

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549
FORM 10-Q

(Mark One)
 [X]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

[]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Exact Name of Registrant as Specified in its Charter	State or Other Jurisdiction of Incorporation	IRS Employer Identification Number
1-12609	PG&E Corporation	California	94-3234914
1-2348	Pacific Gas and Electric Company	California	94-0742640
PG&E Corporation 77 Beale Street P.O. Box 770000 San Francisco, California 94177		Pacific Gas and Electric Company 77 Beale Street P.O. Box 770000 San Francisco, California 94177	

Address of principal executive offices, including zip code

PG&E Corporation (415) 973 - 1000	Pacific Gas and Electric Company (415) 973-7000
--------------------------------------	--

Registrant's telephone number, including area code

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes [] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PG&E Corporation : Yes [] No
Pacific Gas and Electric Company: Yes [] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

PG&E Corporation: Large accelerated filer [] Accelerated filer
[] Non-accelerated filer [] Smaller reporting company
Pacific Gas and Electric Company: [] Large accelerated filer [] Accelerated filer
 Non-accelerated filer [] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

PG&E Corporation: [] Yes No
Pacific Gas and Electric Company: [] Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding as of October 20, 2015 :
PG&E Corporation : 490,453,856
Pacific Gas and Electric Company : 264,374,809

**PG&E CORPORATION AND
PACIFIC GAS AND ELECTRIC COMPANY
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

GLOSSARY

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PG&E CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PACIFIC GAS AND ELECTRIC COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

NOTE 3: REGULATORY ASSETS, LIABILITIES, AND BALANCING ACCOUNTS

NOTE 4: DEBT

NOTE 5: EQUITY

NOTE 6: EARNINGS PER SHARE

NOTE 7: DERIVATIVES

NOTE 8: FAIR VALUE MEASUREMENTS

NOTE 9: CONTINGENCIES AND COMMITMENTS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

OVERVIEW

RESULTS OF OPERATIONS

LIQUIDITY AND FINANCIAL RESOURCES

ENFORCEMENT AND LITIGATION MATTERS

RATEMAKING PROCEEDINGS

LEGISLATIVE AND REGULATORY INITIATIVES

ENVIRONMENTAL MATTERS

CONTRACTUAL COMMITMENTS

RISK MANAGEMENT ACTIVITIES

CRITICAL ACCOUNTING POLICIES

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. CONTROLS AND PROCEDURES

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 1A. RISK FACTORS

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS

SIGNATURES

GLOSSARY

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2014 Form 10-K	PG&E Corporation's and Pacific Gas and Electric Company's combined Annual Report on Form 10-K for the year ended December 31, 2014
AFUDC	allowance for funds used during construction
ASU	Accounting Standards Update issued by the FASB (see below)
CPUC	California Public Utilities Commission
CRRs	congestion revenue rights
DTSC	California Department of Toxic Substances Control
EPS	earnings per common share
EV	electric vehicle
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	U.S. Generally Accepted Accounting Principles
GRC	general rate case
GT&S	gas transmission and storage
IRS	Internal Revenue Service
NRC	Nuclear Regulatory Commission
NTSB	National Transportation Safety Board
ORA	Office of Ratepayer Advocates
PSEP	pipeline safety enhancement plan
Regional Board	California Regional Water Control Board, Lahontan Region
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC, formerly known as the Consumer Protection and Safety Division or the CPSD
SB	State Senate Bill
TO	transmission owner
TURN	The Utility Reform Network
Utility	Pacific Gas and Electric Company
VIE(s)	variable interest entity(ies)

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PG&E CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Operating Revenues				
Electric	\$ 3,868	\$ 4,012	\$ 10,344	\$ 10,246
Natural gas	682	927	2,322	2,536
Total operating revenues	4,550	4,939	12,666	12,782
Operating Expenses				
Cost of electricity	1,681	1,782	3,958	4,341
Cost of natural gas	50	134	442	694
Operating and maintenance	1,621	1,287	5,028	3,914
Depreciation, amortization, and decommissioning	653	671	1,935	1,766
Total operating expenses	4,005	3,874	11,363	10,715
Operating Income	545	1,065	1,303	2,067
Interest income	2	2	6	7
Interest expense	(194)	(174)	(575)	(547)
Other income, net	24	36	100	98
Income Before Income Taxes	377	929	834	1,625
Income tax provision	67	115	84	310
Net Income	310	814	750	1,315
Preferred stock dividend requirement of subsidiary	3	3	10	10
Income Available for Common Shareholders	\$ 307	\$ 811	\$ 740	\$ 1,305
Weighted Average Common Shares Outstanding, Basic	486	472	481	466
Weighted Average Common Shares Outstanding, Diluted	489	474	484	468
Net Earnings Per Common Share, Basic	\$ 0.63	\$ 1.72	\$ 1.54	\$ 2.80
Net Earnings Per Common Share, Diluted	\$ 0.63	\$ 1.71	\$ 1.53	\$ 2.79
Dividends Declared Per Common Share	\$ 0.46	\$ 0.46	\$ 1.37	\$ 1.37

See accompanying Notes to the Condensed Consolidated Financial Statements.

PG&E CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net Income	\$ 310	\$ 814	\$ 750	\$ 1,315
Other Comprehensive Income				
Pension and other postretirement benefit plans obligations (net of taxes of \$0, \$0, \$0 and \$0, at respective dates)	-	-	-	-
Net change in investments (net of taxes of \$0, \$13, \$12 and \$16, at respective dates)	-	(18)	(17)	(24)
Total other comprehensive income (loss)	-	(18)	(17)	(24)
Comprehensive Income	310	796	733	1,291
Preferred stock dividend requirement of subsidiary	3	3	10	10
Comprehensive Income Attributable to Common Shareholders	\$ 307	\$ 793	\$ 723	\$ 1,281

See accompanying Notes to the Condensed Consolidated Financial Statements.

