



PG&E Corporation

European Investor Meetings June 25 – July 2, 2009





PCG Investment Case

- **PCG is focused on better service to our customers, which is the foundation of our growth:**
 - **Substantial Cap Ex Program**
 - **Manageable financing requirements**
 - **Decoupled revenues**
 - **Pass-through of procurement costs**
 - **11.45% weighted ROE on 52% equity**
 - **Low carbon footprint**



Pacific Gas and Electric Company (PG&E)

- Provides energy to nearly 1 in 20 people in the U.S.
- 70,000 square-mile service territory
- Four main operational units:
 - Electric and gas distribution
 - Electric transmission
 - Gas transmission
 - Electric generation
- \$18.2 billion rate base



PG&E SERVICE AREA
IN CALIFORNIA



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

- \$11.9 billion of rate base (2008 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Majority cost of service ratemaking ⁽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

- \$2.8 billion of rate base (2008 wtd. avg.)

Regulation

- Federal regulation (FERC)
- Cost of service ratemaking
- 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 (2008 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Ratemaking set through Gas Accord
- Revenues vary with throughput



Electric Generation

Business Scope

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

Primary Assets

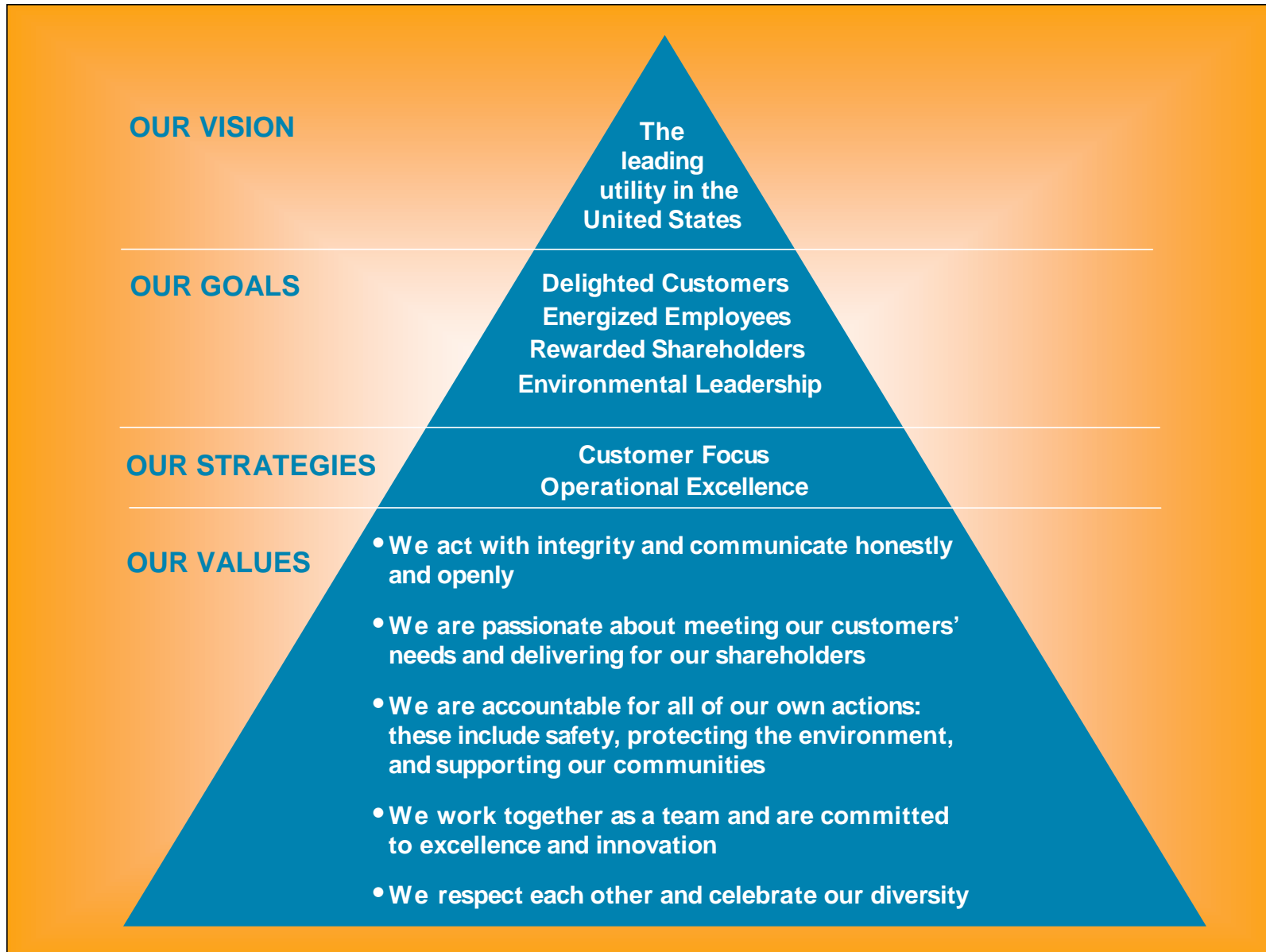
- \$2.0 billion of rate base (2008 wtd. avg.)
- Diablo Canyon Nuclear Power Plant (2,240 MW)
- Gateway Generating Station (530 MW)
- Largest privately owned hydro system (3,896 MW)
- Funded nuclear plant decommissioning trusts of \$1.8 billion

