



Investor Presentation
Energy Procurement and Energy Efficiency
February 15, 2007



Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements regarding anticipated electric resources and funding for and savings from energy efficiency and demand response programs. These statements are based on current expectations and various assumptions which management believes are reasonable. 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:

- The Utility's ability to timely recover costs through rates;
- The outcome of regulatory proceedings, including ratemaking proceedings pending at the CPUC and the FERC;
- Changes in demand for electricity and natural gas;
- The adequacy and price of electricity and natural gas supplies, and the ability of the Utility to manage and respond to the volatility of the electricity and natural gas markets;
- The effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on the Utility's facilities and operations, its customers and third parties on which the Utility relies;
- The general economic climate and population growth or decline in Northern and Central California;
- The potential impacts of climate change on the Utility's electricity and natural gas operations;
- Unanticipated population growth or decline, general economic and financial market conditions, and changes in technology including the development of alternative energy sources, all of which may affect customer demand for natural gas or electricity;
- The performance and the occurrence of unplanned outages at the Utility's Diablo Canyon nuclear generating facilities, or the temporary or permanent cessation of operations at Diablo Canyon;
- The ability of the Utility to recognize benefits from its initiatives to improve its business processes and customer service;
- The ability of the Utility to timely complete its planned capital investment projects;
- The impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
- The impact of changing wholesale electric or gas market rules, including the California Independent System Operator's, or CAISO's, new rules to restructure the California wholesale electricity market;
- How the CPUC administers the conditions imposed on PG&E Corporation when it became the Utility's holding company;
- The extent to which PG&E Corporation or the Utility incurs costs in connection with pending litigation that are not recoverable through rates, from third parties, or through insurance recoveries;
- The ability of PG&E Corporation and/or the Utility to access capital markets and other sources of credit;
- The impact of environmental laws and regulations and the costs of compliance and remediation;
- The effect of municipalization or other forms of bypass; and
- Other factors discussed in PG&E Corporation's and Pacific Gas and Electric Company's SEC reports.

Agenda

- Overview of procurement objectives and current portfolio
- PG&E's procurement activities:
 - Energy efficiency
 - Demand reduction
 - Renewable resources
 - Distributed generation
 - Conventional resources
- Long-term procurement plan
- Impact of climate change legislation

