

PG&E Corporation

Investor Meetings
June 7-8, 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 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



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

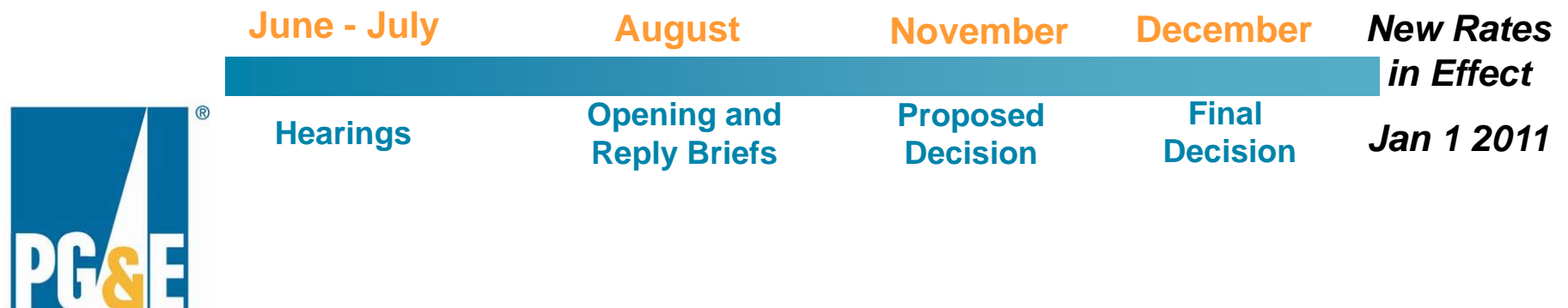
Also requested a flexible attrition mechanism to adjust for:

- labor costs [adjustments]
- materials and services [adjustments]
- capital investments [related adjustments]
- [other adjustments, such as] 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

Adds additional transmission capacity and performance of maintenance and replacement work on our substations improving overall reliability of our system



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

Final decision expected in Q2 or Q3 2010

Cornerstone Improvement Program

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

Request: \$2.0 billion capital spend over 6 years

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

Proposed decision addresses installation of new substation transformers, feeders, conductors and other equipment to add capacity and relieve points of strain

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



Comments on Proposed Decision due June 14th

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 developed, designed 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