Regulation

- Cost of service ratemaking for utility-owned generation
- Pass through of power procurement costs



Vision and Values





2009 Business Priorities

- **Drive customer satisfaction**
- **Deliver on budget, on plan, and on purpose**
- **Improve reliability**
- **Improve safety and human performance**
- **Champion effective regulatory and legislative policies**



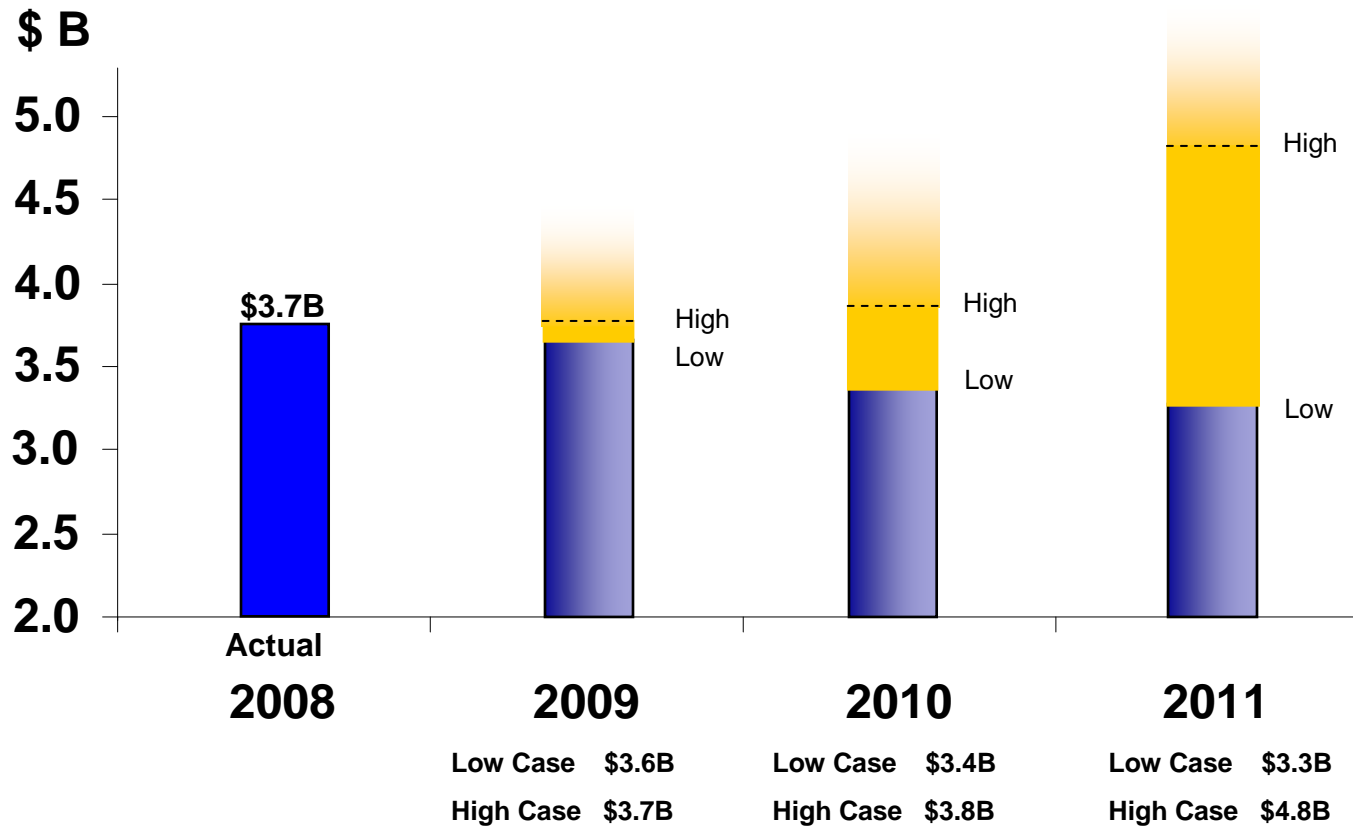
PG&E Financial Strategy

- **Achieve solid, sustained EPS growth**
- **Actively manage cash flow**
- **Maintain opportunistic financing approach**