PG&E CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)	(Unaudited)	
	Balance At	
	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 154	\$ 151
Restricted cash	287	298
Accounts receivable:		
Customers (net of allowance for doubtful accounts of \$57 and \$66 at respective dates)	1,194	960
Accrued unbilled revenue	907	776
Regulatory balancing accounts	1,857	2,266
Other	303	377
Regulatory assets	475	444
Inventories:		
Gas stored underground and fuel oil	149	172
Materials and supplies	322	304
Income taxes receivable	156	198
Other	327	443
Total current assets	6,131	6,389
Property, Plant, and Equipment		
Electric	47,141	45,162
Gas	16,419	15,678
Construction work in progress	2,259	2,220
Other	2	2
Total property, plant, and equipment	65,821	63,062
Accumulated depreciation	(20,174)	(19,121)
Net property, plant, and equipment	45,647	43,941
Other Noncurrent Assets		
Regulatory assets	6,584	6,322
Nuclear decommissioning trusts	2,417	2,421
Income taxes receivable	97	91
Other	1,113	963
Total other noncurrent assets	10,211	9,797
TOTAL ASSETS	\$ 61,989	\$ 60,127

See accompanying Notes to the Condensed Consolidated Financial Statements.

PG&E CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)	(Unaudited)	
	Balance At	
	September 30, 2015	December 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term borrowings	\$ 881	\$ 633
Accounts payable:		
Trade creditors	1,286	1,244
Regulatory balancing accounts	803	1,090
Other	435	476
Disputed claims and customer refunds	452	434
Interest payable	140	197
Other	2,111	1,846
Total current liabilities	6,108	5,920
Noncurrent Liabilities		
Long-term debt	15,545	15,050
Regulatory liabilities	6,294	6,290
Pension and other postretirement benefits	2,523	2,561
Asset retirement obligations	3,620	3,575
Deferred income taxes	8,773	8,513
Other	2,306	2,218
Total noncurrent liabilities	39,061	38,207
Commitments and Contingencies (Note 9)		
Equity		
Shareholders' Equity		
Common stock, no par value, authorized 800,000,000 shares; 490,177,833 and 475,913,404 shares outstanding at respective dates	11,183	10,421
Reinvested earnings	5,391	5,316
Accumulated other comprehensive income (loss)	(6)	11
Total shareholders' equity	16,568	15,748
Noncontrolling Interest - Preferred Stock of Subsidiary	252	252
Total equity	16,820	16,000
TOTAL LIABILITIES AND EQUITY	\$ 61,989	\$ 60,127

See accompanying Notes to the Condensed Consolidated Financial Statements.

PG&E CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	(Unaudited)	
	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$ 750	\$ 1,315
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and decommissioning	1,935	1,766
Allowance for equity funds used during construction	(80)	(72)
Deferred income taxes and tax credits, net	260	209
Disallowed capital expenditures	270	-
Other	247	258
Effect of changes in operating assets and liabilities:		
Accounts receivable	(322)	(177)
Inventories	5	(43)
Accounts payable	95	(57)
Income taxes receivable/payable	42	397
Other current assets and liabilities	(87)	358
Regulatory assets, liabilities, and balancing accounts, net	78	(994)
Other noncurrent assets and liabilities	(251)	(3)
Net cash provided by operating activities	2,942	2,957
Cash Flows from Investing Activities		
Capital expenditures	(3,662)	(3,564)
Decrease in restricted cash	11	2
Proceeds from sales and maturities of nuclear decommissioning trust investments	1,023	1,059
Purchases of nuclear decommissioning trust investments	(1,124)	(1,065)
Other	18	107
Net cash used in investing activities	(3,734)	(3,461)
Cash Flows from Financing Activities		
Repayments under revolving credit facilities	-	(260)
Net issuances (repayments) of commercial paper, net of discount of \$2 and \$1 at respective dates	545	(789)
Proceeds from issuance of short-term debt, net of issuance costs	-	300
Short-term debt matured	(300)	-
Proceeds from issuance of long-term debt, net of premium, discount, and issuance costs of \$14 and \$6 at respective dates	486	1,819
Repayments of long-term debt	-	(889)
Common stock issued	689	743
Common stock dividends paid	(638)	(617)
Other	13	40
Net cash provided by financing activities	795	347
Net change in cash and cash equivalents	3	(157)
Cash and cash equivalents at January 1	151	296
Cash and cash equivalents at September 30	\$ 154	\$ 139

Supplemental disclosures of cash flow information

Cash received (paid) for:

Interest, net of amounts capitalized	\$	(569)	\$	(516)
Income taxes, net		-		409

Supplemental disclosures of noncash investing and financing activities

Common stock dividends declared but not yet paid	\$	223	\$	216
Capital expenditures financed through accounts payable		245		232
Noncash common stock issuances		15		16
Terminated capital leases		-		71