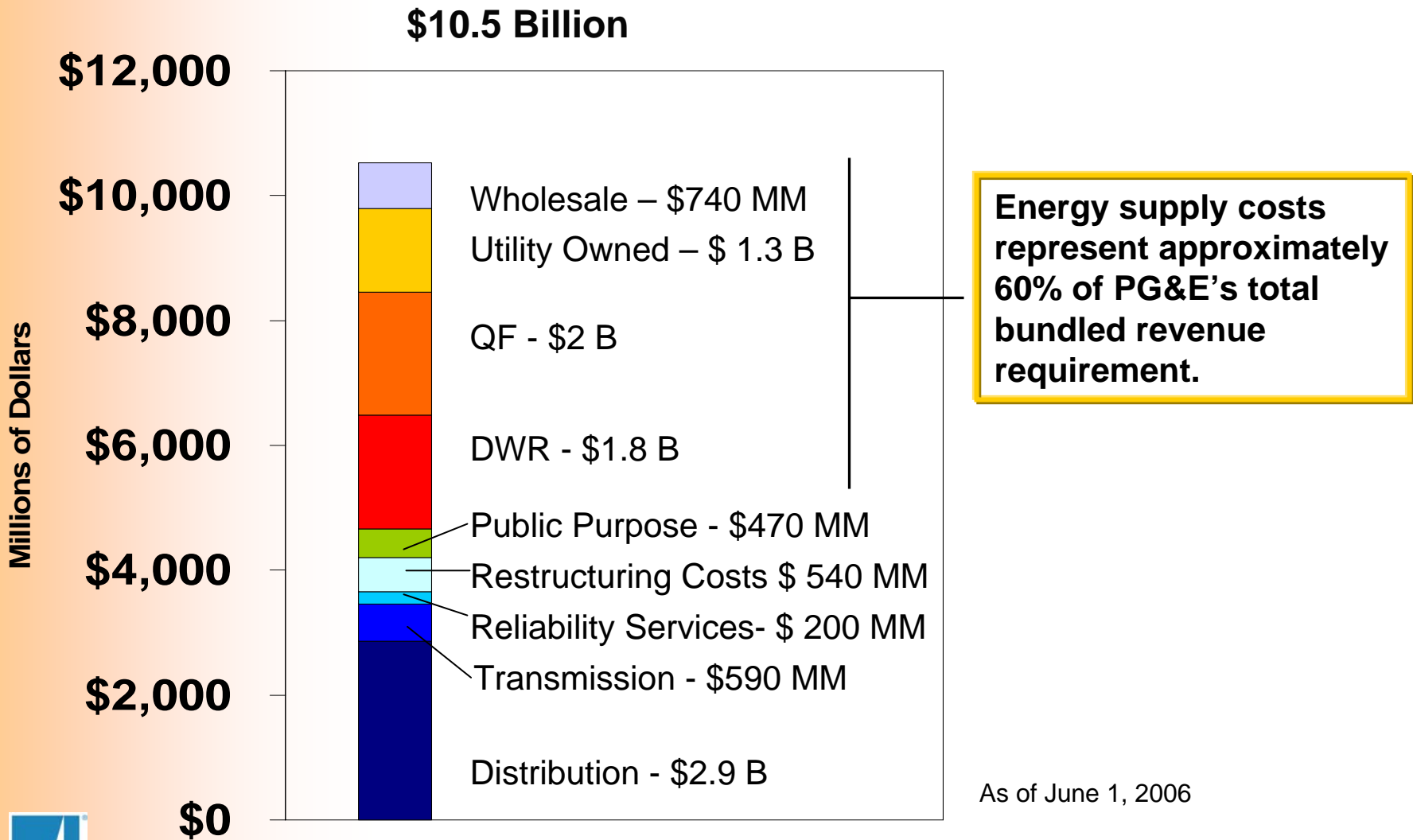
PG&E's Energy Procurement Objective

- PG&E's objective in our electric procurement activities is to strike a balance among:
 - Customer price impact
 - A portfolio of reliable and operationally flexible resources
 - The development of environmentally preferred resources

Long-term Energy Procurement Challenges

- Changing policy and market environment
 - Greenhouse gas policy
 - Retail competition
 - Wholesale market reform
- Maintaining system reliability with uncertain resource development
- Achieving 20% renewables target

PG&E 2006 Bundled Revenue Requirement



As of June 1, 2006



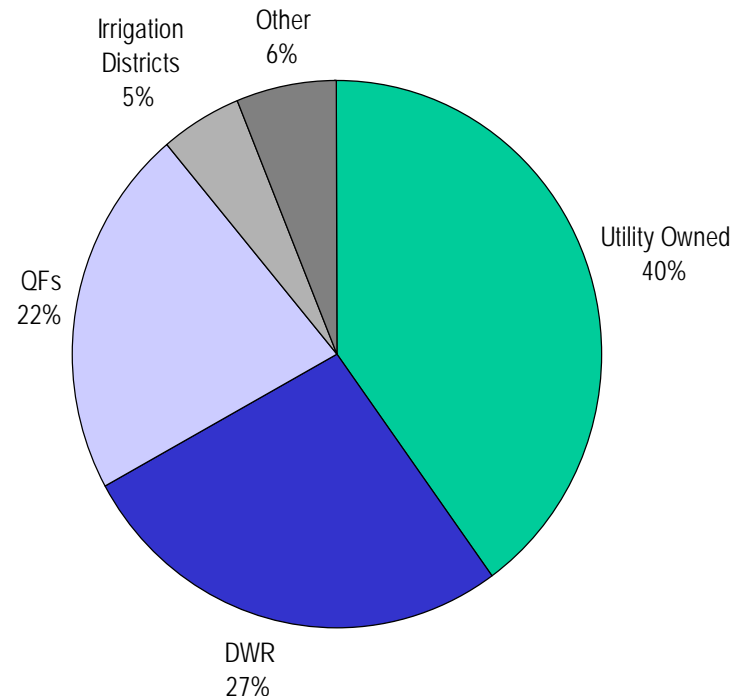
PG&E Sources of Supply in 2005

PG&E's cost of generating electricity and purchasing from others

	Supply	Cost	Average Price per kWh
Utility, Irrigation Districts and Other Wholesale	51%	35%	4.2¢
QFs	22%	30%	8.2¢
DWR	27%	35%	7.5¢

Eligible renewable resources are approximately 7.0 cents per kWh.

