



PG&E Corporation: Customer Focused, Value Driven

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Lehman Brothers
CEO Energy/Power Conference
New York, NY
September 5-7, 2006

This presentation is not complete without the accompanying statements made by management on September 6, 2006. A replay is available on PG&E Corporation's homepage at www.pge-corp.com.



Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements regarding management's guidance for PG&E Corporation's 2006 and 2007 earnings per share from operations, capital expenditures, Pacific Gas and Electric Company's (Utility) rate base and rate base growth, anticipated costs and benefits from Transformation initiatives, anticipated electric resources, and targeted average annual growth rate for earnings per share from operations, over the 2006-2010 period. These statements are based on current expectations and various assumptions which management believes are reasonable, including that substantial capital investments are made in the Utility business over the 2006-2010 period, that the proposed settlement agreement regarding the 2007 General Rate Case is approved, and that the Utility earns an authorized return on equity of 11.35%. These statements and assumptions are necessarily subject to various risks and uncertainties, the realization or resolution of which are outside of management's control. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- Unanticipated changes in operating expenses or capital expenditures, which may affect the Utility's ability to earn its authorized rate of return;
- How the Utility manages its responsibility to procure electric capacity and energy for its customers;
- The adequacy and price of natural gas supplies and the ability of the Utility to manage and respond to the volatility of the natural gas market for its customers;
- The operation of the Utility's Diablo Canyon nuclear power plant, which could cause the Utility to incur potentially significant environmental costs and capital expenditures, and the extent to which the Utility is able to timely increase its spent nuclear fuel storage capacity at Diablo Canyon;
- Whether the Utility is able to realize the anticipated benefits expected to result from its efforts to improve customer service through implementation of specific initiatives to streamline business processes and deploy new technology referred to as "Transformation";
- The outcome of proceedings pending at the Federal Energy Regulatory Commission and the California Public Utilities Commission (CPUC), including the Utility's 2007 General Rate Case and the Utility's pending application for approval of long-term generation resource commitments;
- How the CPUC administers the capital structure, stand-alone dividend, and first priority conditions of the CPUC's decisions permitting the establishment of holding companies for the California investor-owned electric utilities, and the outcome of the CPUC's new rulemaking proceeding concerning the relationship between the California investor-owned energy utilities and their holding companies and non-regulated affiliates;
- The impact of the recently adopted Energy Policy Act of 2005 and future legislative or regulatory actions or policies affecting the energy industry;
- Increased municipalization and other forms of bypass in the Utility's service territory; and
- Other factors discussed in PG&E Corporation's and Pacific Gas and Electric Company's SEC reports.