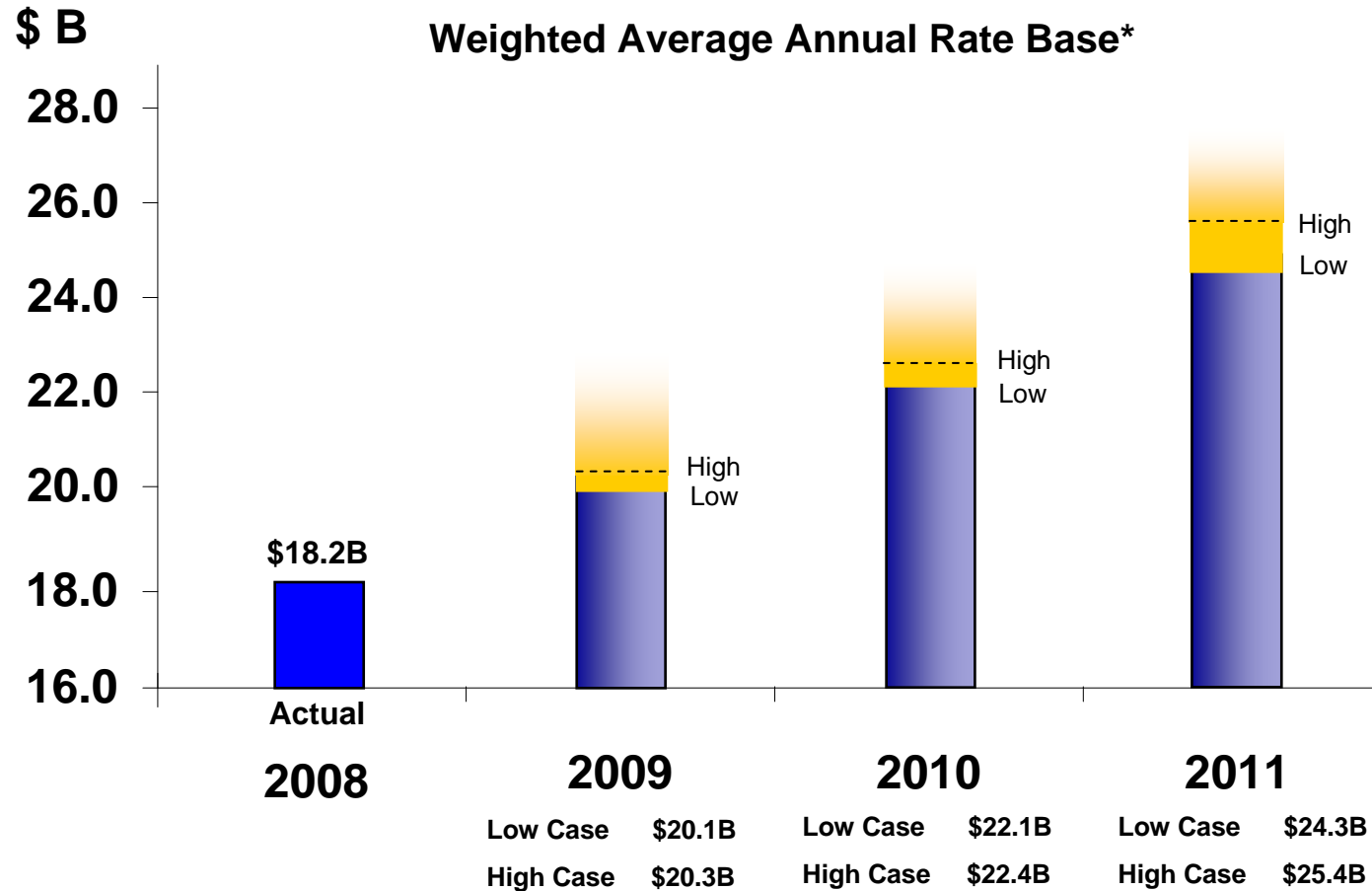
Capital Expenditure Outlook

CapEx Outlook





Rate Base Growth

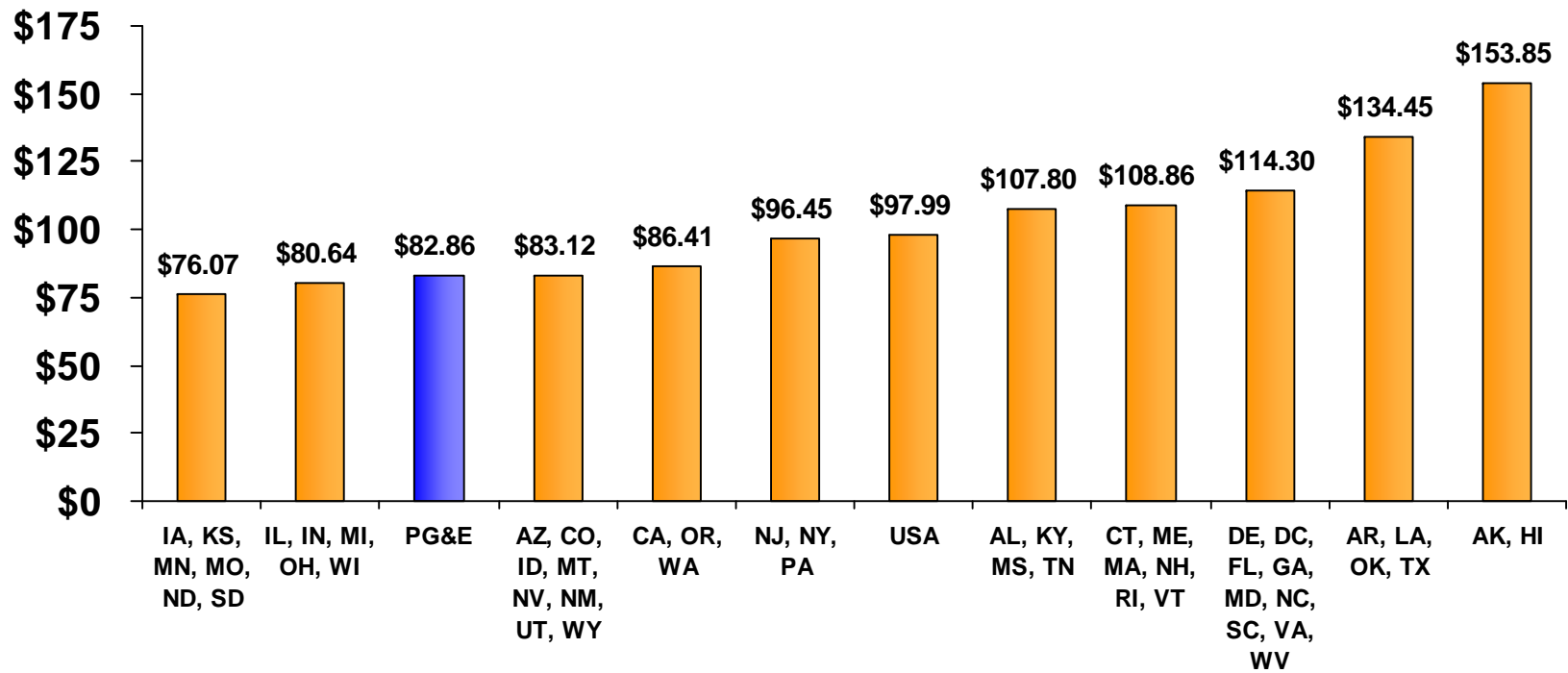


* Actual 2008 and projected 2009-2011 rate base is not adjusted for the impact of the carrying cost credit that primarily results from the second series of the Energy Recovery Bonds. Earnings will be reduced by an amount equal to the deferred tax balance associated