008 TBD TBD
AB 32 Implementation <ul style="list-style-type: none"> • CARB Scoping Plan • Implementation (regulations in effect) 	AB 32 signed 9/2006	1/1/2009 1/1/2012
2009-2011 Energy Efficiency Programs	6/23/08	Q4 2008

*Q2 2009 if settlement reached; Q3 2010 if litigated

** Supplemental filing submitted 5/14/2008



Average Electric Rate Compared to CPI





CPUC Commissioner Terms

California Public Utilities Commission

- Commissioners serve six-year staggered terms; appointed by Governor, confirmed by state Senate

- Current commissioners/term expiration date:
 - President Michael Peevey January 1, 2009
 - Commissioner John Bohn January 1, 2012
 - Commissioner Rachelle Chong January 1, 2009
 - Commissioner Dian Grueneich January 1, 2011
 - Commissioner Timothy Simon January 1, 2013



Reliability Overview

Investor Conference
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Ed Salas, Senior Vice President, Engineering and Operations
Geisha Williams, Senior Vice President, Energy Delivery



The Cornerstone Improvement Program Summary

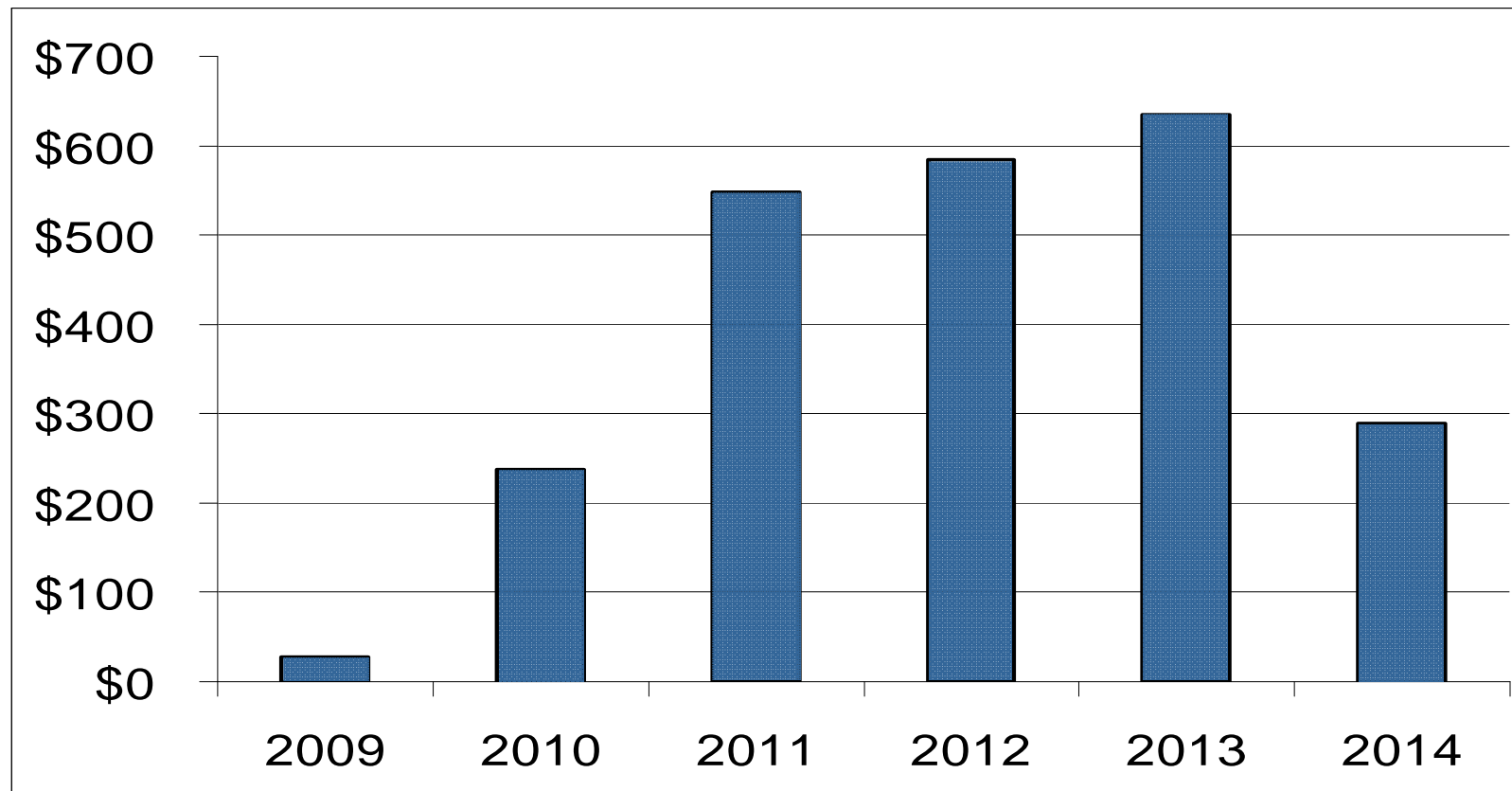
PG&E seeking CPUC approval for a six-year program to improve reliability of our electric distribution system.