2005 Sources of Energy * 79,900 GWH



* Approximately 12% of total retail sales are supplied by eligible renewable resources coming from utility-owned, QF, Irrigation District, and other sources.

California Preferred Loading Order

- California's *Energy Action Plan* established a preferred “loading order” for resource procurement
- The loading order prioritizes the types of resources utilities and other load serving entities must secure:
 1. Energy Efficiency
 2. Demand Reduction
 3. Renewable Resources
 4. Distributed Generation
 5. Conventional Resources

California's Success with Energy Efficiency

Over the past 30 years, California per capita energy use has remained relatively flat compared to the overall US per capita energy use which has increased by about 50%.

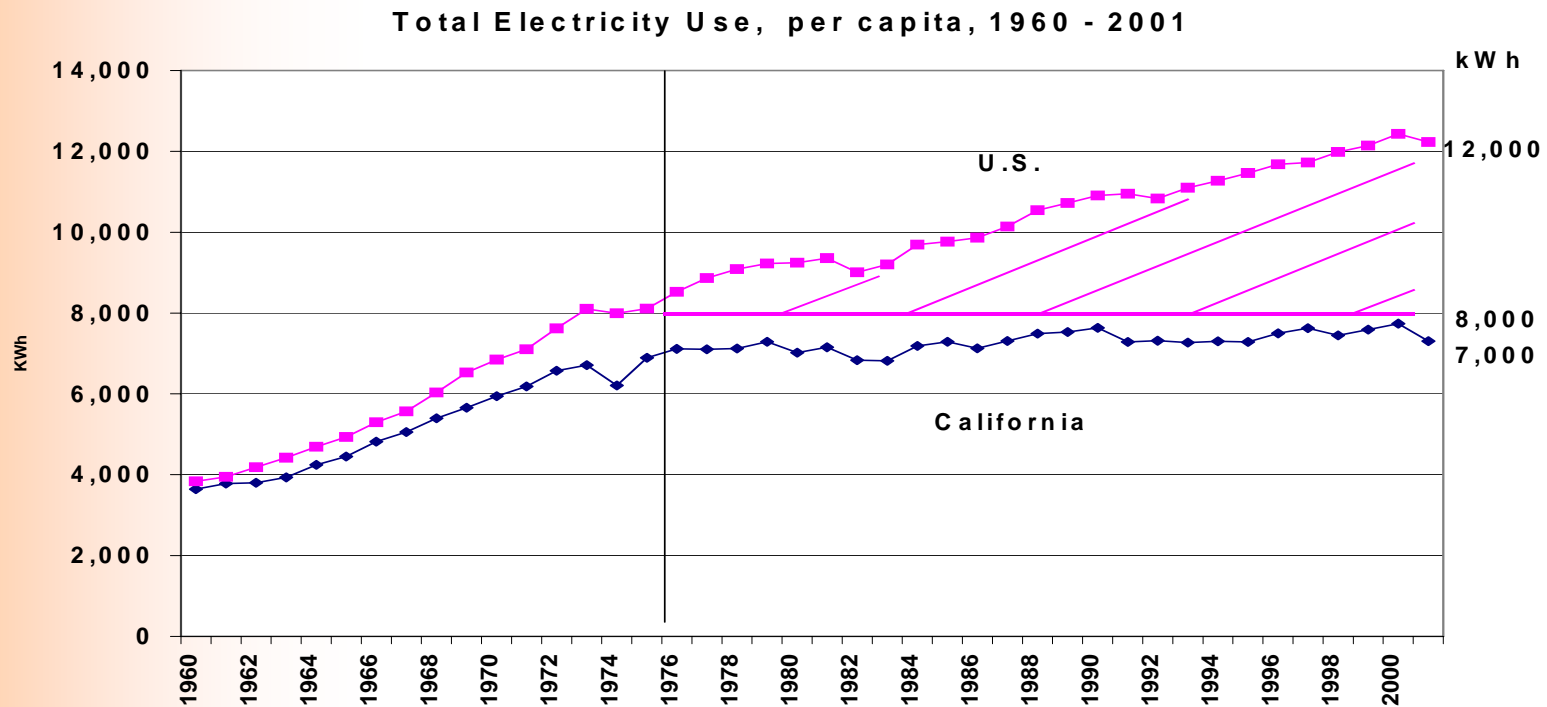


Chart courtesy of Art Rosenfeld, California Energy Commission

2005 Energy Efficiency Budget & Savings

- Energy Efficiency

- 1,165 GWH saved
- 229 MW of load reduced
- 26 million therms of natural gas saved
- \$255 million spent in 2005 for electric and gas energy efficiency