See accompanying Notes to the Condensed Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions)	(Unaudited)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues				
Electric	\$ 3,868	\$ 4,012	\$ 10,344	\$ 10,244
Natural gas	682	927	2,322	2,536
Total operating revenues	4,550	4,939	12,666	12,780
Operating Expenses				
Cost of electricity	1,681	1,782	3,958	4,341
Cost of natural gas	50	134	442	694
Operating and maintenance	1,622	1,293	5,028	3,911
Depreciation, amortization, and decommissioning	653	671	1,935	1,765
Total operating expenses	4,006	3,880	11,363	10,711
Operating Income	544	1,059	1,303	2,069
Interest income	2	1	6	6
Interest expense	(191)	(171)	(567)	(535)
Other income, net	22	19	68	56
Income Before Income Taxes	377	908	810	1,596
Income tax provision	72	115	95	325
Net Income	305	793	715	1,271
Preferred stock dividend requirement	3	3	10	10
Income Available for Common Stock	\$ 302	\$ 790	\$ 705	\$ 1,261

See accompanying Notes to the Condensed Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	(Unaudited)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	\$ 305	\$ 793	\$ 715	\$ 1,271
Other Comprehensive Income				
Pension and other postretirement benefit plans obligations (net of taxes of \$0, \$0, \$0 and \$0, at respective dates)	-	-	-	-
Total other comprehensive income (loss)	-	-	-	-
Comprehensive Income	\$ 305	\$ 793	\$ 715	\$ 1,271

See accompanying Notes to the Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)	(Unaudited)	
	Balance At	
	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 62	\$ 55
Restricted cash	287	298
Accounts receivable:		
Customers (net of allowance for doubtful accounts of \$57 and \$66 at respective dates)	1,194	960
Accrued unbilled revenue	907	776
Regulatory balancing accounts	1,857	2,266
Other	300	375
Regulatory assets	475	444
Inventories:		
Gas stored underground and fuel oil	149	172
Materials and supplies	322	304
Income taxes receivable	154	168
Other	327	409
Total current assets	6,034	6,227
Property, Plant, and Equipment		
Electric	47,141	45,162
Gas	16,419	15,678
Construction work in progress	2,259	2,220
Total property, plant, and equipment	65,819	63,060
Accumulated depreciation	(20,173)	(19,120)
Net property, plant, and equipment	45,646	43,940
Other Noncurrent Assets		
Regulatory assets	6,584	6,322
Nuclear decommissioning trusts	2,417	2,421
Income taxes receivable	97	91
Other	1,006	864
Total other noncurrent assets	10,104	9,698
TOTAL ASSETS	\$ 61,784	\$ 59,865

See accompanying Notes to the Condensed Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)	(Unaudited)	
	Balance At	
	September 30, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 881	\$ 633
Accounts payable:		
Trade creditors	1,286	1,243
Regulatory balancing accounts	803	1,090
Other	455	444
Disputed claims and customer refunds	452	434
Interest payable	139	195
Other	1,932	1,604
Total current liabilities	5,948	5,643
Noncurrent Liabilities		
Long-term debt	15,195	14,700
Regulatory liabilities	6,294	6,290
Pension and other postretirement benefits	2,435	2,477
Asset retirement obligations	3,620	3,575
Deferred income taxes	9,018	8,773
Other	2,264	2,178
Total noncurrent liabilities	38,826	37,993
Commitments and Contingencies (Note 9)		
Shareholders' Equity		
Preferred stock	258	258
Common stock, \$5 par value, authorized 800,000,000 shares; 264,374,809 shares outstanding at respective dates	1,322	1,322
Additional paid-in capital	7,127	6,514
Reinvested earnings	8,298	8,130
Accumulated other comprehensive income	5	5
Total shareholders' equity	17,010	16,229
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 61,784	\$ 59,865

See accompanying Notes to the Condensed Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	(Unaudited)	
	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$ 715	\$ 1,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and decommissioning	1,935	1,765
Allowance for equity funds used during construction	(80)	(72)
Deferred income taxes and tax credits, net	245	173
Disallowed capital expenditures	270	-
Other	200	212
Effect of changes in operating assets and liabilities:		
Accounts receivable	(321)	(174)
Inventories	5	(43)
Accounts payable	148	(3)
Income taxes receivable/payable	14	407
Other current assets and liabilities	(45)	366
Regulatory assets, liabilities, and balancing accounts, net	78	(994)
Other noncurrent assets and liabilities	(232)	6
Net cash provided by operating activities	2,932	2,914
Cash Flows from Investing Activities		
Capital expenditures	(3,662)	(3,564)
Decrease in restricted cash	11	2
Proceeds from sales and maturities of nuclear decommissioning trust investments	1,023	1,059
Purchases of nuclear decommissioning trust investments	(1,124)	(1,065)
Other	18	22
Net cash used in investing activities	(3,734)	(3,546)
Cash Flows from Financing Activities		
Net issuances (repayments) of commercial paper, net of discount of \$2 and \$1 at respective dates	545	(789)
Proceeds from issuance of short-term debt, net of issuance costs	-	300
Short-term debt matured	(300)	-
Proceeds from issuance of long-term debt, net of premium, discount, and issuance costs of \$14 and \$3 at respective dates	486	1,472
Repayments of long-term debt	-	(539)
Preferred stock dividends paid	(10)	(10)
Common stock dividends paid	(537)	(537)
Equity contribution from PG&E Corporation	605	705
Other	20	50
Net cash provided by financing activities	809	652
Net change in cash and cash equivalents	7	20
Cash and cash equivalents at January 1	55	65
Cash and cash equivalents at September 30	\$ 62	\$ 85

Supplemental disclosures of cash flow information

Cash received (paid) for:

Interest, net of amounts capitalized	\$	(561)	\$	(500)
Income taxes, net		-		408

Supplemental disclosures of noncash investing and financing activities

Capital expenditures financed through accounts payable	\$	245	\$	232
Terminated capital leases		-		71

See accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

PG&E Corporation is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility operating in northern and central California. The Utility generates revenues mainly through the sale and delivery of electricity and natural gas to customers. The Utility is primarily regulated by the CPUC and the FERC. In addition, the NRC oversees the licensing, construction, operation, and decommissioning of the Utility's nuclear generation facilities.