- Enhances overall reliability of energy delivery
- Increases grid flexibility to mitigate outages
- Sets higher performance expectations as measured by a proposed set of metrics



Cornerstone Program Costs

\$2.3 B total capital investment with revenue requirement true-up





Cornerstone Program Scope

Three major initiatives:

1. Increase available capacity and interconnectivity of system by installing approximately 95 substation transformers, 180 additional feeders, and 1,000 miles of conductor
2. Implement distribution automation on approximately 1,200 circuits in urban and suburban areas
3. Improve reliability on rural circuits by installing approximately 5,500 switching devices to reduce the number of customers impacted by outages.



Cornerstone Program Benefits

- **Reduces duration, frequency, and extent of outages**
 - Reduces duration by about 25%
 - Lowers frequency by about 30%
- **Increases ability to reconfigure system to quickly restore service**
- **Together with PG&E's SmartMeter™ initiatives, provides the foundation for a "Smart Grid"**



Conclusion

The Cornerstone Improvement Program is a significant step toward building a more robust electric infrastructure

This provides an opportunity to:

- Increase customer satisfaction
- Decrease outage duration and
- Prepare for the grid of the future



Customer Overview

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Helen Burt, Senior Vice President and Chief Customer Officer
Brad Whitcomb, Vice President, Marketing and Customer Innovation



Agenda

- Customer Care Background
- Customer Segmentation
- Demand Side Management
- The SmartMeter™ Program