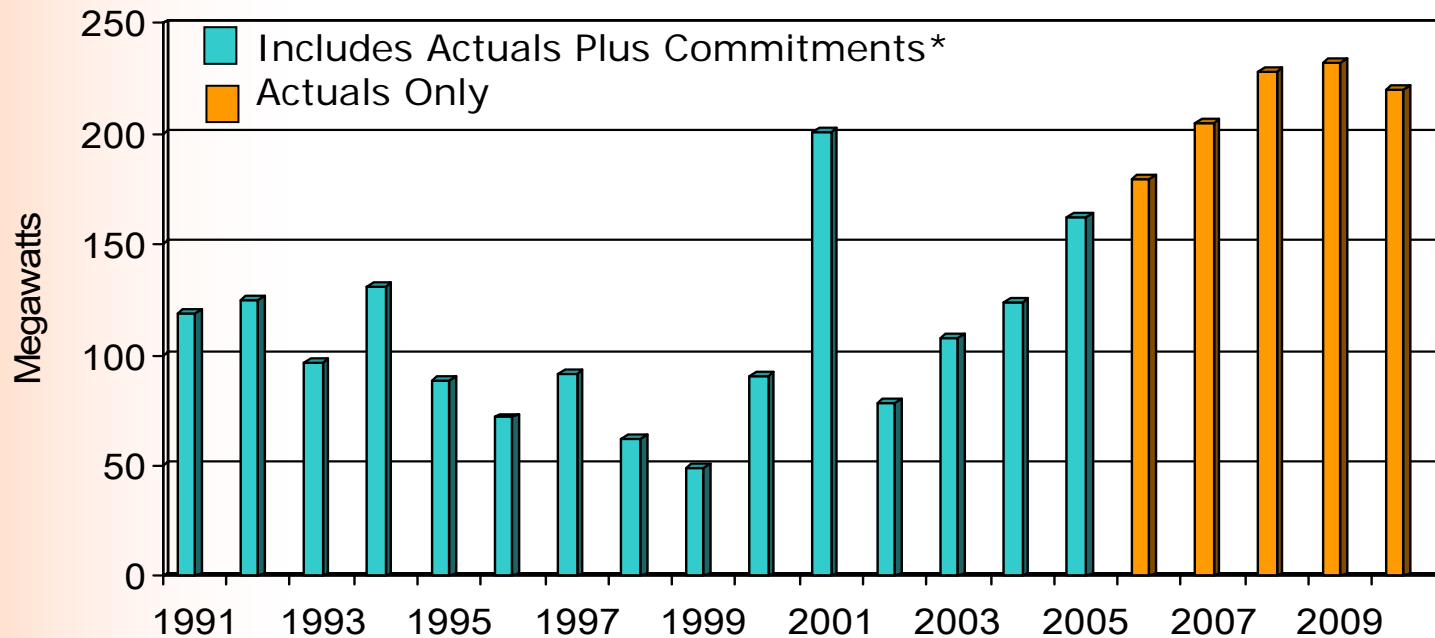
PG&E's energy efficiency program is among the largest and most successful in the United States

Energy Efficiency Savings Past and Future

PG&E's Budget and Goals for 2006-2008:

- Overall budget \$975 million
- Customer Incentives budget \$416 million
- PG&E goals 613 MW, 3,063 GWH, 47 MM therms

MW Savings: Historic & Target



* Prior to 2006, projects that customers had committed to but not yet installed or paid for were counted towards energy efficiency targets.

