

PG&E Corporation

Investor Meetings
June 24 – July 2, 2010



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Pacific Gas and Electric Company (PG&E)

- Provides energy to approximately 15 million people
- 70,000 square-mile service territory
- Four main operational units:
 - Electric and gas distribution
 - Electric transmission
 - Natural gas transmission
 - Electric procurement and owned generation



PG&E SERVICE AREA
IN CALIFORNIA



PCG Investment Case

Excellent service at reasonable cost

Constructive regulatory environment

**Investment in infrastructure-
providing solid, regulated growth**

**Clean generation and world-class energy
efficiency programs**

Stable capital structure and return

Reliable, growing dividend

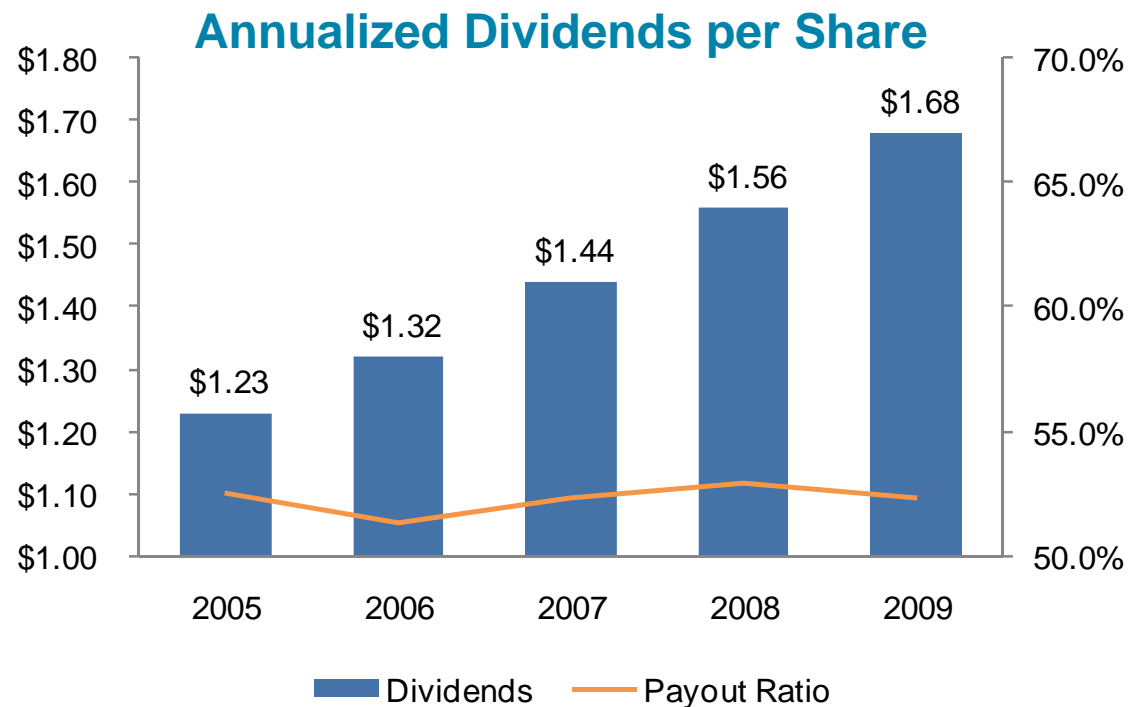


Dividend Policy

Sustainable, comparable dividend

Payout ratio range of 50% - 70%

Dividend growth in line with EPS growth



Regulatory Update



2011 General Rate Case

Sets revenue requirements for Gas and Electric Distribution and Electric Generation businesses for 2011 – 2013

Revenue Requirement Request: \$6.7B

\$1.1B increase

\$2.7B average capital expenditures per year

Allows for necessary investments in energy infrastructure to deliver energy safely and reliably to customers

Key capital projects will focus on:

- replacement of gas and electric systems that are at or near the end of their useful lives
- replacement of aging generation infrastructure, hydro relicensing requirements
- replacement of aging fleet, buildings and IT systems



2011 General Rate Case

Also requested a flexible attrition mechanism to adjust for:

- Labor costs
- Materials and services
- Capital investments
- Changes in franchise, payroll or other taxes

Based on the requested mechanism, attrition revenues are currently forecasted to be \$275M and \$343M in 2012 and 2013

