

PG&E's Sustainability Journey

Working collaboratively
to find the right balance for
a more sustainable future

A Summary



Full report online: www.pgecorp.com

Letter From the Chairman and CEO

To Our Stakeholders:

PG&E has undergone a remarkable evolution in the past five years as we've pursued our vision to become the nation's leading utility. But one of the most profound changes over this time has been the richer understanding of—and deeper commitment to—sustainability that has come into focus as we have refined our views of what it means to be a leader.

Today, as a result, we are increasingly adapting PG&E's strategies, operations and culture to drive positive results across what sustainability experts call the Triple Bottom Line, expressed as "People. Planet. Profit."

This commitment to managing our total impact as an enterprise is stronger than ever at PG&E. Indeed, many of the most important opportunities to grow our company lie in solving key sustainability challenges—a reality that is making sustainability a competitive imperative in our industry. We also know that it is what our stakeholders expect from a leading company.

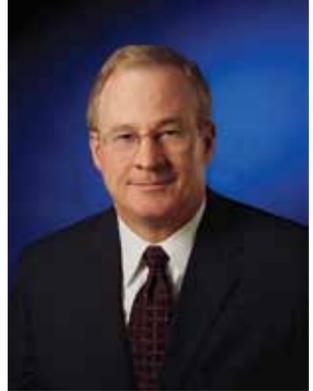
This Summary Corporate Responsibility and Sustainability Report provides examples of our sustainability commitment across a broad range of key areas, from health and safety to environmental performance, diversity and inclusion, and community involvement.

We appreciate your ongoing interest in PG&E and invite you to learn more at www.pgecorp.com. As always, we welcome your feedback.

Sincerely,



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 environmentally responsible gas and electric service to approximately 15 million people throughout northern and central California. PG&E Corporation had approximately \$42.9 billion in assets as of December 31, 2009, and generated revenues of approximately \$13.4 billion in 2009.

Headquarters Location

San Francisco, CA

Service Area

70,000 square miles in northern and central California

Service Area Population

15 million people

Electric Distribution

Customer Accounts

5.1 million

Natural Gas Distribution

Customer Accounts

4.3 million

Employees

Approximately 19,425, including about 12,650 employees covered by collective bargaining agreements with three labor unions:

- IBEW, Local 1245
- ESC/IFPTE, Local 20
- SEIU, Local 24/7

System

159,829 circuit miles of electric transmission and distribution lines and 48,580 miles of natural gas transmission and distribution pipelines; approximately 6,870 megawatts (MW) of generation, including the Diablo Canyon nuclear power plant and one of the largest hydroelectric systems in the country.

PG&E's 2009 Electric Power Mix Delivered to Retail Customers*



* "Unspecified Sources" refers to electricity generated that is not traceable to specific generation sources by any auditable contract trail and "Other Fossil" includes diesel oil and petroleum coke (a waste byproduct of oil refining).

** 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 facilities, selected municipal solid waste facilities, solar facilities and wind facilities.

Sustainability at PG&E



For PG&E, sustainability is more than the sum of caring for our environment, doing right by our employees, serving our customers and communities and delivering for our shareholders. “Sustainability” reflects the reality that PG&E’s environmental and business challenges are increasingly intertwined, and that we can optimize our success by developing integrated and balanced solutions to these challenges. It guides how we approach our decision-making across the company.

PG&E’s Sustainability Journey

Examples of sustainability in action can be found throughout our 100-year history. This heritage gives us a solid foundation for much of the work we are doing today, and it inspires us to build on the legacy created by previous generations at PG&E.

Protecting Watershed Lands

In the early 1900s, PG&E began acquiring watershed lands surrounding our hydroelectric facilities to protect the dams, reservoirs and flumes from increased sedimentation. Protecting these lands has helped PG&E operate the facilities cost-effectively, while enabling property tax revenues for rural communities and recreational opportunities for the public.



Investing in Renewable Energy

In the late 1950s, utilities responded to the nation’s growing demand for electricity. Unlike any other U.S. utility at that time, PG&E began developing a power plant fueled by a renewable resource—geothermal steam. Today, The Geysers is one of the nation’s largest geothermal energy complexes, and we continue to purchase energy from The Geysers to serve our customers.



PG&E is working to more fully integrate sustainability into our business, from both a governance and strategic perspective. We created a new position, Chief Sustainability Officer, which reports to the Chairman and CEO of PG&E Corporation. The Chief Sustainability Officer is responsible for developing and coordinating the company's sustainability strategy and initiatives and overseeing PG&E's sustainability reporting and measurement programs.