Keys To Energy Efficiency Success in California

- Revenue/sales decoupling mechanisms paired with annual attrition rate adjustment mechanism
- Sustained, deep commitment by regulators, state lawmakers, utilities and other stakeholders
- Growing interest and commitment by the public to improve the environment and mitigate climate change
- General agreement that utilities are a key player in delivering energy efficiency programs and savings to customers

PG&E Demand Response Budget & Savings

- PG&E's DR programs fall into two general categories:
 - Reliability (activated by CAISO day-of emergency alerts)
 - Price response (activated by day-ahead forecasts of high CAISO peak demand, high temperature, or high prices)
- Current programs focus on large industrial and commercial customers
- PG&E's DR programs provide over 600MW towards resource adequacy
- PG&E's SmartMeter™ program (AMI) for small residential and commercial customers will enable mass market DR
 - AMI should provide an additional 400 MW in DR by 2011
- CPUC has initiated a proceeding to address long term demand response goals

PG&E's Renewable Resource Procurement

- Renewable Portfolio Standard target is 20% by 2010
- PG&E is currently at 12% RPS deliveries, or if signed contracts are included, then 16-18%
- 1% of load = 730 GWH



Distributed Generation and CA Solar Initiative

PG&E's Distributed Generation Program

- 2005 program
 - 25.9 MW of new installed DG projects in 2005 of which 52% was renewables
 - \$61.0 million spent in 2005 of which 82% was for renewables
- 2006: an additional \$300 million added to statewide budget for solar rebates (\$132 million for PG&E)

California Solar Initiative (CSI) for 2007-2016:

- Goal is 3,000 MW of solar energy systems installed statewide by 2016, with almost 60% of the installations expected in the last three years of the program
- Budget for the investor-owned utilities is \$2.165 billion in new rebates for solar installations of which PG&E's share is 44%

Existing and Committed Supply-Side Resources

Existing

Utility Retained Generation (URG)

- nuclear (Diablo Canyon)
- fossil (Humboldt Bay)
- hydroelectric (includes RPS-eligible resources)
 - ▲ PG&E-owned
 - ▲ Irrigation districts & water agencies

Qualifying Facilities (includes RPS-eligible resources)

DWR Contracts

Other Existing Bilateral Contracts

- Puget Sound Power & Light Exchange Contract
- Mirant & Duke contracts
- Calpine (2007 RA capacity)
- Other RPS-eligible Contracts (Etiwanda; contracts signed 2002-2006, including 2004 & 2005 RPS solicitations)

Committed

Expected Utility-Owned Generation

- 2004 LT RFO ownership
 - ▲ Wartsila Humboldt (163 MW)
 - ▲ Colusa (657 MW)
- Gateway (530 MW)

2004 LT RFO PPAs

- 5 counterparties (1,430 MW)

Long-Term Planning, Procurement and Development

PG&E requested authorization in its LTPP filing to procure up to 2,300 MW of new dispatchable and operationally flexible generation resources to come online starting in 2011 to ensure continued reliability in northern California.

Date	Action	Phase
Dec 2006	PG&E prepares Long-term Procurement Plan	Planning (1 year)
2007	CPUC decision approving plan	Planning (1 year)
TBD	PG&E issues Long-term Request for Offers (LTRFO) PG&E determines short-list PG&E signs contracts and files for CPUC approval CPUC approves contracts	Procurement (1½ years)
TBD	Project development begins	Development and Construction (2½ to 3½ years)
2011-2014	Projects begin operation	Development and Construction (2½ to 3½ years)