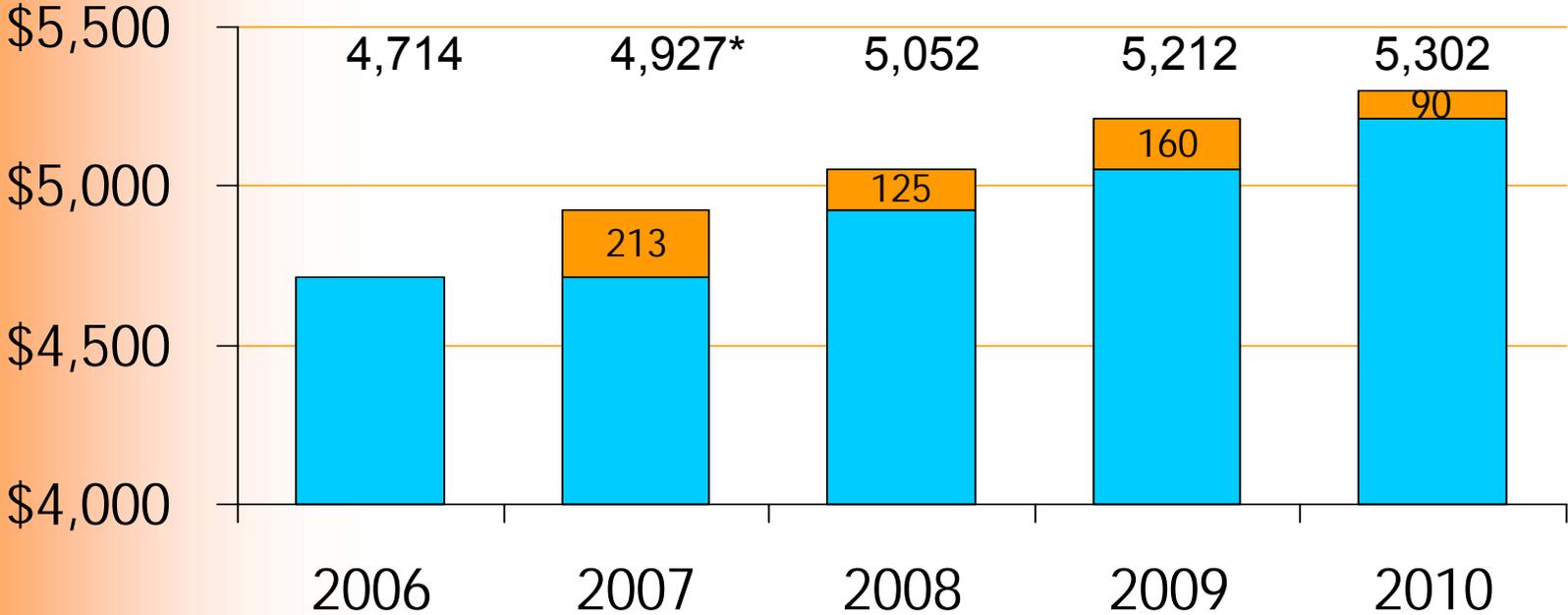


Objectives for Today's Discussion

- 2007 GRC Proposed Settlement
- Rate base forecast and EPS guidance
- Update progress on other business priorities
- Discuss “what’s next” for our leadership vision

2007 GRC Proposed Settlement: Revenue Requirement

Base Revenue Requirement (\$ millions)



* On August 24, 2006, the CPUC approved a waiver of the 2007 cost of capital filing, maintaining the authorized ROE at 11.35% and the authorized equity at 52% through at least 2007.