with the Energy Recovery Bonds regulatory asset, multiplied by the Utility's equity ratio and by its equity return. This rate base offset carrying cost declines to zero when the taxes are fully paid in 2012.



Residential Electric Bills

Residential Average Monthly Bills by Region⁽¹⁾

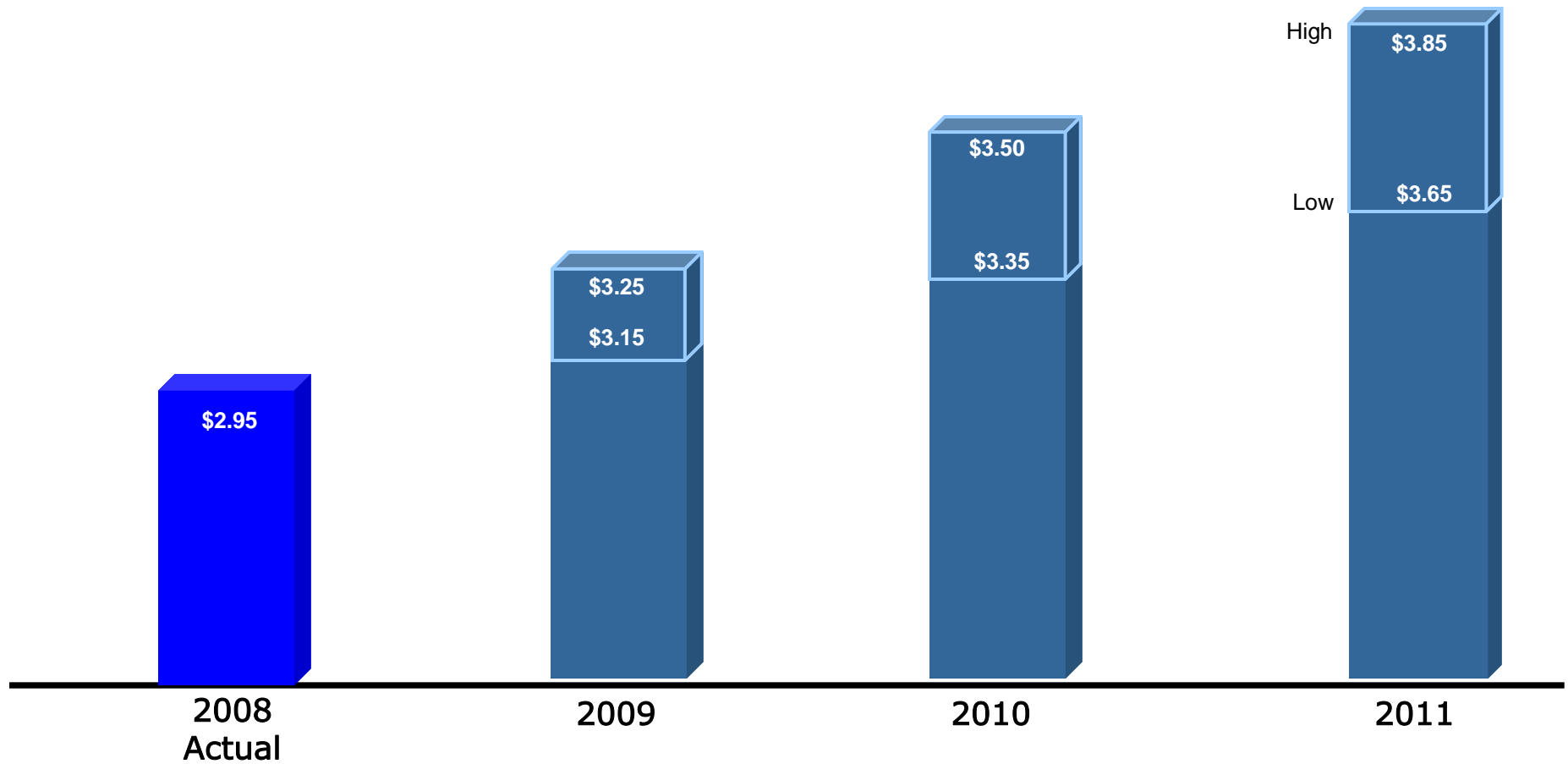


⁽¹⁾ Edison Electric Institute, Statistical Yearbook, Year 2007 (latest data available).



