



PG&E Corporation

2007 Corporate Responsibility Report

A Summary



Letter From the

Chairman and CEO

Achieving PG&E's vision to become the leading utility in the United States hinges on many factors. But one of the most important is setting an example in all facets of corporate responsibility.



Peter A. Darbee

This Summary Corporate Responsibility Report shares some of the many ways we are thinking and acting, nationally and locally, to fulfill our responsibilities to stakeholders and take care of the world around us. This starts with our 15 million customers, 20,000 employees, investors, regulators, partners and communities in California. It ultimately extends to everyone who shares PG&E's interest in ensuring a clean, cost-effective and secure energy future.

On behalf of these stakeholders, we are committed to operating in ways that provide for the safety of our employees and customers, protect the environment, give back to our local communities, respect and celebrate diversity, and make a positive contribution to the quality of life in the areas where we live and work.

We appreciate your interest in our efforts. As always, we invite you to learn more at www.pgecorp.com, and we welcome your feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter A. Darbee". The signature is fluid and cursive.

Peter A. Darbee
Chairman of the Board, CEO and President
PG&E Corporation

Company Overview

PG&E Corporation is the parent corporation for Pacific Gas and Electric Company, which provides safe, reliable and responsive gas and electric service to a population of approximately 15 million people throughout northern and central California. PG&E had approximately \$36.3 billion in assets as of December 31, 2007, and generated revenues of approximately \$13.2 billion in 2007.

Headquarters Location

San Francisco, CA

Service Area

70,000 square miles in northern and central California

Service Area Population

15 million people (or about 1 of every 20 Americans)

Electric Distribution Customer Accounts

5.1 million

Natural Gas Distribution Customer Accounts

4.3 million

Employees

Approximately 20,000

Approximately 12,900 are covered by collective bargaining agreements with three labor unions:

- International Brotherhood of Electrical Workers (IBEW), Local 1245
- Engineers and Scientists of California/International Federation of Professional and Technical Engineers (ESC/IFPTE), Local 20
- Service Employees International Union (SEIU)

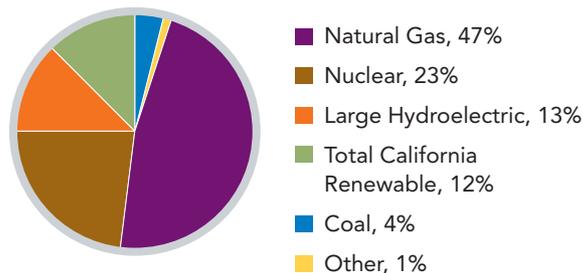
System

159,364 circuit miles of electric transmission and distribution lines and 48,198 miles of natural gas transmission and distribution pipelines; approximately 6,271 megawatts of generation, including the Diablo Canyon nuclear power plant and one of the largest hydroelectric systems in the country

Selected Examples of Major Customers

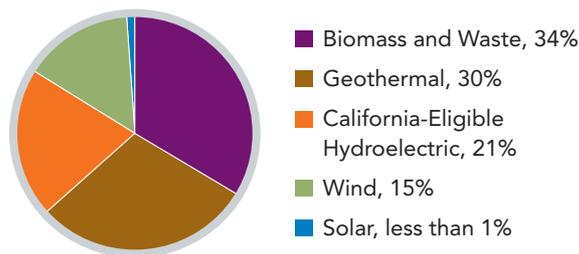
Bank of America, Chevron, Cisco Systems, FedEx, Fetzer Winery, Intel, Kaiser Permanente, Lockheed Martin, New United Motors Manufacturing, Safeway, Inc. and Target

PG&E's 2007 Electric Power Mix Delivered to Retail Customers*



* Due to a dry winter and the resulting reduction in the availability of hydroelectric generation, PG&E increased its power market purchases in 2007. Because California regulators require us to automatically assume that a certain portion of these market purchases are coal-fired generation, this chart shows an increase in that area. However, PG&E's direct purchases of coal have not increased, and remain at 1.6 percent.