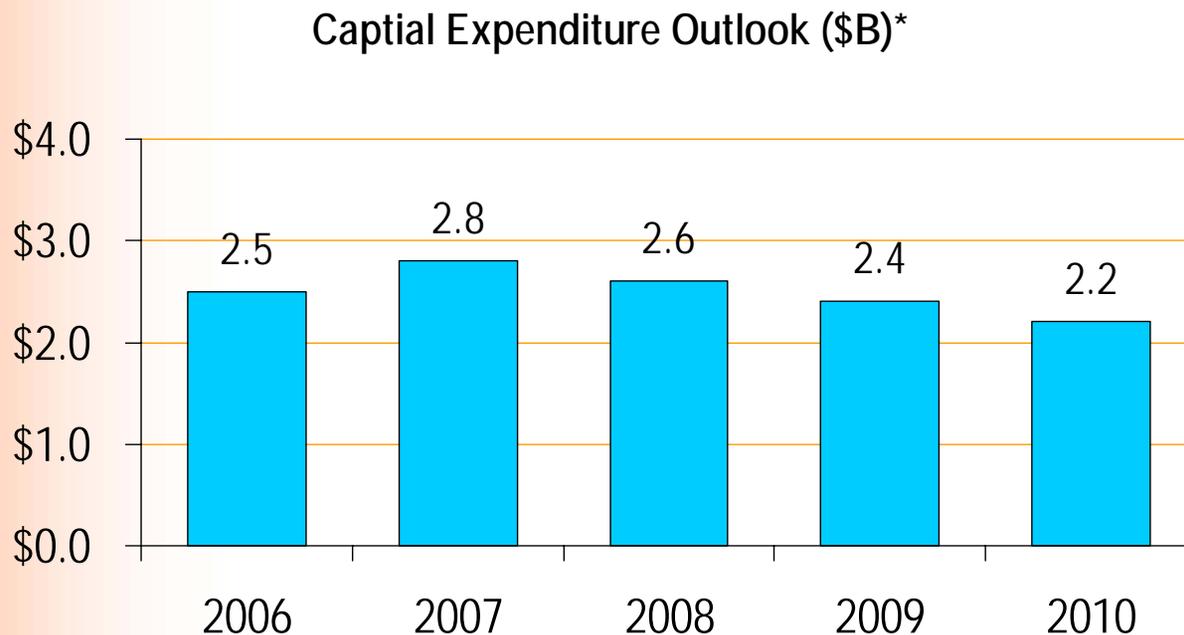
2007 GRC Proposed Settlement

- Transformation
 - Transformation benefits credited to customers in 2008-2010 are factored into Settlement attrition request
 - 100% of risk and reward for additional Transformation benefits accrue to shareholders through 2010
- Next Steps in the Schedule
 - 9/20/2006: Opening briefs by opposing parties
 - 10/5/2006: Reply briefs by PG&E and DRA
 - TBD: Hearings
 - Jan 2007: Proposed Decision
 - Feb 2007: Final Decision (RRQ effective 1/1/07 subject to refund)



Capital Expenditure Outlook

Capital expenditures projected to average \$2.5 billion per year for years 2006-2010:



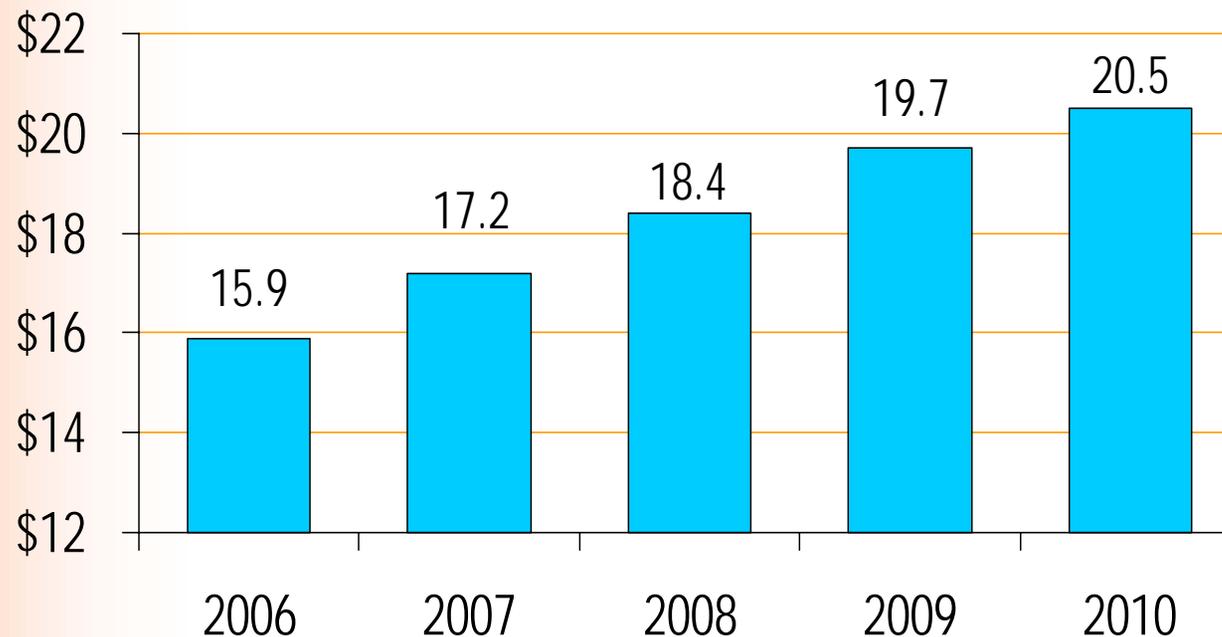
* Assumes approval of 2007 GRC Settlement Agreement.