On April 9, 2015, the CPUC approved final decisions in the three investigations that had been brought against the Utility relating to (1) the Utility's safety record - keeping for its natural gas transmission system, (2) the Utility's operation of its natural gas transmission pipeline system in or near locations of higher population density, and (3) the Utility's pipeline installation, integrity management, record - keeping and other operational practices, and other events or courses of conduct, that could have led to or contributed to the natural gas explosion that occurred in the City of San Bruno, California on September 9, 2010. A decision was issued in each investigative proceeding to determine the violations that the Utility committed. The CPUC also approved a fourth decision (the "Penalty Decision") which imposes penalties on the Utility totaling \$1.6 billion comprised of: (1) a \$300 million fine paid to the State General Fund, (2) a one-time \$400 million bill credit to the Utility's natural gas customers, (3) \$850 million to fund future pipeline safety projects and programs, and (4) remedial measures that the CPUC estimates will cost the Utility at least \$50 million. The Penalty Decision requires that at least \$689 million of the \$850 million be allocated to capital expenditures and that the Utility be precluded from including these capital costs in rate base. The remainder will be allocated to safety-related expenses. (See Note 9 below.)

This quarterly report on Form 10-Q is a combined report of PG&E Corporation and the Utility. PG&E Corporation's Condensed Consolidated Financial Statements include the accounts of PG&E Corporation, the Utility, and other wholly owned and controlled subsidiaries. The Utility's Condensed Consolidated Financial Statements include the accounts of the Utility and its wholly owned and controlled subsidiaries. All intercompany transactions have been eliminated in consolidation. The Notes to the Condensed Consolidated Financial Statements apply to both PG&E Corporation and the Utility. PG&E Corporation and the Utility operate in one segment.

The accompanying Condensed Consolidated Financial Statements have been prepared in conformity with GAAP and in accordance with the interim period reporting requirements of Form 10-Q and reflect all adjustments (consisting only of normal recurring adjustments) that management believes are necessary for the fair presentation of PG&E Corporation and the Utility's financial condition, results of operations, and cash flows for the periods presented. The information at December 31, 2014 in the Condensed Consolidated Balance Sheets included in this quarterly report was derived from the audited Consolidated Balance Sheets in the 2014 Form 10-K. This quarterly report should be read in conjunction with the 2014 Form 10-K.

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Some of the more significant estimates and assumptions relate to the Utility's regulatory assets and liabilities, legal and regulatory contingencies, environmental remediation liabilities, asset retirement obligations, and pension and other postretirement benefit plans obligations. Management believes that its estimates and assumptions reflected in the Condensed Consolidated Financial Statements are appropriate and reasonable. Actual results could differ materially from those estimates.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by PG&E Corporation and the Utility are discussed in Note 2 of the Notes to the Consolidated Financial Statements in the 2014 Form 10-K.

Variable Interest Entities

A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or whose equity investors lack any characteristics of a controlling financial interest. An enterprise that has a controlling financial interest in a VIE is a primary beneficiary and is required to consolidate the VIE.

Some of the counterparties to the Utility's power purchase agreements are considered VIEs. Each of these VIEs was designed to own a power plant that would generate electricity for sale to the Utility. To determine whether the Utility was the primary beneficiary of any of these VIEs at September 30, 2015, it assessed whether it absorbs any of the VIE's expected losses or receives any portion of the VIE's expected residual returns under the terms of the power purchase agreement, analyzed the variability in the VIE's gross margin, and considered whether it had any decision-making rights associated with the activities that are most significant to the VIE's performance, such as dispatch rights and operating and maintenance activities. The Utility's financial obligation is limited to the amount the Utility pays for delivered electricity and capacity. The Utility did not have any decision-making rights associated with any of the activities that are most significant to the economic performance of any of these VIEs. Since the Utility was not the primary beneficiary of any of these VIEs at September 30, 2015, it did not consolidate any of them.

Pension and Other Postretirement Benefits

PG&E Corporation and the Utility sponsor a non-contributory defined benefit pension plan and cash balance plan. Both plans are included in "Pension Benefits" below. Post-retirement medical and life insurance plans are included in "Other Benefits" below.

The net periodic benefit costs reflected in PG&E Corporation's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2015 and 2014 were as follows:

(in millions)	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2015	2014	2015	2014
Service cost for benefits earned	\$ 123	\$ 92	\$ 14	\$ 12
Interest cost	168	175	18	19
Expected return on plan assets	(219)	(202)	(28)	(25)
Amortization of prior service cost	4	5	4	6
Amortization of net actuarial loss	1	1	1	1
Net periodic benefit cost	77	71	9	13
Regulatory account transfer ⁽¹⁾	8	13	-	-
Total	\$ 85	\$ 84	\$ 9	\$ 13

⁽¹⁾The Utility recorded these amounts to a regulatory account since they are probable of recovery from, or refund to, customers in future rates.

(in millions)	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2015	2014	2015	2014
Service cost for benefits earned	\$ 360	\$ 287	\$ 41	\$ 34
Interest cost	505	521	54	57
Expected return on plan assets	(655)	(605)	(84)	(77)
Amortization of prior service cost	11	15	14	17
Amortization of net actuarial loss	7	2	3	2
Net periodic benefit cost	228	220	28	33
Regulatory account transfer ⁽¹⁾	26	31	-	-
Total	\$ 254	\$ 251	\$ 28	\$ 33

⁽¹⁾The Utility recorded these amounts to a regulatory account since they are probable of recovery from, or refund to, customers in future rates.