Customer Care Mission Statement

**“We commit to earn the
right to serve customers one interaction at a time.”**



Customer Satisfaction Performance

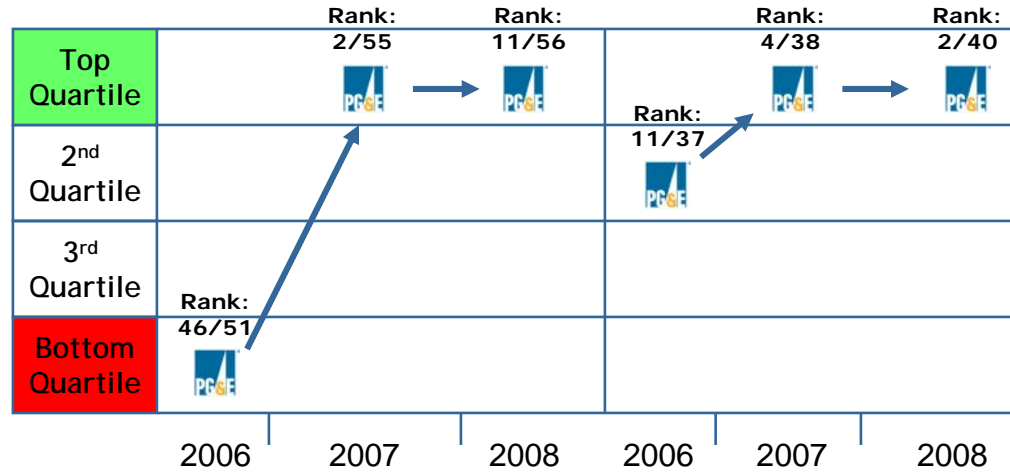
Electric Customers

Gas Customers

J.D. Power

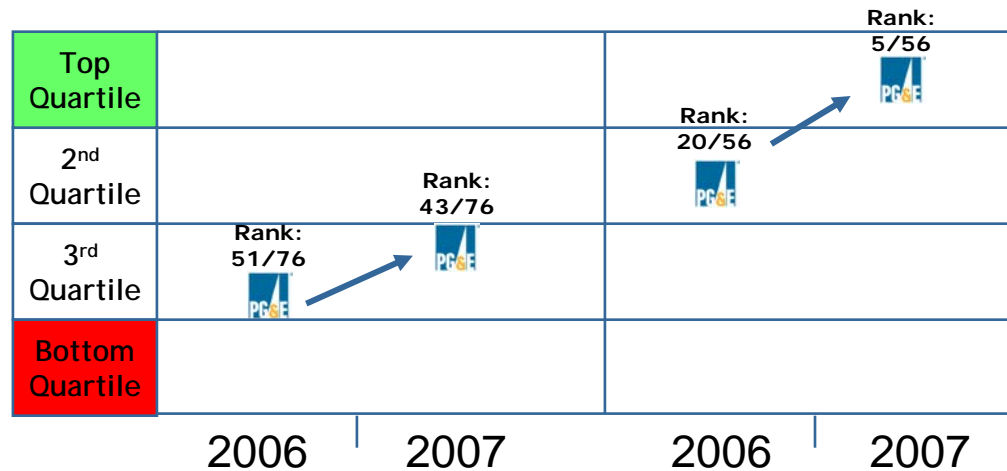
Business

Overall Customer Satisfaction Index



Residential*

Overall Customer Satisfaction Index



Note: * Residential data released in July (Electric) and September (Gas); Business data released in February (Electric) and March (Gas)



Customer Satisfaction Success

PG&E has taken Business Customer Satisfaction from 4th Quartile (“Worst”) to the Top Quartile (“First”)

Business Customer Satisfaction Drivers

1. Segmenting our business customers
2. Tailoring our product offerings
3. Focusing our Service and Sales force
4. Providing a specialized “Business Customer Call Center Line”
5. Informing PG&E decision making with customer priorities
6. Promoting awareness of PG&E’s leadership



Residential Segmentation

Segmentation leads to enhanced customer experience

ILLUSTRATIVE

HIGH
Customer Needs

Energy Needs

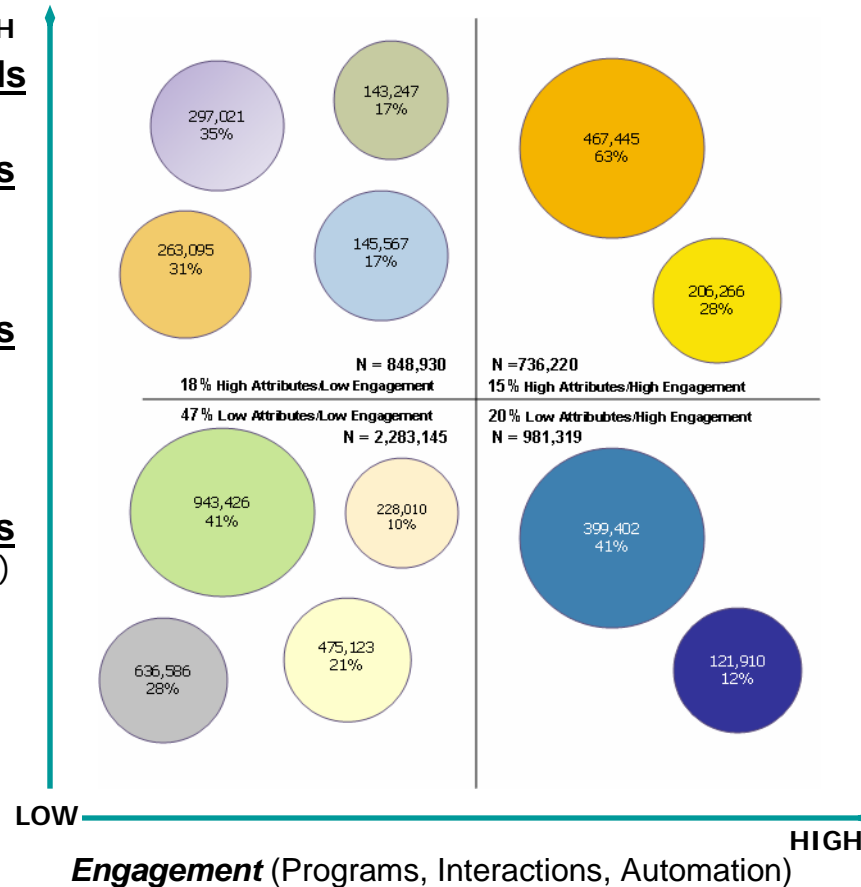
- Higher Income / Large Homes
- Non-Temperate Climate