Includes capital expenditure estimates for Contra Costa Unit 8, Diablo Canyon Steam Generator Replacement Project, Humboldt Bay Power Plant, and SmartMeter™ Advanced Metering Infrastructure (AMI) project.



Rate Base Growth

Projected Average Annual Rate Base (\$B)*



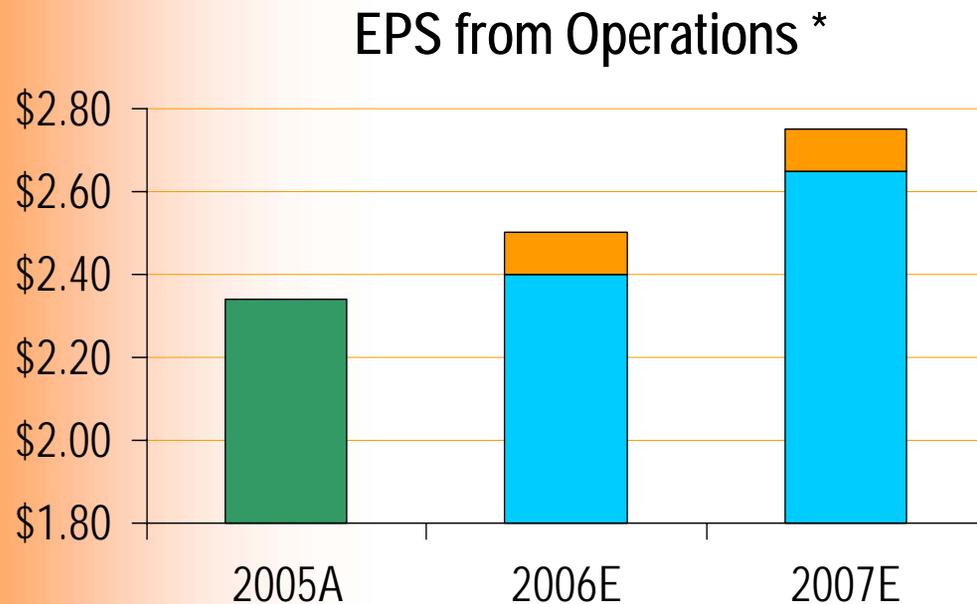
* Assumes approval of 2007 GRC Settlement Agreement.

2006-2010 projected rate base has not been adjusted for the impact of the carrying cost credit that primarily results from the second series of the Energy Recovery Bonds (ERBs). Earnings will be reduced by an amount equal to the deferred tax balance associated with the after tax portion of the regulatory asset, multiplied by the utility's equity ratio and by its equity return. The carrying cost credit declines to zero in 2012 when the ERBs and related taxes are expected to be paid in full.



EPS Guidance

- EPS from Operations*: 2006 guidance of \$2.40-\$2.50 per share
2007 guidance of \$2.65-\$2.75 per share



■ Guidance Range

Operating EPS Assumptions (\$MM)		
	2006	2007
Rate Base	\$15,900	\$17,200
Equity Ratio	52%	52%
Authorized ROE	11.35%	11.35%
Carrying Cost Credit	(\$66)	(\$52)
Holding Company Interest	(\$16)	(\$16)