EPS Guidance

Earnings per Share from Operations



* Reg G reconciliation to GAAP for 2008 EPS from Operations, and 2009-2011 EPS Guidance available in Appendix and at www.pge-corp.com/investors



Additional Capital Opportunities

Generation

- **Additional renewable generation investment opportunities**
- **Prior RFO Shortfalls**

Electric Transmission & Gas Pipelines

- **Additional transmission to reach renewable generation**
- **B.C. Transmission Line**
- **Pacific Connector Gas Pipeline**



Financial Assumptions 2009-2011

GUIDANCE REFLECTS:

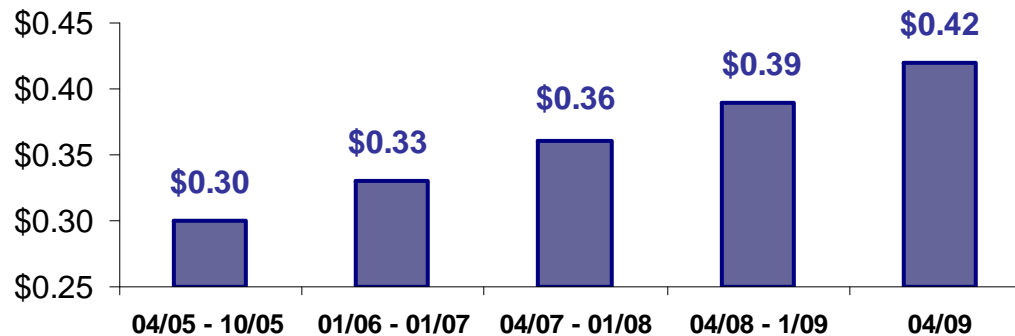
- **Capital expenditures consistent with low and high case ranges**
- **CPUC authorized ROE of at least 11.35% and Utility earns at least 12% on FERC projected rate base**
- **Ratemaking capital structure maintained at 52% equity**
- **CEE incentives, operational changes and efficiencies and tax cash flow consistent with low and high case ranges**
- **Current conditions for debt and equity markets**
- **Resolution of FERC generator claims in 2009-2011 results in financing needs**



Dividend Policy

- **Sustainable, comparable dividend**
- **Payout ratio range of 50% - 70%**
- **Dividend growth in line with EPS growth.**