Items not included in the 2011 GRC:

- SmartMeter™ and SmartMeter™ Upgrade programs
- PV Project, Cornerstone, Manzana, Diablo Relicensing



2011 Gas Transmission and Storage Rate Case

Sets revenue requirements, rates, terms and conditions for PG&E's Gas Transmission and Storage services for 2011 – 2014

Revenue Requirement Request: \$529M

\$67M increase over 2010 revenue requirement

\$235M Capital Expenditures

Allows for upgrades to backbone transmission, local transmission, and storage facilities, and maintenance of equipment

Proposed attrition mechanism similar to General Rate Case

Hearings postponed to August to continue discussions around potential settlement

Final decision requested by Q4 2010



FERC TO12 Filing

Sets revenue requirements for PG&E's Electric Transmission business in 2010-2011

**Original Revenue Requirement Request: \$946M
\$800M Capital Expenditures**

Revenue Requirement Proposed in All-Party Settlement reached in March 2010: \$875M

If approved, settlement would provide for additional transmission capacity and increased maintenance and replacement work on our substations to improve overall reliability of our system



	Request	Settlement
TO 10	\$760.5M	\$718M
TO 11	\$846M	\$776M

Final decision expected within the next quarter

Cornerstone Improvement Program

Request for revenue requirements aimed at improving the reliability of PG&E's electric distribution system

Focuses on improving reliability, while 2011 GRC maintains current reliability levels

Request: \$2.0 billion capital spend over 6 years

May 25th proposed decision addresses installation of new substation transformers, feeders, conductors and other equipment to add capacity and relieve points of strain

Proposed Decision: \$357M capital spend through 2013 with opportunity for additional reliability investment in 2014 GRC and subsequent general rate cases.



Final decision expected within the next quarter

Manzana Wind Project

Request for revenue requirements to acquire, own, and operate the 189 - 246MW Manzana wind project in the Tehachapi region of Southern California

Request: \$900M (all capital) at 246MW capacity

Manzana Wind Project would be designed, developed, and constructed by Iberdrola Renewables, Inc.

- **PG&E proposes to make progress payments throughout construction and take full ownership at completion**
- **Final size of the project would depend upon permitting requirements, completion of land rights acquisition and turbine supply**
- **The proposed wind facility is targeted to be operational as early as December 2011**



Final decision is requested by the end of Q4 2010

Recent Decisions

Solar PV Program

Sets revenue requirements to develop and own up to 250MW of PV and sign PPAs for an additional 250MW of PV over a five year period

Final Decision (4/22/10) approved:

- **\$1.45B (all capital) for the Utility-owned 250MW**
- **Authorized cost of service ratemaking treatment for the Utility-owned portion**
- **Included an incentive mechanism with 90/10 sharing between customers and shareholders of the amount of total costs below a certain threshold over the timeframe of project development.**



Recent Decisions

Summer Rate Relief Program

As proposed by PG&E, the CPUC approved reducing overall rates by \$400M, a 3% decrease, effective June 1, 2010

Collapsed Tiers 4 and 5 into one tier

- Substantially reducing rates in Tier 5 by 19.6% and Tier 4 by 5.8%
- Moderately increasing rates in Tier 3 by 1.8%



GRC Phase II filing recommends collapsing of Tier 3, 4, and 5 into one Tier 3 rate

Appendix



Electric and Gas Distribution

Business Scope

- Retail electricity and natural gas distribution service (construction, operations and maintenance)
- Customer services (call centers, meter reading, billing)
- 5.1 million electric and 4.3 million gas customer accounts

Primary Assets

- \$12.4 billion of rate base (2009 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Cost of service ratemaking: General Rate Case ⁽¹⁾



⁽¹⁾ Authorized revenues = operating costs + (rate of return × rate base)
Rate base = net plant ± adjustments to approximate invested capital

Electric Transmission

Business Scope

- Wholesale electric transmission services (construction, maintenance)
- Operation by CA Independent System Operator

Primary Assets

- \$3.1 billion of rate base (2009 wtd. avg.)