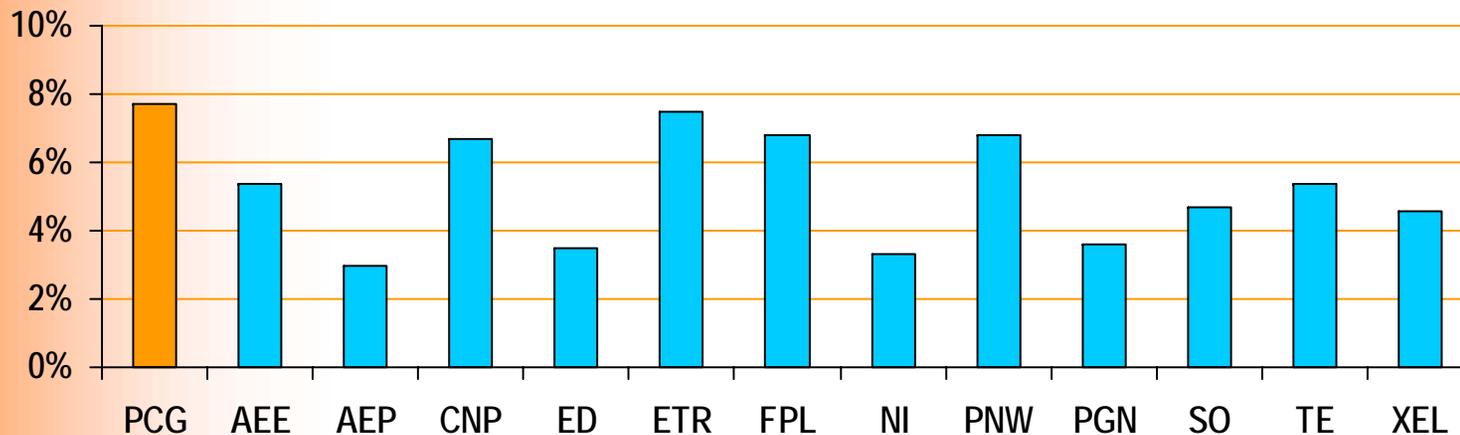
* Reg G reconciliation to GAAP for 2005 EPS from operations and 2006 and 2007 EPS guidance appears in the Appendix and at www.pge-corp.com



EPS Growth

- EPS from operations annual growth targeted to average at least 7.5% for 2006-2010
- Actual growth rate will depend on timing and amount of infrastructure investments

Survey of analyst estimates of EPS growth:



Source: Zacks Investment Research, Inc. (August 29, 2006)



Strategic Direction

Our vision

The leading utility in the United States

Our goals

Delighted customers
Energized employees
Rewarded shareholders

Our strategies

Operational excellence
Transformation

Our values

We act with integrity and communicate honestly and openly.
We are passionate about meeting our customers' needs and delivering for our shareholders.
We are accountable for all of our own actions: these include safety, protecting the environment, and supporting our communities.
We work together as a team and are committed to excellence and innovation.
We respect each other and celebrate our diversity.