Historical Quarterly Dividends per Share

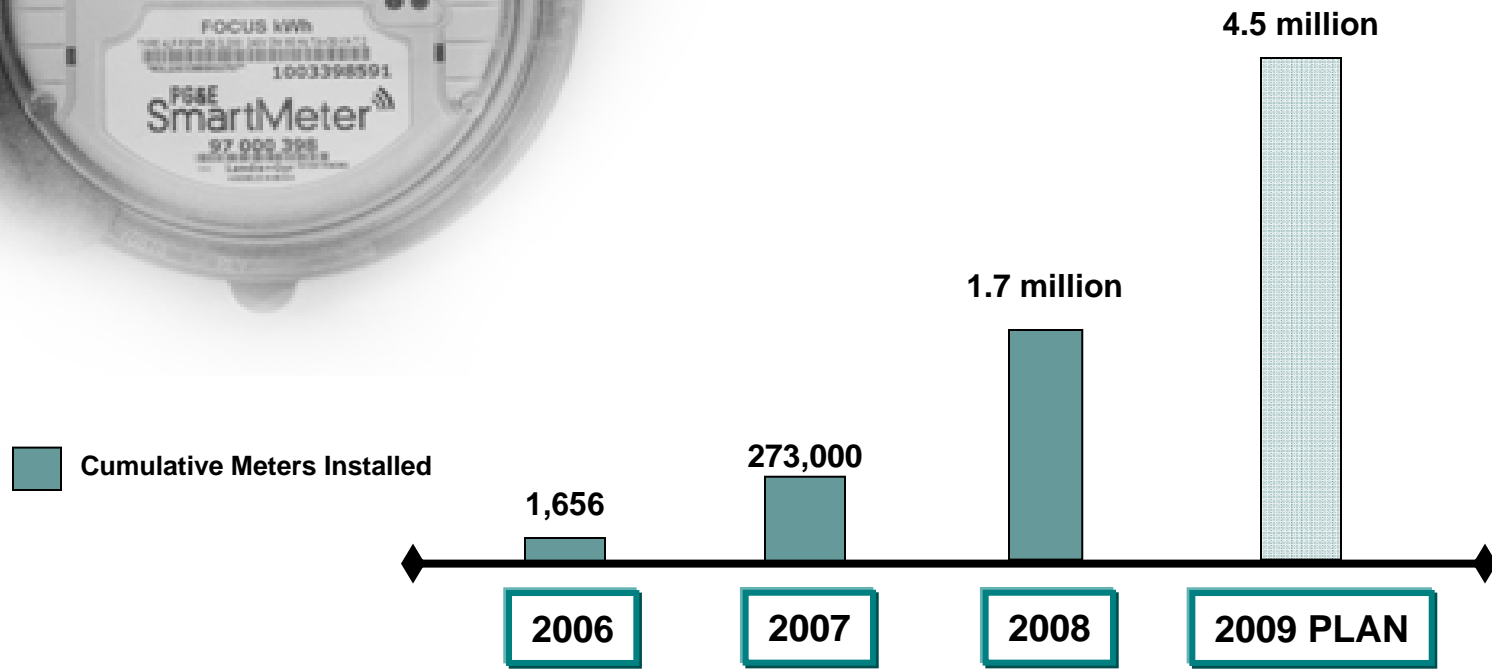


- **Infrastructure spend categories:**
 - **Substations**
 - **Poles and Maintenance**
 - **New Customer Connects**
 - **Capacity and Reliability**
- **Transmission spend categories**
 - **System Expansion / Congestion Relief**
 - **Maintenance and Replacement**
 - **Automation Technology Expansion**
 - **New Generation Interconnection**