Regulation

- Federal regulation (FERC)
- Cost of service ratemaking: Transmission Owner Rate Case
- Revenues vary with system load



Natural Gas Transmission

Business Scope

- Natural gas transportation, storage, parking and lending services
- Customers: PG&E natural gas distribution and electric generation businesses, industrial customers, California electric generators

Primary Assets

- \$1.5 billion of rate base (2009 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Incentive ratemaking framework: Gas Transmission & Storage Rate Case
- Revenues vary with throughput



Electric Procurement & Owned Generation

Business Scope

- Electricity and ancillary services from owned and controlled resources
- Energy procurement program

Primary Assets

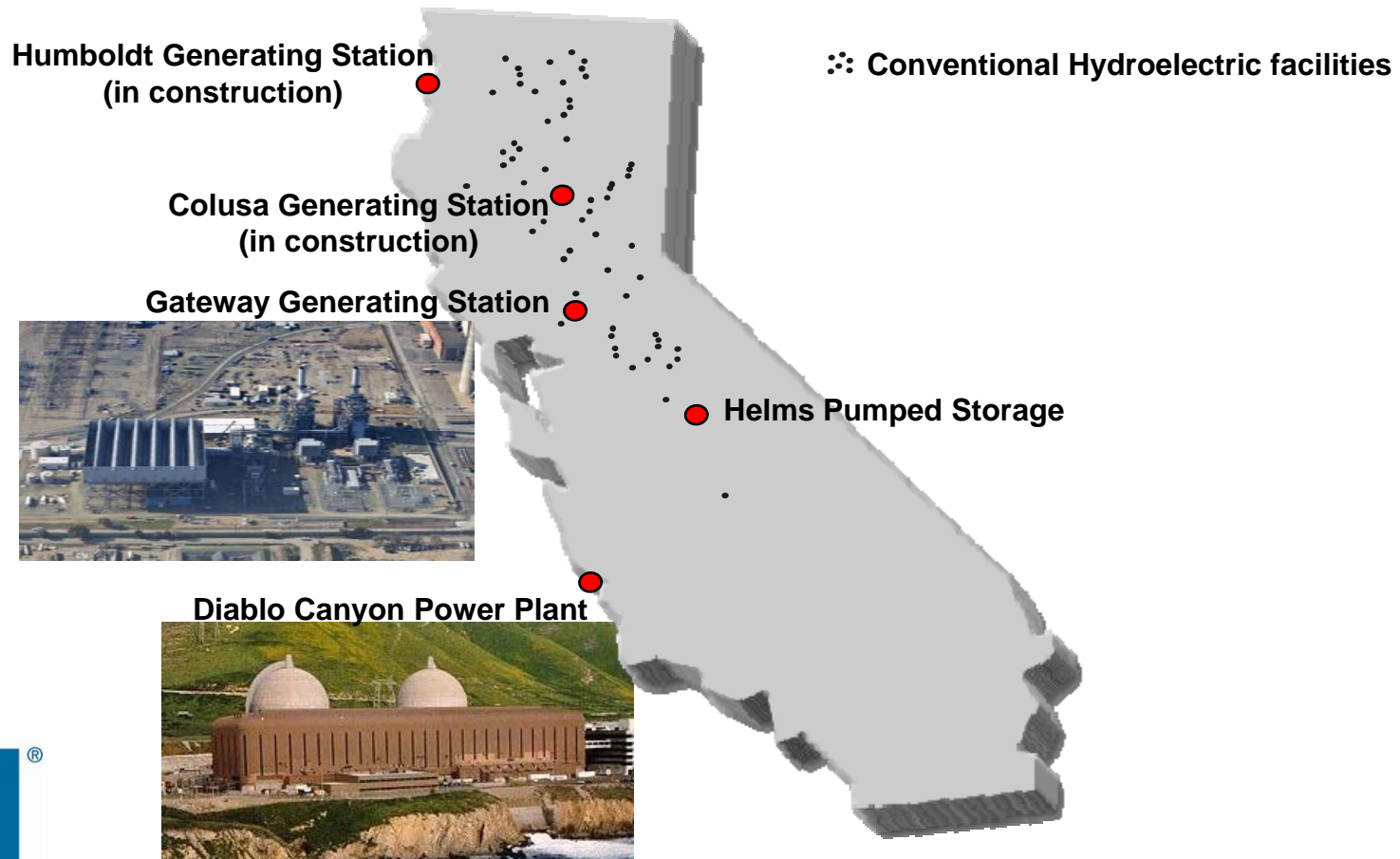
- \$2.8 billion of rate base (2009 wtd. avg.)
- Diablo Canyon Nuclear Power Plant (2,240 MW)
- Gateway Generating Station (530 MW)
- Largest privately owned hydro system (3,896 MW)
- Funded nuclear plant decommissioning trusts of \$2.0 billion