PG&E's 2007 California-Eligible Renewable Resources**



** As defined in Senate Bill 1078, which created California's renewable portfolio standard, an eligible renewable resource includes geothermal facilities, hydroelectric facilities with a capacity rating of 30 MW or less, biomass, selected municipal solid waste facilities, solar facilities and wind facilities.

Our Business

PG&E operates in an industry that is evolving quickly as new technologies and new economic and environmental realities redefine the landscape in the energy business. We are embracing the changes around us and seeking new ways to meet and exceed rising expectations. Cleaner energy at competitive prices. More reliable service and new product offerings. More accountability and greater visibility. Delivering on promises made today and putting in place the foundation for the future. In 2007, we made the following progress:

- Continued to make substantial capital investments, \$2.8 billion for the year, to improve the reliability of our system and meet customer needs.
- Expanded future renewable energy supplies by signing new contracts for more than 1,000 MW of additional resources. PG&E now has contractual commitments to have more than 20 percent of our future deliveries from renewables.
- Launched a pilot for a Green Supply Chain Program, working in partnership with our suppliers to encourage innovative and sustainable ideas, products, services and operations.
- Improved PG&E's customer satisfaction, extending a positive trend from the past two years. For example, J.D. Power and Associates ranked PG&E's business customer satisfaction in the top 10 percent of utilities nationwide for electric and fourth out of 38 for natural gas service.
- Executed a complex IT upgrade of our customer care and billing capabilities and earned recognition in *InformationWeek* magazine as the top energy company for IT innovation in 2007.
- Achieved record operating results at our Diablo Canyon Power Plant.



Solel's solar thermal parabolic trough technology will be used to deliver 553 MW of solar power to PG&E's customers once constructed in California's Mojave Desert.

Photo courtesy of Solel.

We expanded implementation of our SmartMeter™ program, the nation's largest deployment of high-tech metering infrastructure to date. With this new technical platform, we are moving towards an active, intelligent electric grid capable of supporting innovative, enhanced and more personalized customer services.



Industrywide Challenges

We recognize that achieving our vision depends on adapting to an array of real-world challenges affecting our industry, such as the need for:

- Better, faster and more products and services
- Developing equitable and effective carbon controls
- Making smart, sustainable infrastructure investments
- Realizing the full potential of clean energy alternatives
- Advancing energy efficiency and demand response
- Satisfying demand for natural gas
- Recruiting and training a new generation of workers

Our Employees

The heart of PG&E is a diverse workforce of roughly 20,000 individuals representing a wide range of backgrounds and life experiences. This diversity is a source of new and innovative ideas, and empowers us to anticipate, understand and respond better to the needs of our customers. We took a number of steps last year to create a culture that enables employees to realize their full potential and facilitates our goal of being the leading utility in how we serve our customers and communities:

- Created a new chief diversity officer position to better coordinate and leverage our workforce, supplier and community diversity initiatives.
- Celebrated the power of our increasingly diverse workforce through the more than 2,000 employees participating in PG&E's seven employee associations: Asian, Black, Filipino, Hispanic, PrideNetwork, Pacific Services and Women's Network.
- Continued working aggressively toward our target of zero safety incidents, recognizing that substantial opportunities exist for improvement relative to industry peers.
- Recognized five employee leaders for outstanding community service—logging countless volunteer hours from Fresno to Yolo County—as part of the company's annual Mielke awards.



Roughly 42 percent of our employees will become eligible for retirement over the next five years. Faced with this challenge, we are taking a proactive approach toward workforce development through our new PowerPathway™ program. Working in partnership with our unions, community colleges and others, PG&E is creating workforce pipelines within our local communities to systematically fill high-demand, hard-to-fill positions such as utility workers, apprentice lineworkers, welders, instrument technicians and electrical technicians.