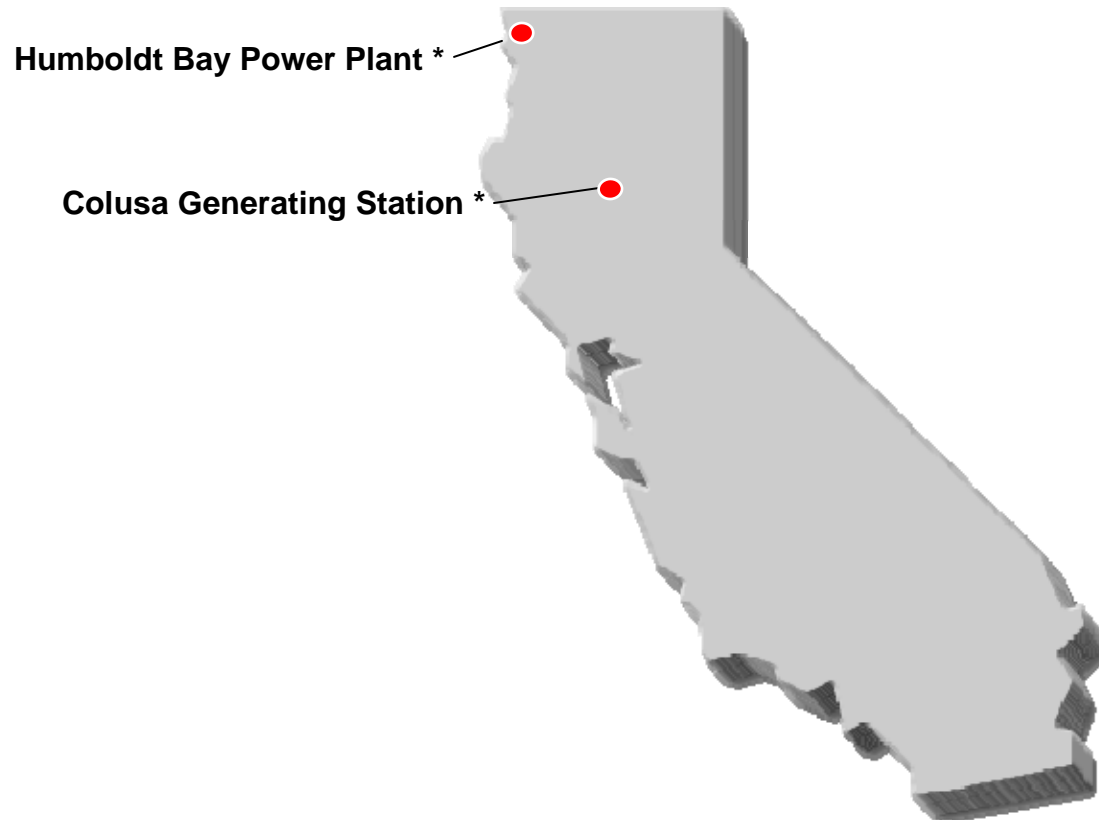


SmartMeter™ Installations





New Generation Investment



Humboldt Bay Power Plant *

Colusa Generating Station *

*** Humboldt Bay is a 163 MW plant currently under construction.
Projected Cost: \$239M, scheduled completion 2010.**

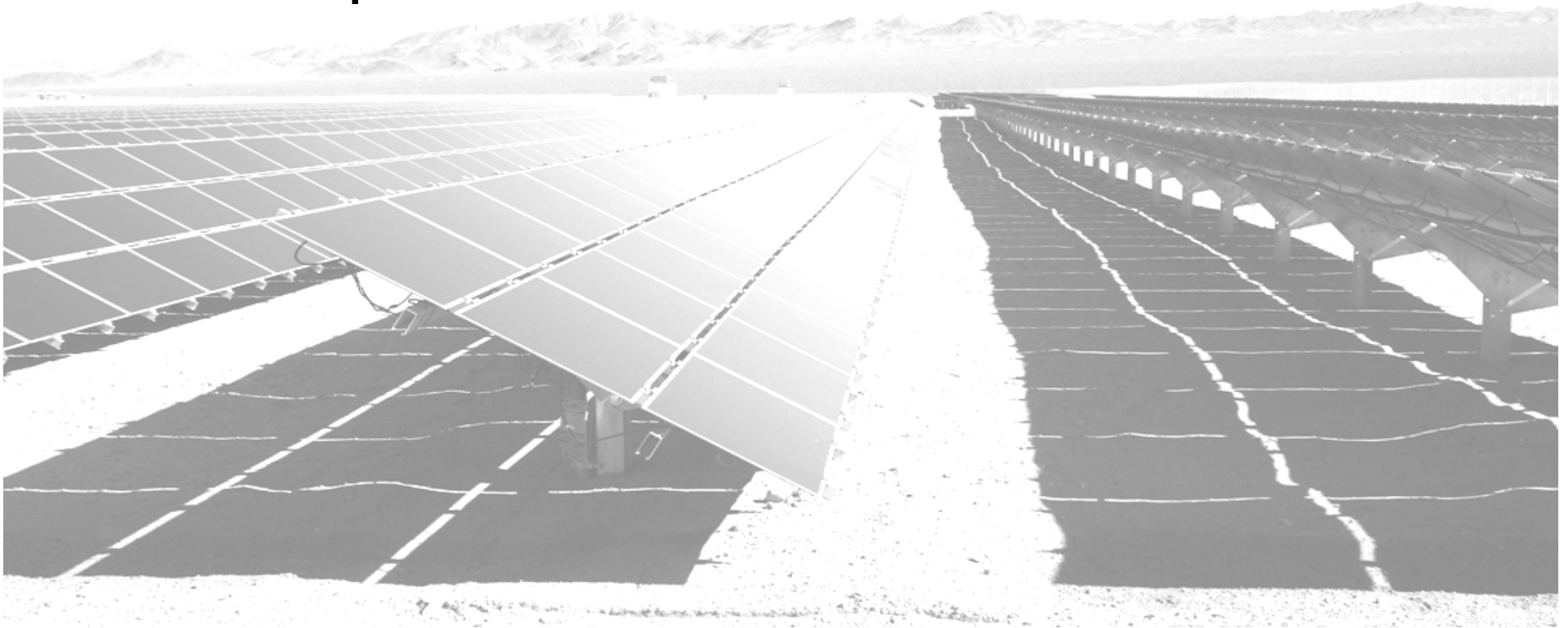
*** Colusa is a 657 MW plant currently under construction.
Projected Cost: \$673M, scheduled completion 2010.**



PG&E Ownership of Renewables

Proposed Solar PV Program

- **Up to 250 MW of Utility-owned PV generation**
- **Up to 250 MW of standard-offer PV PPAs**



- **Expect 14% deliveries from renewable resources in 2009**
- **Contracted/Current deliveries represent over 20% of projected load for 2013**
- **Utility Owned PV is a contributor to achieving RPS goals**





PCG: Outlook for the Future

Leading renewable and energy efficiency programs...



... and limiting risk from new carbon legislation



Cautionary Language Regarding Forward-Looking Statements

This presentation contains management's guidance for PG&E Corporation's 2009, 2010 and 2011 earnings per share from operations, projections of Pacific Gas and Electric Company's (Utility) capital expenditures, rate base and rate base growth, and projections of PG&E Corporation's and the Utility's financing needs. These statements and projections, as well as the underlying assumptions, are forward-looking statements that are based on current expectations which management believes are reasonable. These statements and assumptions are necessarily subject to various risks and uncertainties, the realization or resolution of which may be 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 manage capital expenditures and its operating and maintenance expenses within authorized levels;
- the outcome of pending and future regulatory proceedings and whether the Utility is able to timely recover its costs through rates;
- 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, including the ability of the Utility and its counterparties to post or return collateral;
- the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, disruptions of information technology or computer systems, 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 potential impacts of climate change on the Utility's electricity and natural gas businesses;
- changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology, including the development of alternative energy sources, or other reasons;
- operating performance of the Diablo Canyon Power Plant ("Diablo Canyon"), the availability of nuclear fuel, the occurrence of unplanned outages at Diablo Canyon or the temporary or permanent cessation of operations at Diablo Canyon;
- whether the Utility can maintain the cost savings it has recognized from operating efficiencies it has achieved and identify and successfully implement additional sustainable cost-saving measures;
- whether the Utility incurs substantial expense to improve the safety and reliability of its electric and natural gas systems;
- whether the Utility achieves the California Public Utilities Commission's (CPUC) energy efficiency targets and recognizes any incentives the Utility may earn in a timely manner;
- 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 new rules of the California Independent System Operator (CAISO) 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 and liabilities in connection with litigation that are not recoverable through rates, from insurance, or from other third parties;
- the ability of PG&E Corporation, the Utility, and counterparties, to access capital markets and other sources of credit in a timely manner on acceptable terms, especially given the recent deteriorating conditions in the economy and financial markets;
- the impact of environmental laws and regulations and the costs of compliance and remediation;
- the effect of municipalization, direct access, community choice aggregation, or other forms of bypass;
- the outcome of federal or state tax audits and the impact of changes in federal or state tax laws, policies, or regulations; and
- other factors and risks discussed in PG&E Corporation's and the Utility's 2008 Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission.