There was no material difference between PG&E Corporation and the Utility for the information disclosed above.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

The changes, net of income tax, in PG&E Corporation's accumulated other comprehensive income (loss) are summarized below:

(in millions, net of income tax)	Pension	Other	Total
	Benefits	Benefits	
Three Months Ended September 30, 2015			
Beginning balance	\$ (21)	\$ 15	\$ (6)
Amounts reclassified from other comprehensive income: ⁽¹⁾			
Amortization of prior service cost (net of taxes of \$1 and \$2, respectively)	3	2	5
Amortization of net actuarial loss (net of taxes of \$0 and \$0, respectively)	1	1	2
Regulatory account transfer (net of taxes of \$3 and \$3, respectively)	(4)	(3)	(7)
Net current period other comprehensive loss	-	-	-
Ending balance	\$ (21)	\$ 15	\$ (6)

⁽¹⁾These components are included in the computation of net periodic pension and other postretirement benefit costs. (See the "Pension and Other Postretirement Benefits" table above for additional details.)

(in millions, net of income tax)	Pension	Other	Other	Total
	Benefits	Benefits	Investments	
Three Months Ended September 30, 2014				
Beginning balance	\$ (7)	\$ 15	\$ 36	\$ 44
Other comprehensive income before reclassifications:				
Change in investments (net of taxes of \$0, \$0, and \$3, respectively)	-	-	(4)	(4)
Amounts reclassified from other comprehensive income:				
Amortization of prior service cost (net of taxes of \$2, \$3, and \$0, respectively) ⁽¹⁾	3	3	-	6
Regulatory account transfer (net of taxes of \$3, \$4, and \$0, respectively) ⁽¹⁾	(3)	(3)	-	(6)
Change in investments (net of taxes of \$0, \$0, and \$10, respectively)	-	-	(14)	(14)
Net current period other comprehensive loss	-	-	(18)	(18)
Ending balance	\$ (7)	\$ 15	\$ 18	\$ 26

⁽¹⁾These components are included in the computation of net periodic pension and other postretirement benefit costs. (See the "Pension and Other Postretirement Benefits" table above for additional details.)

(in millions, net of income tax)	Pension	Other	Other	Total
	Benefits	Benefits	Investments	
Nine Months Ended September 30, 2015				
Beginning balance	\$ (21)	\$ 15	\$ 17	\$ 11
Amounts reclassified from other comprehensive income:				
Amortization of prior service cost (net of taxes of \$4, \$6, and \$0, respectively) ⁽¹⁾	7	8	-	15
Amortization of net actuarial loss (net of taxes of \$3, \$1, and \$0, respectively) ⁽¹⁾	4	2	-	6
Regulatory account transfer (net of taxes of \$7, \$7, and \$0, respectively) ⁽¹⁾	(11)	(10)	-	(21)
Change in investments (net of taxes of \$0, \$0, and \$12, respectively)	-	-	(17)	(17)
Net current period other comprehensive loss	-	-	(17)	(17)
Ending balance	\$ (21)	\$ 15	\$ -	\$ (6)

⁽¹⁾These components are included in the computation of net periodic pension and other postretirement benefit costs. (See the "Pension and Other Postretirement Benefits" table above for additional details.)

(in millions, net of income tax)	Pension	Other	Other	Total
	Benefits	Benefits	Investments	
Nine Months Ended September 30, 2014				
Beginning balance	\$ (7)	\$ 15	\$ 42	\$ 50
Other comprehensive income before reclassifications:				
Change in investments (net of taxes of \$0, \$0, and \$4, respectively)	-	-	6	6
Amounts reclassified from other comprehensive income:				
Amortization of prior service cost (net of taxes of \$6, \$7, and \$0, respectively) ⁽¹⁾	9	10	-	19
Amortization of net actuarial loss (net of taxes of \$1, \$1, and \$0, respectively) ⁽¹⁾	1	1	-	2
Regulatory account transfer (net of taxes of \$7, \$8, and \$0, respectively) ⁽¹⁾	(10)	(11)	-	(21)
Change in investments (net of taxes of \$0, \$0, and \$20, respectively)	-	-	(30)	(30)
Net current period other comprehensive loss	-	-	(24)	(24)
Ending balance	\$ (7)	\$ 15	\$ 18	\$ 26

⁽¹⁾These components are included in the computation of net periodic pension and other postretirement benefit costs. (See the "Pension and Other Postretirement Benefits" table above for additional details.)

There was no material difference between PG&E Corporation and the Utility for the information disclosed above, with the exception of other investments which are held by PG&E Corporation.

Accounting Standards Issued But Not Yet Adopted

Fair Value Measurement

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which standardizes reporting practices related to the fair value hierarchy for all investments for which fair value is measured using the net asset value per share. The ASU will be effective for fiscal years beginning after December 15, 2015. PG&E Corporation and the Utility are currently evaluating the impact the guidance will have on their disclosures and will adopt this standard starting in the first quarter of 2016.

Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*, which adds guidance to help entities evaluate the accounting treatment for cloud computing arrangements. The ASU will be effective on January 1, 2016. PG&E Corporation and the Utility are currently evaluating the impact the guidance will have on their consolidated financial statements and related disclosures and will adopt this standard starting in the first quarter of 2016.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which amends existing presentation of debt issuance costs. PG&E Corporation and the Utility currently disclose debt issuance costs in current assets – other and noncurrent assets – other. The amendments in this ASU, effective on January 1, 2016, require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. PG&E Corporation and the Utility do not expect this reclassification to have a material impact on their consolidated financial statements. PG&E Corporation and the Utility will adopt this standard starting in the first quarter of 2016.