Transformation Progress

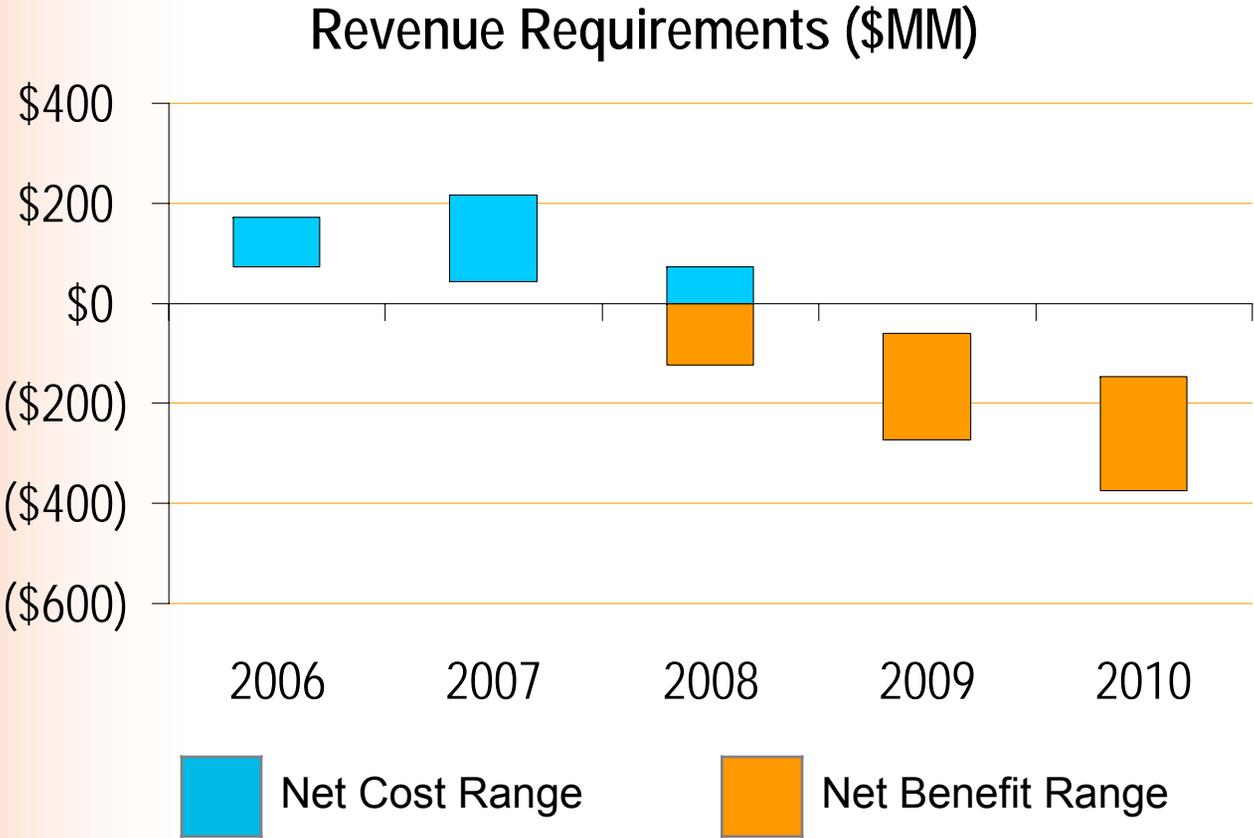
Benefits from Transformation are increasingly offsetting the costs:

Year	Gross Costs	Gross Benefits	Percentage
2006 (estimated)	Up to \$280 M	Up to \$150 M	50%
2005	\$125 M	\$20 M	15%

Expected 2006 benefits result from initiatives that were or will be implemented in 2005 and 2006.

- 2005: 20 initiatives were fully or partially deployed
- 2006: 33 other initiatives will be fully or partially deployed

Anticipated Transformation Net Costs and Benefits



Transformation Progress

- Concord Resource Management Center opened in June 2006
 - First of 7 RMCs which consolidate estimating, engineering and mapping activities of 71 local field offices
- Automated Work Deployment
 - Work and Resource Management Systems
 - SmartMeter™ Technology (Advanced Metering Infrastructure)

Transformation Progress

Culture Workshops for Leadership Team

- Approximately 1,600 company leaders have participated in 77 workshops as of August 2006

PG&E Tomorrow

- Officer led interactive communication to employees about Transformation
- Workshops for all employees in service territory
 - 115 events at locations across PG&E's service territory
 - 18,132 employees (or 93%) have participated
 - 91% of participants indicate that the cultural changes are key to the future success of PG&E



PG&E Tomorrow - Diablo Canyon
(Aug 2006)

Electric Transmission Update

- TO9 filed on August 1, 2006 at FERC
 - Requested annual transmission revenue requirement of \$719 million
 - Increase of approximately \$113 million over current authorized rates
 - Final decision expected 1st half of 2007

Generation & Energy Procurement Progress

- Contra Costa Unit 8 approved
 - 530 MW expected to come online in 2008
- QF settlement with IEP
 - Estimated \$100 million in annual savings based on QF contract amendments to date
- Diablo Canyon Nuclear Power Plant
 - Improvements have increased DCPP output by 80 MW
 - Steam Generator Replacement Project