For the first time, we also set a specific target—December 31, 2014—for realizing our vision of becoming the leading utility in the United States. Our vision of industry



leadership is premised on achieving four goals, namely delighted customers, energized employees, rewarded shareholders and environmental leadership. Taken together, these four goals comprise PG&E's integrated approach to sustainability and reflect the Triple Bottom Line concept.

Leveraging a New Business Model

In the early 1980s, California introduced "decoupling"—a regulatory framework that breaks the link between energy sales and earnings for the state's investor-owned utilities, including PG&E. Because PG&E is not incentivized to sell more in order to earn more, decoupling has helped spur decades of energy efficiency programs that help customers use less energy and save money.



Investing in a Smarter Energy Grid

Today, PG&E is investing billions of dollars to help build the Smart Grid—essential infrastructure that will help America to shift to a low carbon economy. From assisting customers with managing their energy use to enabling electric vehicle "smart charging," the Smart Grid is a central element of a more sustainable energy system and future.



Our Business in 2009



PG&E is working with customers and leading organizations to prepare for the integration of electric vehicles into the power grid.

PG&E is making major investments to power California now and into the future. Today, we see an abundance of innovation—driven by changing economics, advancing technology and new sensibilities that demand sustainable energy solutions. Yet while the future requires bold thinking and fresh perspectives, these must always be rooted in solid values, sound operations, sensible governance and strong relationships with our customers. In 2009, we made the following progress:

- Invested more than \$3 billion to improve the reliability of our gas and electrical systems and to meet customer needs. We also opened a state-of-the-art “green” Grid Control Center to monitor and control more than 18,000 miles of high voltage conductors.
- Brought our 600 MW Gateway Generating Station into service, which is 35 percent more fuel-efficient and uses 97 percent less water than a traditional gas-fired plant.
- Began the multiyear regulatory process to renew the licenses for our Diablo Canyon nuclear power plant to ensure its ongoing safe, reliable and virtually carbon-free operation.
- Achieved solid financial results and a total shareholder return (stock price appreciation plus dividends) of 20 percent.



PG&E continues to lay the groundwork for a Smart Grid, beginning with the phased-in deployment of 10 million gas and electric meters equipped with SmartMeter™ technology and our active collaboration to develop the underlying standards, systems and technologies.

Our Employees in 2009



Together, PG&E and the IBEW union are spearheading PG&E's pioneering use of helicopters to enhance reliability—engaging employees, reducing environmental impacts and making business operations more efficient.

Our most vital investment for future success is the investment we make in our employees. That's why we focus on recruiting the best people and creating a culture that fosters employee health and well-being, welcomes and cultivates diversity, engages employees in continued growth and learning, emphasizes connections with our communities and is sustainable over time. We achieved several important milestones last year:

- Continued to promote safety on a grassroots level with employee-led safety teams working together to create effective safety solutions that prevent injuries and result in safer work environments.
- Graduated our first PowerPathway™ class made up entirely of veterans of the wars in Afghanistan and Iraq. PG&E's PowerPathway™ program continues to help California produce the skilled workers needed by the energy industry.
- Engaged more than 1,200 employees on over 100 teams in "Active For Life," a 10-week wellness program with the American Cancer Society, as part of PG&E's enhanced effort to help employees make healthier choices.
- Continued to engage employees through awards that recognize employee leadership in diversity, safety, volunteerism and the environment.



PG&E's Employee Resource Groups represent 3,000 employees, or 15 percent of our workforce, and continue to foster a culture of diversity and inclusion both within and outside of the company. The groups give employees opportunities to grow through enhanced leadership skills, cultural awareness, networking and community outreach.

Our Communities in 2009



PG&E's Energy Training Center in Stockton has provided energy efficiency workforce training for more than 30 years.

Healthy, vibrant communities are critical to the long-term success of our state and our company. We are focused on building strong and enduring ties with local partners to help preserve and expand vital services, foster diversity, provide economic opportunities, enrich cultural life and help underserved populations. In 2009, we took a number of steps to make a difference:

- Donated \$19.2 million to charitable organizations, representing 1.1 percent of our pre-tax earnings from operations and the largest amount in PG&E's history. Most of our contributions addressed the needs of low-income, minority and other underserved communities.
- Raised \$4.65 million (an 11 percent increase over the prior year) in employee and retiree pledges through our annual Campaign for the Community, benefiting more than 4,300 schools and non-profit organizations.
- Enrolled more than 466,000 additional customers in PG&E's CARE Program, which provides a monthly discount on energy bills for income-qualified households.
- Achieved our best performance to date for spending on diverse suppliers, totaling 25.6 percent of our total spending, or more than \$928 million.
- Expanded our partnership with Habitat for Humanity—covering the full cost of solar power installations on 80 Habitat-built homes, part of our \$3.2 million commitment since 2005.