Revenue Recognition Standard

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amends existing revenue recognition guidance. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, deferring the effective date of this amendment for public companies by one year to January 1, 2018, with early adoption permitted as of the original effective date of January 1, 2017. PG&E Corporation and the Utility are currently evaluating the impact the guidance will have on their consolidated financial statements and related disclosures.

NOTE 3: REGULATORY ASSETS, LIABILITIES, AND BALANCING ACCOUNTS

Regulatory Assets

Long-term regulatory assets are composed of the following:

(in millions)	Balance at	
	September 30, 2015	December 31, 2014
Pension benefits	\$ 2,304	\$ 2,347
Deferred income taxes	2,771	2,390
Environmental compliance costs	705	717
Utility retained generation	423	456
Price risk management	143	127
Unamortized loss, net of gain, on reacquired debt	98	113
Electromechanical meters	18	70
Other	122	102
Total long-term regulatory assets	\$ 6,584	\$ 6,322

Regulatory Liabilities

Long-term regulatory liabilities are composed of the following:

(in millions)	Balance at	
	September 30, 2015	December 31, 2014
Cost of removal obligations	\$ 4,509	\$ 4,211
Recoveries in excess of asset retirement obligations	610	754
Public purpose programs	701	701
Other	474	624
Total long-term regulatory liabilities	\$ 6,294	\$ 6,290

Regulatory Balancing Accounts

The Utility's recovery of revenue requirements and costs is generally decoupled from the volume of sales. The Utility tracks (1) differences between the Utility's authorized revenue requirement and customer billings, and (2) differences between incurred costs and customer billings. To the extent these differences are probable of recovery or refund over the next 12 months, the Utility records a current regulatory balancing account receivable or payable. Regulatory balancing accounts that the Utility expects to collect or refund over a period exceeding 12 months are recorded as other noncurrent assets – regulatory assets or noncurrent liabilities – regulatory liabilities, respectively, in the Condensed Consolidated Balance Sheets. Balancing accounts will fluctuate during the year based on seasonal electric and gas usage and the timing of when costs are incurred and customer revenues are collected.

Current regulatory balancing accounts receivable and payable are composed of the following:

(in millions)	Receivable Balance at	
	September 30, 2015	December 31, 2014
Electric distribution	\$ 265	\$ 344
Utility generation	24	261
Gas distribution	718	566
Energy procurement	390	608
Public purpose programs	136	109
Other	324	378
Total regulatory balancing accounts receivable	\$ 1,857	\$ 2,266

(in millions)	Payable Balance at	
	September 30, 2015	December 31, 2014
Energy procurement	\$ 181	\$ 188
Public purpose programs	173	154
Other	449	748
Total regulatory balancing accounts payable	\$ 803	\$ 1,090

NOTE 4: DEBT

Revolving Credit Facilities and Commercial Paper Program

The following table summarizes PG&E Corporation's and the Utility's outstanding borrowings under their revolving credit facilities and commercial paper programs at September 30, 2015 :

(in millions)	Termination Date	Facility Limit	Letters of Credit Outstanding	Commercial Paper	Facility Availability
PG&E Corporation	April 2020	\$ 300 ⁽¹⁾	\$ -	\$ -	\$ 300
Utility	April 2020	3,000 ⁽²⁾	34	881	2,085
Total revolving credit facilities		\$ 3,300	\$ 34	\$ 881	\$ 2,385

⁽¹⁾ Includes a \$50 million sublimit for letters of credit and a \$100 million commitment for "swingline" loans defined as loans that are made available on a same-day basis and are repayable in full within 7 days.

⁽²⁾ Includes a \$500 million sublimit for letters of credit and a \$75 million commitment for swingline loans.

On April 27, 2015, PG&E Corporation and the Utility amended and restated their respective \$300 million and \$3.0 billion revolving credit facilities. The amendments and restatements extended the termination dates of the credit facilities from April 1, 2019 to April 27, 2020, reduced the amount of lender commitments to the letter of credit sublimits from \$100 million to \$50 million for PG&E Corporation's credit facility and from \$1.0 billion to \$500 million for the Utility's credit facility, and reduced the swingline commitment on the Utility's credit facility from \$300 million to \$75 million.

In July 2015, the Utility increased the commercial paper program limit from \$1.75 billion to \$2.5 billion. PG&E Corporation and the Utility can issue commercial paper up to the maximum amounts of \$300 million and \$2.5 billion, respectively. PG&E Corporation and the Utility treat the amount of outstanding commercial paper as a reduction to the amount available under their respective revolving credit facilities.

Issuances and Maturities

In June 2015, the Utility issued \$400 million principal amount of 3.50% Senior Notes due June 15, 2025 and \$100 million of 4.30% Senior Notes due March 15, 2045. The proceeds were used for general corporate purposes, including the repayment of a portion of the Utility's outstanding commercial paper. In addition, \$300 million principal amount of the Utility's Floating Rate Senior Notes matured in May 2015.

Variable Rate Interest

At September 30, 2015, the interest rates on the \$614 million principal amount of pollution control bonds Series 1996 C, E, F, and 1997 B and the related loan agreements were 0.01%. At September 30, 2015, the interest rates on the \$309 million principal amount of pollution control bonds Series 2009 A-D and the related loan agreements were 0.01%.