Generation & Energy Procurement Progress

- Renewable Portfolio Standard (RPS)
 - 2005 RPS Solicitation issued on August 4, 2005
 - ▲ 274 MW in signed contracts for renewable energy to date
 - 837 MW of renewable power contracted since 2002
 - MOU with Luz II to explore 500 MW of solar energy
 - 2006 RPS Solicitation issued on June 30, 2006
- Long-Term RFO agreements
 - 2,250 MW of proposed new long-term resources which include 1,430 MW of power purchase contracts and 820 MW of rate base generation
 - Hearings held August 22-28, 2006
 - Decision expected by end of 2006

Business Priorities 2006-2010

1. Advance business transformation
2. Provide attractive shareholder returns
3. Increase investment in utility infrastructure
4. Implement an effective energy procurement plan
5. Improve reputation through more effective communications
6. Evaluate the evolving industry and related investment opportunities



Q&A





Appendix

- Reg G Reconciliation / Financial Profile
- Long-Term Energy Resource Agreements
- Key Pending Regulatory Proceedings



EPS Guidance - Reg G Reconciliation

2006	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis*	\$2.40	\$2.50
Estimated Items Impacting Comparability		
Scheduling Coordinator Cost Recovery	0.06	0.06
Environmental Remediation Liability	<u>(0.05)</u>	<u>(0.05)</u>
EPS Guidance on a GAAP Basis	\$2.41	\$2.51
2007	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis*	\$2.65	\$2.75
Estimated Items Impacting Comparability	<u>0.00</u>	<u>0.00</u>
EPS Guidance on a GAAP Basis	\$2.65	\$2.75

* Earnings per share from operations is a non-GAAP measure. This non-GAAP measure is used because it allows investors to compare the core underlying financial performance from one period to another, exclusive of items that do not reflect the normal course of operations.

Executed Agreements Pursuant to Long-Term RFO

Counterparty/ Facility	Size(MW)	Contract Type	Operational Date	Plant Type	Term
Long-Term Need:					
Calpine Hayward	601	Power Purchase Agmt	2010	Combined cycle	10
EIF Firebaugh	399	Power Purchase Agmt	2009	Combustion turbine	20
EIF Fresno	196	Power Purchase Agmt	2009	Combustion turbine	20
Starwood Firebaugh	118	Power Purchase Agmt	2009	Combustion turbine	15
Tierra Energy Hayward	116	Power Purchase Agmt	2009	Reciprocating engine	20
E&L Westcoast Colusa	<u>657</u>	Utility-owned	2010	Combined cycle	life of asset
Total Long-Term Need	2,087				
Humboldt:					
Wartsila Humboldt	<u>163</u>	Utility-owned	2009	Reciprocating engine	life of asset
Total	2,250				

The parties' material obligations under these agreements are conditioned upon CPUC approval of the agreements and applicable ratemaking mechanisms. The agreement related to the Calpine Hayward project is a letter of intent to execute a Power Purchase Agreement (PPA). The execution of the PPA is subject to certain financial conditions, including that the associated Calpine entity emerge from bankruptcy or transfer the project site to a bankruptcy remote entity. If these conditions are not satisfied by October 2006, the letter of intent will terminate.

Capital expenditures for the utility-owned generation are estimated to be in the range of \$900 – 1,100 per KW.



Key Pending Regulatory Proceedings

- Pending approval
 - 2007 GRC Settlement
Opening briefs Sept 20, 2006
Final decision February 2007
 - Long-Term Generation Resources
Decision expected end of 2006
 - FERC TO9 (transmission rates)
Decision expected 1st half 2007
- Pending investigation
 - Billing and Collection OII
Decision expected Q4 2006
- Anticipated filings
 - Gas Transmission rates (post 2007)
Filing expected late 2006