Regulation



- California state regulation (CPUC)
- Cost of service ratemaking for utility-owned generation: General Rate Case
- Pass through of power procurement costs

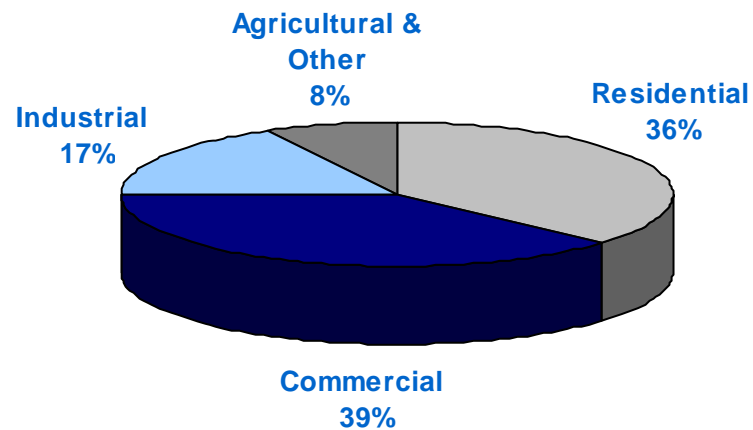
PG&E Generation in California



2009 Customer Profiles - % of Sales

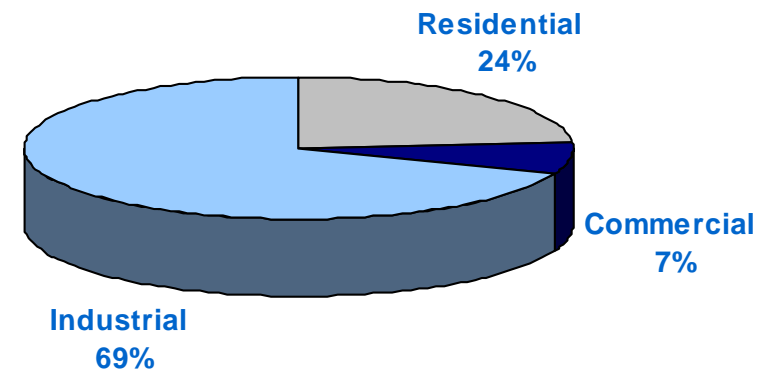
Electric Customers

(85,629 GWh delivered)



Gas Customers

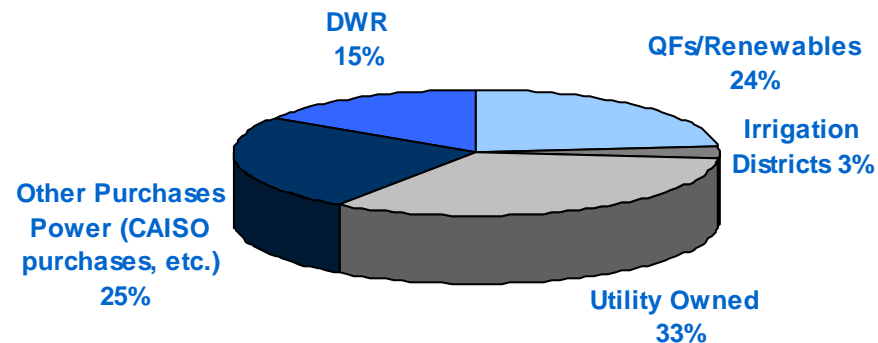
(822 Bcf delivered)