NOTE 5: EQUITY

PG&E Corporation's and the Utility's changes in equity for the nine months ended September 30, 2015 were as follows:

(in millions)	PG&E Corporation		Utility	
	Total Equity		Total Shareholders' Equity	
Balance at December 31, 2014	\$	16,000	\$	16,229
Comprehensive income		733		715
Equity contributions		-		605
Common stock issued		704		-
Share-based compensation		58		8
Common stock dividends declared		(665)		(537)
Preferred stock dividend requirement		-		(10)
Preferred stock dividend requirement of subsidiary		(10)		-
Balance at September 30, 2015	\$	16,820	\$	17,010

In February 2015, PG&E Corporation entered into a new equity distribution agreement providing for the sale of PG&E Corporation common stock having an aggregate gross sales price of up to \$ 500 million. In the first quarter of 2015, PG&E Corporation sold 1.4 million shares under this agreement for cash proceeds of \$ 74 million, net of commissions paid of \$ 1 million. No additional shares have been sold under the equity distribution agreement.

In August 2015, PG&E Corporation sold 6.8 million shares of its common stock in an underwritten public offering for cash proceeds of \$352 million, net of fees.

PG&E Corporation also issued common stock under the PG&E Corporation 401(k) plan, the Dividend Reinvestment and Stock Purchase Plan, and share-based compensation plans. During the nine months ended September 30, 2015, 6.1 million shares were issued for cash proceeds of \$ 263 million under these plans.

NOTE 6: EARNINGS PER SHARE

PG&E Corporation's basic EPS is calculated by dividing the income available for common shareholders by the weighted average number of common shares outstanding. PG&E Corporation applies the treasury stock method of reflecting the dilutive effect of outstanding share-based compensation in the calculation of diluted EPS. The following is a reconciliation of PG&E Corporation's income available for common shareholders and weighted average common shares outstanding for calculating diluted EPS:

(in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Income available for common shareholders	\$ 307	\$ 811	\$ 740	\$ 1,305
Weighted average common shares outstanding, basic	486	472	481	466
Add incremental shares from assumed conversions:				
Employee share-based compensation	3	2	3	2
Weighted average common share outstanding, diluted	489	474	484	468
Total earnings per common share, diluted	\$ 0.63	\$ 1.71	\$ 1.53	\$ 2.79

For each of the periods presented above, the calculation of outstanding common shares on a diluted basis excluded an insignificant amount of options and securities that were antidilutive.

NOTE 7: DERIVATIVES

Use of Derivative Instruments

The Utility is exposed to commodity price risk as a result of its electricity and natural gas procurement activities. Procurement costs are recovered through customer rates. The Utility uses both derivative and non-derivative contracts to manage volatility in customer rates due to fluctuating commodity prices. Derivatives include forward contracts, swaps, futures, options, and CRRs.

Derivatives are presented in the Utility's Condensed Consolidated Balance Sheets on a net basis in accordance with master netting arrangements for each counterparty. The fair value of derivative instruments is further offset by cash collateral paid or received where the right of offset and the intention to offset exist.

Price risk management activities that meet the definition of derivatives are recorded at fair value on the Condensed Consolidated Balance Sheets. These instruments are not held for speculative purposes and are subject to certain regulatory requirements. The Utility expects to fully recover in rates all costs related to derivatives as long as the current ratemaking mechanism remains in place and the Utility's price risk management activities are carried out in accordance with CPUC directives. Therefore, all unrealized gains and losses associated with the change in fair value of these derivatives are deferred and recorded within the Utility's regulatory assets and liabilities on the Condensed Consolidated Balance Sheets. Net realized gains or losses on commodity derivatives are recorded in the cost of electricity or the cost of natural gas with corresponding increases or decreases to regulatory balancing accounts for recovery from or refund to customers.

The Utility elects the normal purchase and sale exception for eligible derivatives. Eligible derivatives are those that require physical delivery in quantities that are expected to be used by the Utility over a reasonable period in the normal course of business, and do not contain pricing provisions unrelated to the commodity delivered. These items are not reflected in the Condensed Consolidated Balance Sheets at fair value. Eligible derivatives are accounted for under the accrual method of accounting.

Volume of Derivative Activity

The volumes of the Utility's outstanding derivatives were as follows:

Underlying Product	Instruments	Contract Volume at	
		September 30, 2015	December 31, 2014
Natural Gas ⁽¹⁾ (MMBtus ⁽²⁾)	Forwards and Swaps	276,847,153	308,130,101
	Options	134,380,439	164,418,002
Electricity (Megawatt-hours)	Forwards and Swaps	4,884,523	5,346,787
	Congestion Revenue Rights ⁽³⁾	186,018,832	224,124,341

⁽¹⁾ Amounts shown are for the combined positions of the electric fuels and core gas supply portfolios.

⁽²⁾ Million British Thermal Units.

⁽³⁾ CRRs are financial instruments that enable the holders to manage variability in electric energy congestion charges due to transmission grid limitations.