Examples of Recognition for Diversity:

- *Black Enterprise* magazine—one of "40 Best Companies for Diversity"
- *Hispanic* magazine—among top 100 companies
- *Hispanic Business* magazine—among top 60 companies for Hispanics
- Human Rights Campaign—received top score of 100 percent on Corporate Equality Index
- Professional Business Women of California Pacesetter Award—among Top 10 companies

Our Communities

While providing safe, reliable energy service is job one, a utility provides more, and is more, to a community than just pipes and wires. We help towns and cities meet their environmental and sustainability goals. We help community-based organizations reach some of the neediest in our society. We are an employer, a first-responder, a network of men and women who are part of, and rely on, the communities we serve. Working with our communities, we can make a difference that stretches beyond their individual borders, and those of California, too. In 2007, our efforts spanned a number of areas:

- Donated 1.2 percent of our pre-tax earnings from operations, or \$18.3 million, to charitable organizations, a 25 percent increase from the prior year and the largest charitable commitment in the company's history. Nearly 75 percent of these contributions went to projects that help low-income, minority and other underserved communities.
- Reached new heights in employee volunteerism, with more than 107,000 hours of service in the communities where employees live and work.
- Raised record level contributions from our employees and retirees to PG&E's Campaign for the Community—raising nearly \$3.3 million in 2007, with an average annual gift of \$473 per employee.
- Provided monthly discounts to more than 1.1 million low- and fixed-income customers through the CARE (California Alternate Rates for Energy) Program—totaling more than \$2.4 billion in discounts since 1989.



- Grew the Utility's well-established Supplier Diversity Program to the highest spend level in its 27-year history, reaching 21.7 percent, or roughly \$600 million.
- Partnered with other stakeholders to demonstrate new, cleaner sources of energy at the Port of Oakland, including natural gas and electric technologies, to help reduce diesel emissions in the community and support the goals of our environmental justice policy.



PG&E announced a \$1.2 million partnership with Habitat for Humanity to install solar electric systems on Habitat-built homes throughout PG&E's northern and central California service area.

PG&E launched the first-of-its-kind ClimateSmart™ program, providing customers the opportunity to voluntarily offset the greenhouse gas emissions associated with their energy usage. Tens of thousands of customers, including PG&E, have already enrolled, helping to fight climate change.



Our Environment

As we do business, we are also committed to protecting and improving the health and well-being of our environment. Among other actions, that means taking aggressive steps to combat global warming, protecting vital habitat and species, advancing clean technologies, wisely managing our consumption of natural resources, disposing of our waste more responsibly and helping our customers do the same. These highlights from 2007 reflect this commitment:

- Became a founding member of the United States Climate Action Partnership (USCAP)—joining more than 30 leading businesses and environmental organizations that are calling on Congress and the President to enact strong national legislation to require significant reductions of greenhouse gas emissions to combat climate change.
- Successfully distributed one million compact fluorescent light bulbs (CFLs)—the largest promotion of its kind by a U.S. utility. PG&E is also an active participant in a state-sponsored CFL recycling program called the California Take-It-Back Partnership.
- Interconnected more than 6,500 customer-owned solar power systems to the electric grid—bringing our current total to more than 25,000 interconnected systems, more than any other utility in the United States.
- Worked in close cooperation with the Pacific Forest and Watershed Lands Stewardship Council to permanently protect more than 140,000 acres of company-owned watershed lands.
- Actively deployed advanced transportation technologies such as expanding our natural gas vehicle fleet, the largest of any utility in the nation, and tested new technologies, such as a diesel-electric hybrid service truck, which creates a quiet, emissions-free work site.

- Continued work on three new natural-gas-fueled power plants that will be owned and operated by PG&E—minimizing water usage and other environmental impacts associated with these investments by using advanced clean and efficient technologies.



Photo courtesy of Greg Warrick.

PG&E is pioneering new ways to comply with state and federal protection requirements for endangered plants and animals, such as our Habitat Conservation Plan for the San Joaquin Valley.



PG&E's San Francisco Service Center now showcases solar panels as part of the building and parking lot structure.

Examples of Recognition:

- **Corporate Responsibility Officer Magazine—** One of Ten Best Corporate Citizens Among Utilities
- **American Council for an Energy-Efficient Economy:** 12 Exemplary Energy Efficiency Programs; 9 Honorable Mentions
- **U.S. Environmental Protection Agency—** Partner of the Year: ENERGY STAR® Excellence in Program Delivery