Existing Resource Mix

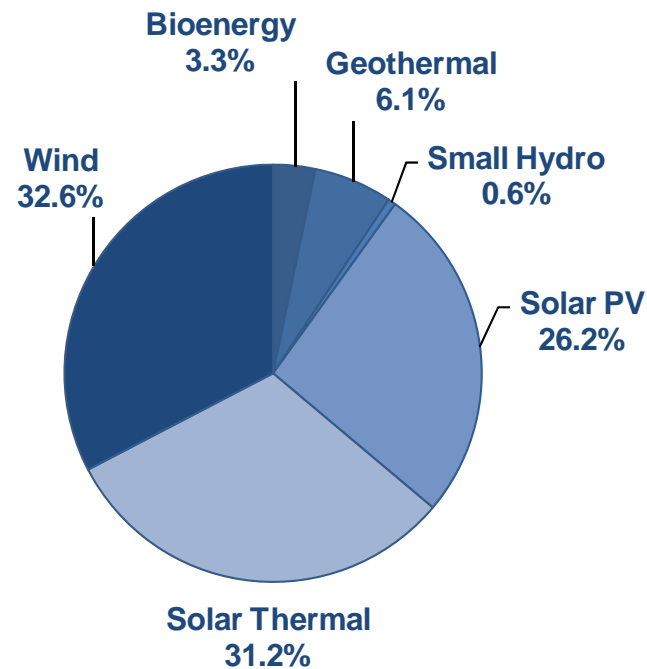
Owned Generation	Type	Status	Net Capacity (MW)
Hydroelectric Facilities (total)	Hydroelectric Power Houses	On-line	3,896
Diablo Canyon	Nuclear Reactors	On-line	2,240
Gateway Generating Station	Gas Combined Cycle Generators	On-line	530
Humboldt Bay Power Plant	Fossil Fired Steam Boilers	On-line until 2H 2010	135
Humboldt Bay Generating Station	Gas Reciprocating Engines	Operational 2H 2010	163
Colusa Generating Station	Gas Combined Cycle Generators	Operational 2H 2010	657
Current Total On-line			6,801
Total On-line 2H 2010			7,486

2009 Total Sources of Electric Energy



RPS Contracts Signed Since 2002

Over 8,000 MW in RPS Contracts



Energy Efficiency Programs

World Class Programs

\$1.3B program budget (2010-2012)

126 Programs for Customers

Partnership with Governments

\$75 MM in incentive awards in 2008-09



National Recognition

EnergySTAR Sustained Excellence Award

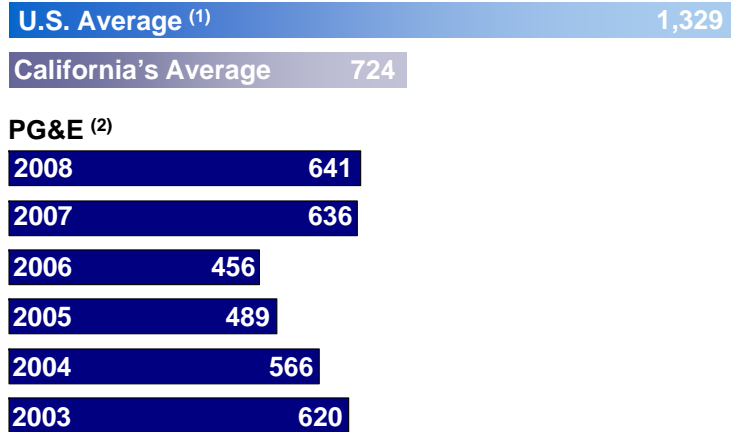
Platts Energy Efficiency Initiative of the Year