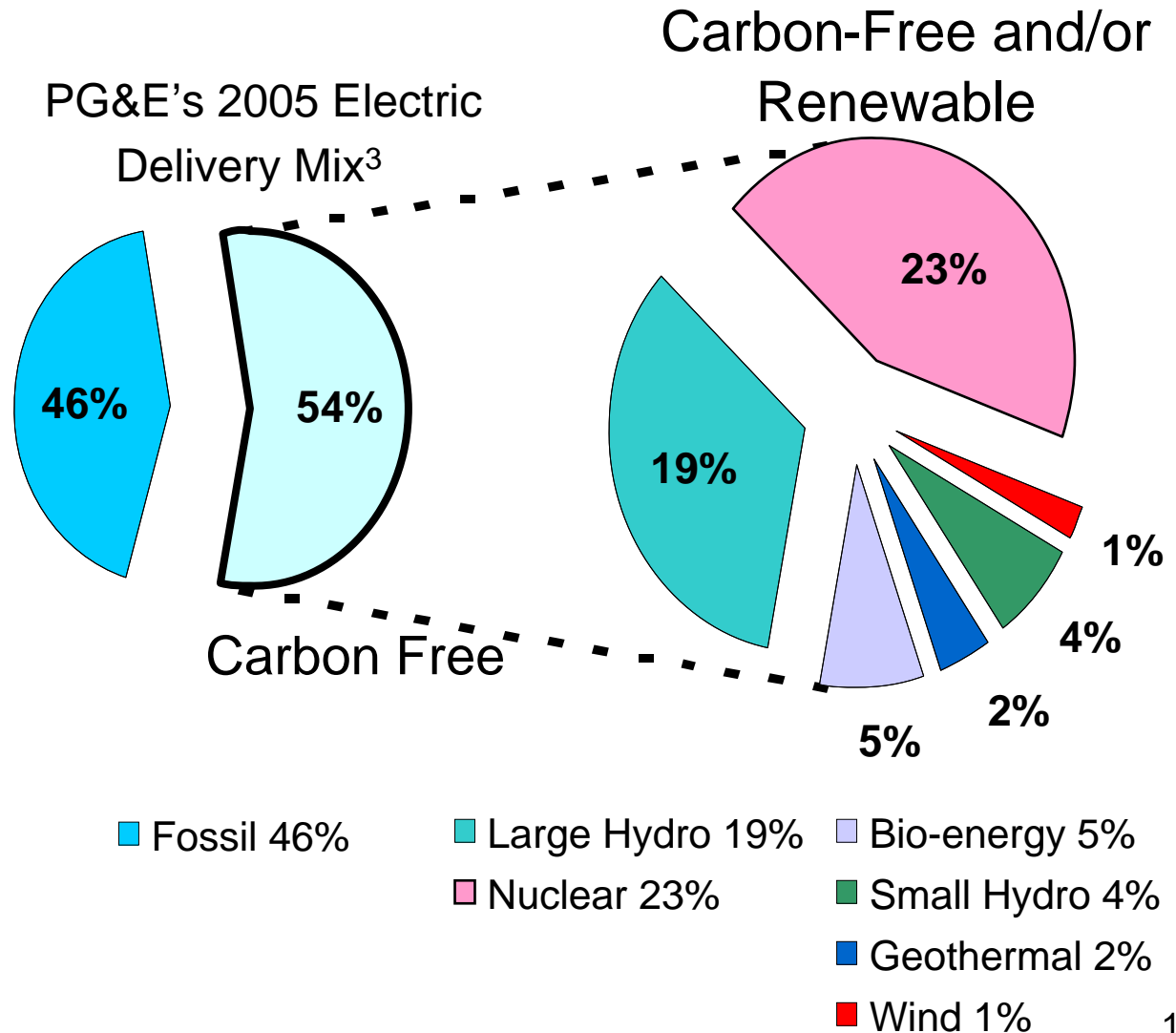
PG&E Portfolio Among the Lowest GHG Emissions

- Lowest GHG emission rate of any California utility¹
- Among the lowest GHG emissions of any major utility in the U.S.²

1) *Estimating Carbon Dioxide Emissions Factors for the California Electric Power Sector*, C. Marnay, et al; August 2002; Lawrence Berkeley National Laboratory

2) *Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States – 2004*; April 2006, Natural Resources Defense Council

3) Delivery mix includes all PG&E generation plus all PG&E power purchases



Impact of GHG Regulation on Procurement

- 2006 legislation regarding GHG regulation:
 - SB 1368 - limitation on long-term contracts from high carbon emitting power plants
 - AB 32 - California Global Warming Solutions Act - “1990 levels by 2020”
 - PG&E supported both bills
- PG&E currently has some small QF contracts consisting of about 3% of energy load which may be affected by SB1368
- PG&E will be an active participant in AB 32 implementation discussions
- PG&E supports and prefers national regulatory action based on market mechanisms

Key Elements of PG&E's Energy Procurement Plans

- PG&E will meet the current energy efficiency quantity targets adopted by the CPUC
- PG&E will meet the 5% demand response goals adopted by the CPUC
- PG&E will actively support and implement the California Solar Initiative; level of success depends on marketplace response
- PG&E will procure renewable resources to achieve a higher than 20% RPS percentage
- PG&E will procure up to 2,300 MW of dispatchable and operationally flexible resources