Account Needs

- Multiple Accounts
- Multiple Payment Methods
- Missed 20% Payments past 12 months

Attention Needs

- Help Tickets(2+ Past 12 months)
- Life Support / Medical

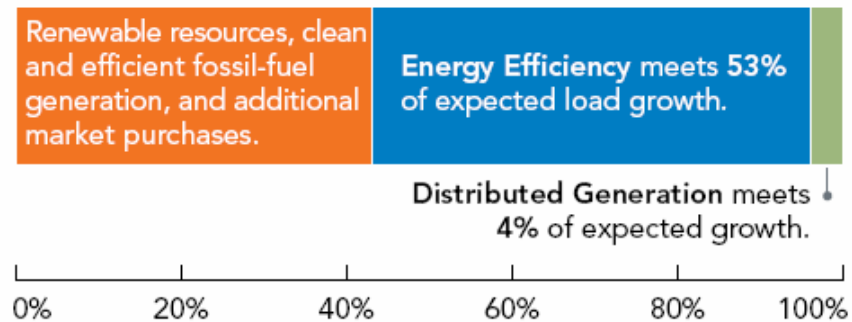


BPP	Rebate	Involved Pay - Auto /OEP /EFT
CARE	ClimateSmart	Specific Rate Plan
FERA	Web Registered	IVR Contact



Demand Side Management

Demand Side Management is projected to offset over 50% of PG&E's future load growth



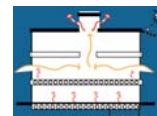
Demand Reduction Strategies



Energy Efficiency



Demand Response



Solar



Transportation



2007 Energy Efficiency Successes

The Best Year Ever in Energy Efficiency Innovation

- PG&E set a personal best in terms of the highest gross savings we've ever achieved
- Prevented more than 1 million tons of CO2 emissions
 - Equivalent to taking 150,000 cars off the road for one year
 - Saved enough energy to power 225,000 homes for one year
 - Saved enough natural gas to heat 50,000 homes for one year
- Delivered more than \$500 million in societal net benefits to PG&E customers
- Received over 30 national awards and recognitions for 2007 programs - the most for any year in our 31 years of doing energy efficiency
 - ENERGY STAR® Partner of the Year
 - ENERGY STAR® HOMES Outstanding Achievement Award
 - 12 programs recognized as Exemplary by American Council for an Energy-Efficient Economy (ACEEE)



Energy Efficiency Incentive Approval Process

Expected Date	Activity
Summer 2008	CPUC finalizes metrics used to evaluate net energy efficiency results for 2006-2007 performance
Sep 2008	PG&E files for 2006-2007 earnings
Dec 2008	PG&E receives approval from CPUC to book 65% of 2006-2007 earnings (remaining 35% is “holdback” amount)
Dec 2009	PG&E receives approval from CPUC to book 65% of 2008 earnings (remaining 35% is “holdback” amount)
Aug 2010	PG&E receives approval from CPUC to book remaining 35% of 2006-2008 earnings