On Earth Day, more than 1,300 PG&E volunteers—employees, retirees and their families and friends—planted trees, repaired nature trails, pulled invasive plants and removed litter in partnership with the California State Parks Foundation. PG&E has joined forces with the Foundation on Earth Day for nine consecutive years.

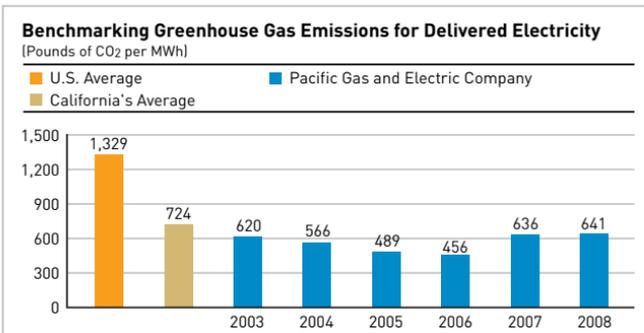
Our Environment in 2009



PG&E is working collaboratively to pursue new sources of wind, solar and other renewable resources while protecting sensitive habitat and species.

We see a great necessity to find sustainable ways to produce, deliver and use energy in a world of carbon constraints, limits on freshwater resources and the continuing need to protect sensitive habitats and endangered species. These challenges are demanding that we think and work in new ways—all while continuing to fulfill our core compliance obligations. We worked to meet our goal of environmental leadership in many ways last year:

- Signed new contracts for more than 4,160 MW of additional renewable energy supplies. PG&E now holds commitments that will enable us to provide more than 20 percent of our future power deliveries from renewables.
- Finalized our second “safe harbor” agreement with the U.S. Fish and Wildlife Service, enabling PG&E crews to safely maintain and operate important transmission lines while enhancing habitat for three species found nowhere else in the world.
- Interconnected more than 9,200 customer-owned solar power systems to the electric grid. In total, PG&E has connected more than 40,000 customer-owned solar systems, far more than any other utility in the nation.
- Invested in five new greenhouse gas emission reduction projects through the ClimateSmart™ program, a voluntary carbon offset program we offer our customers.
- Continued to collaborate with suppliers, non-profits and other utilities to reduce the environmental impact of our supply chain.



PG&E delivers some of the nation's cleanest energy, with a carbon dioxide emissions rate that is about half the national average for utilities.

Industry-Wide Challenges

We recognize that we are entering a new chapter in our sustainability journey at a time of significant challenges. Some of these challenges are specific to our company, while others impact our broader industry and economy.



Photo: Lewis Stewart

As we work to address them, we believe we will be more successful if we do so in a manner that proactively engages our stakeholders, integrates and optimizes across our business and continuously asks if what we are doing today will position us well for tomorrow and beyond.

Key challenges include:

- Assisting customers through the economic crisis
- Transitioning to a low-carbon economy
- Expanding supplies of renewable energy
- Investing in our nation's energy infrastructure
- Planning for the skilled workforce our industry needs

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We are spearheading the investment of more than \$1.3 billion over the next three years to help customers use less energy—implementing a diverse array of energy efficiency programs, services and campaigns.

Examples of Recognition for Sustainability in 2009

California Business Volunteer Program of the Year Award

Carbon Disclosure Project
Carbon Disclosure Leadership Index

Corporate Responsibility Officer Magazine
Ranked 28 on Annual List of 100 Best Corporate Citizens

DiversityInc
Among Top 5 Regional Utilities for Diversity and Top 10 Companies for Supplier Diversity

Dow Jones Sustainability World and North America Indexes

Global 100 Most Sustainable Corporations in the World

Global Green Sustainable Design Awards
Corporate Design Award

Human Rights Campaign
Corporate Equality Award and Perfect Score on Corporate Equality Index

Newsweek Magazine
Number One Ranked Utility on List of Greenest Big Companies in America

Out & Equal
2009 Signs of Courage Advocacy Award

Platts Global Energy Awards
Energy Efficiency Program of the Year

Solar Electric Power Association
Top Ten Utility Solar Integration Rankings

U.S. Environmental Protection Agency
ENERGY STAR® Sustained Excellence Award

Ventana Wildlife Society
Frank J. Lichtanski Award



PG&E continues to be committed to reducing the greenhouse gas footprint of our fleet. Last year, we helped design and deploy the nation's first all-electric bucket truck—just one of many innovative alternative fuel and high-efficiency vehicle designs that we will be adding to our fleet over the coming years.

Full report online: www.pgecorp.com



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