Appendix





Key Regulatory Filings

2011 General Rate Case

2009	2010	2011
<i>Summer 2009: Prepare and File Notice of Intent</i>	<i>Summer 2010: Hearings</i>	<i>January 2011: Rates go into effect</i>

2011 Cost of Capital Application

2010	2011
<i>Spring 2010: Initial Filing</i>	<i>January 2011: Rates go into effect</i>

Transmission Owner Rate Cases

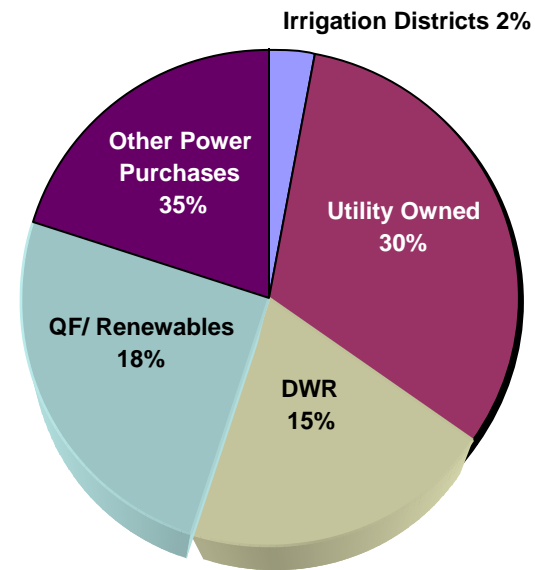
2009	2010
<i>Summer 2009: File TO 12</i>	<i>Fall 2009: TO 11 Settlement Approved</i>
	<i>Summer 2010: File TO 13</i>



Existing Resource Mix

Owned Generation	Type	Net Capacity (MW)
Diablo Canyon	Nuclear	2,240
Hydroelectric Facilities	Hydro	3,896
Humboldt	Fossil	135
Total		6,271

2008 total sources of electric energy*



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



Renewable Contracts Signed

Over 20% of Projected Load Currently Under Contract*

Year Signed	Project	Max GWh/yr	Technology
2006	HFI Silvan	142	Biomass
2006	Liberty Biofuels	70	Biofuels
2006	Bottle Rock USRG	385	Geothermal
2006	IAE Truckhaven	366	Geothermal
2006	Global Common - Chowchilla	72	Biomass
2006	Global Common – El Nido	72	Biomass
2006	Newberry	840	Geothermal
2006	Calpine Geysers	1644	Geothermal
2006	Microgy	TBD	Biogas
2006	Bio_Energy LLC	TBD	Biogas
2006	Palco	36	Biomass
2007	Solel	1388	Solar Thermal
2007	PPM-Klondike	265	Wind
2007	CalRenew	9	PV
2007	Green Volts	5	PV
2007	enXco	509	Wind
2007	Ausra	388	Solar Thermal

Year Signed	Project	Max GWh/yr	Technology
2008	Calpine	1533	Geothermal
2008	Wadham	141	Biomass
2008	San Joaquin Solar	700	Solar Thermal-Biofuel Hybrid
2008	Arlington Wind (Horizon)	240	Wind
2008	OptiSolar / First Solar	1148	PV
2008	SunPower	594	PV
2008	Iberdrola/ BPA	260	Wind
2008	Hatchet Ridge	303	Wind
2008	El Dorado Energy (Semptra)	23	PV
2009	Puget	1000	Wind
2009	Solaren	1700	PV
2009	BrightSource	3665	Solar Thermal
2009	NextLight	592	PV
2009	South Feather	100	Hydro
2009	Shell Energy	128	Wind
2009	Woodlands	190	Biomass

*Based on contracts signed through June 2009.



2008 EPS - Reg G Reconciliation

	<u>2008</u>
EPS on an Earnings from Operations Basis*	\$2.95
Items Impacting Comparability**	<u>0.68</u>
EPS on a GAAP Basis	\$3.63

* 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.

** Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and twelve months ended December 31, 2008, PG&E Corporation recognized \$257 million of net income resulting from a settlement of tax audits for tax years 2001 through 2004. Of this amount, \$154 million was related to PG&E Corporation's former subsidiary, National Energy & Gas Transmission, Inc., and was recorded as income from discontinued operations



EPS Guidance - Reg G Reconciliation

2009	<u>Guidance Range</u>	
	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis ⁽¹⁾	\$3.15	\$3.25
Estimated Items Impacting Comparability ⁽²⁾		
Tax Refunds ⁽³⁾	\$0.13	\$0.16
Recovery of hydro divestiture costs ⁽⁴⁾	\$0.07	\$0.07
Accelerated work on gas system ⁽⁵⁾	(\$0.15)	(\$0.12)
Estimated EPS on a GAAP Basis	\$3.20	\$3.36
2010	<u>Guidance Range</u>	
	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis ⁽¹⁾	\$3.35	\$3.50
Estimated Items Impacting Comparability	\$0.00	\$0.00
Estimated EPS on a GAAP Basis	\$3.35	\$3.50
2011	<u>Guidance Range</u>	
	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis ⁽¹⁾	\$3.65	\$3.85
Estimated Items Impacting Comparability	\$0.00	\$0.00
Estimated EPS on a GAAP Basis	\$3.65	\$3.85

- (1) 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.
- (2) Items impacting comparability reconcile earnings from operations with consolidated Income Available for Common Shareholders as reported in accordance with GAAP.
- (3) Tentative agreement to resolve federal tax refund claims related to tax years 1998 and 1999.
- (4) Recovery of costs incurred in connection with efforts to determine the market value of hydroelectric generation facilities.
- (5) Forecasted cost to accelerate the performance of system-wide gas integrity surveys and associated remedial work.