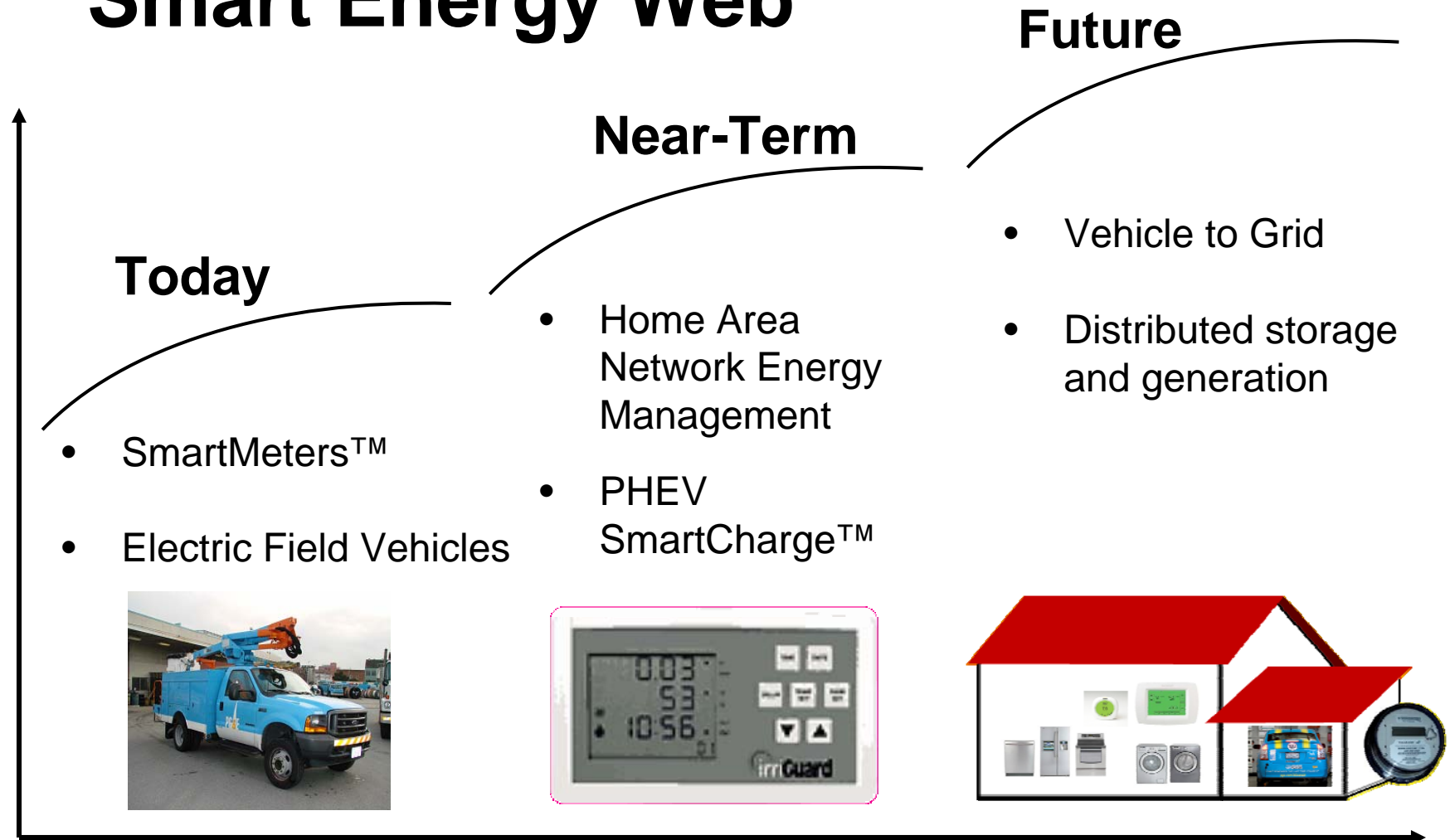


Looking Ahead

- **2009 – 2011 Energy Efficiency Programs**
- **Opportunities for Innovation**



Innovating for the Future: Smart Energy Web





Procurement Overview

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Fong Wan, Vice President, Energy Procurement
Roy Kuga, Vice President, Energy Supply



Energy Procurement Objectives and Challenges

- **Manage electric and gas procurement to achieve the following objectives:**
 - Ensure reliable supply
 - Reduce customer costs and price risk
 - Support environmentally preferred resources
 - Minimize shareholder risk

- **Key challenges include managing the uncertainties related to:**
 - Changing market structure
 - Maintaining system reliability with uncertain resource development



Energy Procurement Strategy

- **Portfolio diversification is key to long-term success**
 - Portfolio of both utility owned generation and IPP contracts
 - Diversify contracts across terms, technologies, and counterparties to ensure performance
 - Diversify timing of commercial execution to minimize market risks
- **Minimize customer and shareholder risks**
 - Use of competitive solicitations for regulatory transparency
 - Seek pre-approval of procurement plans and long-term contracts
 - Use of financial hedging to protect against price spikes



Energy Procurement Accomplishments

We have made the following progress toward achieving our goals:

- Reliably met our gas and electric demands with full cost recovery
- Contracted for over 3000 MW of renewable energy resources
- Contracted or developed over 2000 MW of new, efficient, operationally flexibly gas-fired resources
- Developing access to multiple gas supply resources:
 - Anchor tenant on Ruby Pipeline to the Rockies
 - Expansion of storage services
 - Exploring access to Liquefied Natural Gas
- Unprecedented support for the development of new clean generation technologies



Emerging Clean Technologies



BioGas



Renewable Fuel Cell



Wind



Wave



Geothermal



Energy Storage



Solar Technologies Under Deployment



Trough



Power Tower



Concentrating PV



Dish Engine



Compact Linear Fresnel



Thin Film PV