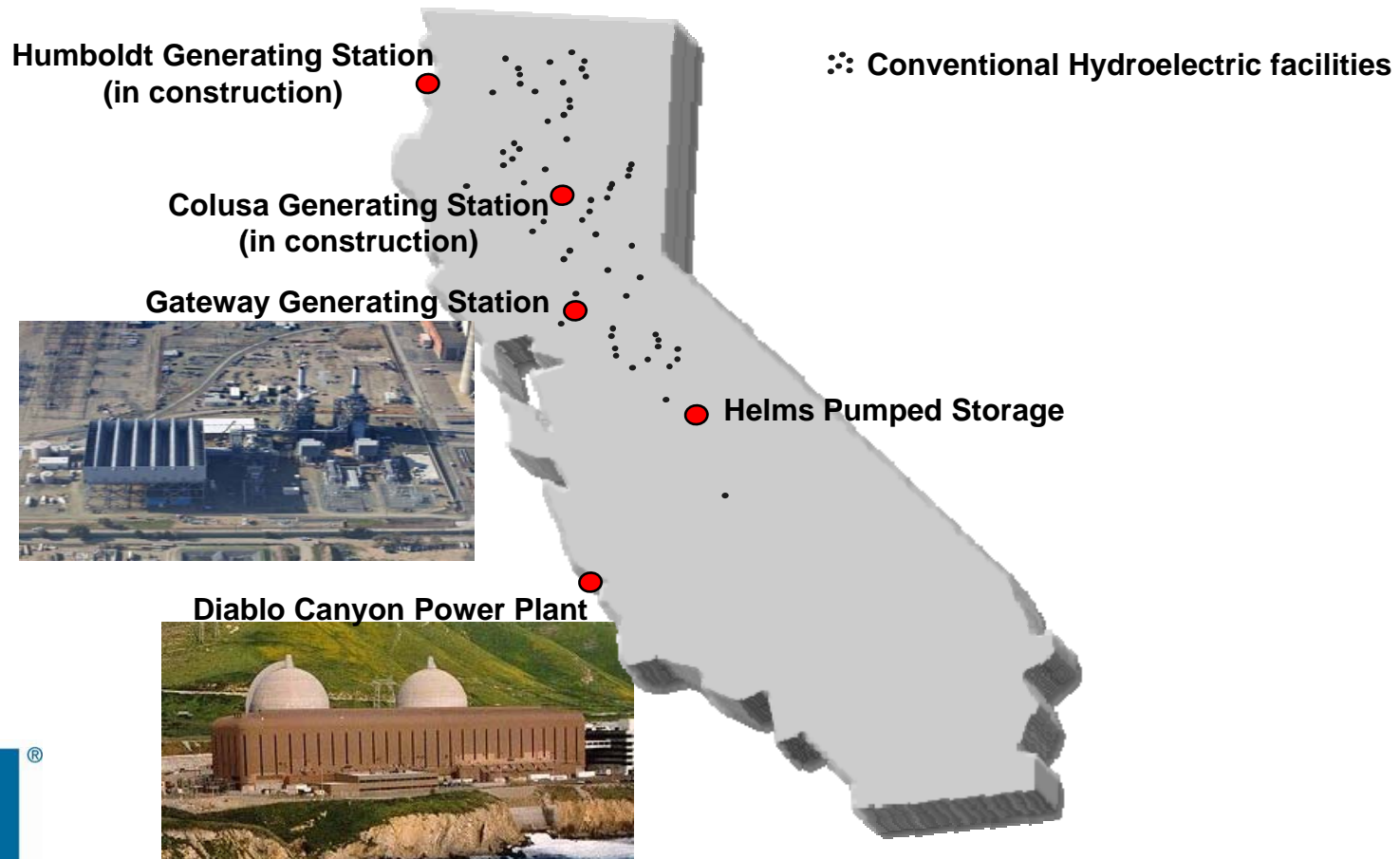
- \$2.8 billion of rate base (2009 wtd. avg.)
- Diablo Canyon Nuclear Power Plant (2,240 MW)
- Gateway Generating Station (530 MW)
- Largest privately owned hydro system (3,896 MW)
- Funded nuclear plant decommissioning trusts of \$2.0 billion

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



Key Regulatory Proceedings

Regulatory Case	Docket #	Expected Decision Date
2010 Long Term Procurement Plan	R.10-05-006	TBD
Nuclear Relicensing	A.10-01-022	TBD
2011 General Rate Case ("GRC")	A.09-12-020	Final decision is expected in Q4 2010
2011 GRC Phase II	A.10-03-014	Final decision is expected in Q2 2011
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	Final decision expected in Q3 2010
Gas Transmission & Storage Rate Case	A.09-09-013	Final decision is expected in Q4 2010
Plug-in Electric Vehicle OIR	R. 09-09-009	Final decision for Phase I expected in Q3 2010 Phase II - TBD
Transmission Owner ("TO") 12 Rate Case	ER09-1521-000	All-party settlement reached Final approval is expected by Q3 2010
Energy Efficiency OIR Post-2005	R.09-01-019 D.09-12-045	Final decision is requested by end of Q4 2010
SmartGrid OIR	R.08-12-009 D.09-12-046	Initial policy decision issued in December 2009, subsequent decision expected in Q3 2010, timing of subsequent proceedings in 2011 TBD
Cornerstone Improvement Program	A.08-05-023	Final decision is expected in Q2 or Q3 2010



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>	A	Baa
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
Oct '09-Apr '10 Average	5.75	6.20
Benchmark (Dec. 08-05-035)	6.02	6.26