EI National Key Accounts Customer Service Award

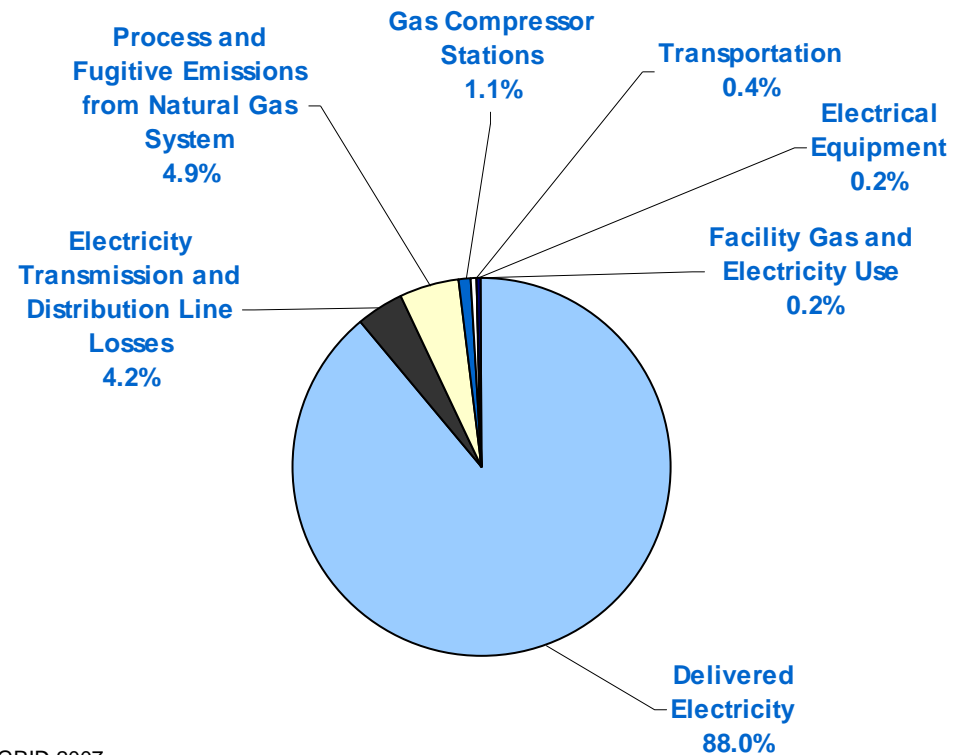


Greenhouse Gas Emissions

Benchmarking Greenhouse Gas Emissions for Delivered Electricity (Pounds of CO₂ per MWh)



Total 2008 Greenhouse Gas Emissions by Source Category (Total 27.1 million metric tons CO₂-e ⁽²⁾)



- (1) Source: U.S. Environmental Protection Agency eGRID 2007 Version 1.1 (updated December 2008 and based on 2005 data).
- (2) PG&E's emissions rates for delivered electricity were independently verified and registered with the California Climate Action Registry. Given that a portion of the electricity that PG&E delivers comes from unspecified generation sources, the company's total emissions, and associated emissions rates may vary from registered figures.

Key Regulatory Proceedings

Regulatory Case	Docket #	Expected Decision Date
Nuclear Relicensing	A.10-01-022	TBD
2011 General Rate Case ("GRC")	A.09-12-020	Final decision is requested in Q4 2010
SmartGrid Compressed Energy Storage Demonstration Project	A.09-09-019 D.10-01-025	Final decision approving PG&E's request received on January 21, 2010
Manzana Wind Project	A.09-12-002	Final decision is requested by the end of Q4 2010
Request for New Generation Offers and Potential New Utility-Owned Generation	R.06-02-013 A.09-04-001 A.09-09-021	TBD
Gas Transmission & Storage Rate Case	A.09-09-013	Final decision is requested in Q4 2010
Transmission Owner ("TO") 12 Rate Case	ER09-1521-000	Final decision expected within the next quarter
Photovoltaic Program	A.09-02-019	Final decision is requested by Q2 2010
Energy Efficiency Order Instituting Rulemaking Post-2005	R.09-01-019 D.09-12-045	Final decision is requested in 2H 2010
SmartGrid OIR	R.08-12-009 D.09-12-046	Initial policy decision issued in December 2009, timing of subsequent rulemaking proceedings in 2010 and 2011 TBD
Cornerstone Improvement Program	A.08-05-023	Final decision expected within the next quarter



Cost of Capital

52% Equity Level · **11.35% ROE** · **Adjustment Mechanism**

- Decided separately from General Rate Case
- Current terms in place until **2013**

Mechanism

- Triggers change to ROE if average Moody's Utility (A or Baa) bond yield index over a 12 month period moves up or down by 100 basis points over benchmarks.
- 12 month period is October through the following September (i.e. October 2009 through September 2010).

<i>Monthly Values for 2011 Test Year</i>	<u>A</u>	<u>Baa</u>
Oct-09	5.55	6.14
Nov-09	5.64	6.18
Dec-09	5.79	6.26
Jan-10	5.77	6.16
Feb-10	5.87	6.25
Mar-10	5.84	6.22
Apr-10	5.81	6.19
May-10	5.50	5.97
Oct '09-Apr '10 Average	5.72	6.17
Benchmark (Dec. 08-05-035)	6.02	6.26