Presentation of Derivative Instruments in the Financial Statements

At September 30, 2015, the Utility's outstanding derivative balances were as follows:

(in millions)	Commodity Risk			Total Derivative Balance
	Gross Derivative Balance	Netting	Cash Collateral	
Current assets – other	\$ 63	\$ (2)	\$ 11	\$ 72
Other noncurrent assets – other	130	(2)	-	128
Current liabilities – other	(84)	2	34	(48)
Noncurrent liabilities – other	(145)	2	24	(119)
Net commodity risk	\$ (36)	\$ -	\$ 69	\$ 33

At December 31, 2014, the Utility's outstanding derivative balances were as follows:

(in millions)	Commodity Risk			
	Gross Derivative Balance	Netting	Cash Collateral	Total Derivative Balance
Current assets – other	\$ 73	(4)	19	\$ 88
Other noncurrent assets – other	178	(13)	-	165
Current liabilities – other	(78)	4	26	(48)
Noncurrent liabilities – other	(140)	13	9	(118)
Net commodity risk	\$ 33	\$ -	\$ 54	\$ 87

Gains and losses associated with price risk management activities were recorded as follows:

(in millions)	Commodity Risk			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Unrealized gain (loss) - regulatory assets and liabilities ⁽¹⁾	\$ (45)	\$ (6)	\$ (69)	\$ 79
Realized gain (loss) - cost of electricity ⁽²⁾	1	(22)	4	(48)
Realized loss - cost of natural gas ⁽²⁾	(3)	(4)	(8)	(7)
Net commodity risk	\$ (47)	\$ (32)	\$ (73)	\$ 24

⁽¹⁾ Unrealized gains and losses on commodity risk-related derivative instruments are recorded to regulatory liabilities or assets, respectively, rather than being recorded to the Condensed Consolidated Statements of Income. These amounts exclude the impact of cash collateral postings.

⁽²⁾ These amounts are fully passed through to customers in rates. Accordingly, net income was not impacted by realized amounts on these instruments.

Cash inflows and outflows associated with derivatives are included in operating cash flows on the Utility's Condensed Consolidated Statements of Cash Flows.

The majority of the Utility's derivatives contain collateral posting provisions tied to the Utility's credit rating from each of the major credit rating agencies. At September 30, 2015, the Utility's credit rating was investment grade. If the Utility's credit rating were to fall below investment grade, the Utility would be required to post additional cash immediately to fully collateralize some of its net liability derivative positions.

The additional cash collateral that the Utility would be required to post if the credit risk-related contingency features were triggered was as follows:

(in millions)	Balance at	
	September 30, 2015	December 31, 2014
Derivatives in a liability position with credit risk-related contingencies that are not fully collateralized	\$ (2)	\$ (47)
Collateral posting in the normal course of business related to these derivatives	-	44
Net position of derivative contracts/additional collateral posting requirements ⁽¹⁾	\$ (2)	\$ (3)

⁽¹⁾ This calculation excludes the impact of closed but unpaid positions, as their settlement is not impacted by any of the Utility's credit risk-related contingencies.

NOTE 8: FAIR VALUE MEASUREMENTS

PG&E Corporation and the Utility measure their cash equivalents, trust assets, price risk management instruments, and other investments at fair value. A three-tier fair value hierarchy is established that prioritizes the inputs to valuation methodologies used to measure fair value:

- **Level 1** – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2** – Other inputs that are directly or indirectly observable in the marketplace.
- **Level 3** – Unobservable inputs which are supported by little or no market activities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and liabilities measured at fair value on a recurring basis for PG&E Corporation and the Utility are summarized below (assets held in rabbi trusts and other investments are held by PG&E Corporation and not the Utility):

(in millions)	Fair Value Measurements				
	At September 30, 2015				
	Level 1	Level 2	Level 3	Netting ⁽¹⁾	Total
Assets:					
Money market investments	\$ 92	\$ -	\$ -	\$ -	\$ 92
Nuclear decommissioning trusts					
Money market investments	21	-	-	-	21
Global equity securities	1,445	12	-	-	1,457
Fixed-income securities	710	523	-	-	1,233
Total nuclear decommissioning trusts ⁽²⁾	2,176	535	-	-	2,711
Price risk management instruments (Note 7)					
Electricity	-	4	185	7	196
Gas	-	4	-	-	4
Total price risk management instruments	-	8	185	7	200
Rabbi trusts					
Fixed-income securities	-	45	-	-	45
Life insurance contracts	-	71	-	-	71
Total rabbi trusts	-	116	-	-	116
Long-term disability trust					
Money market investments	7	-	-	-	7
Global equity securities	-	18	-	-	18
Fixed-income securities	-	106	-	-	106
Total long-term disability trust	7	124	-	-	131
Total assets	\$ 2,275	\$ 783	\$ 185	\$ 7	\$ 3,250
Liabilities:					
Price risk management instruments (Note 7)					
Electricity	\$ 60	\$ 3	\$ 164	\$ (62)	\$ 165
Gas	-	2	-	-	2
Total liabilities	\$ 60	\$ 5	\$ 164	\$ (62)	\$ 167

⁽¹⁾ Includes the effect of the contractual ability to settle contracts under master netting agreements and margin cash collateral.

⁽²⁾ Represents amount before deducting \$ 294 million, primarily related to deferred taxes on appreciation of investment value.

Fair Value Measurements					
At December 31, 2014					
(in millions)	Level 1	Level 2	Level 3	Netting⁽¹⁾	Total
Assets:					
Money market investments	\$ 94	\$ -	\$ -	\$ -	\$ 94
Nuclear decommissioning trusts					
Money market investments	17	-	-	-	17
Global equity securities	1,585	13	-	-	1,598
Fixed-income securities	741	389	-	-	1,130
Total nuclear decommissioning trusts⁽²⁾	2,343	402	-	-	2,745
Price risk management instruments (Note 9 in the 2014 Form 10-K)					
Electricity	-	17	232	2	251
Gas	1	1	-	-	2
Total price risk management instruments	1	18	232	2	253
Rabbi trusts					
Fixed-income securities	-	42	-	-	42
Life insurance contracts	-	72	-	-	72
Total rabbi trusts	-	114	-	-	114
Long-term disability trust					
Money market investments	7	-	-	-	7
Global equity securities	-	25	-	-	25
Fixed-income securities	-	128	-	-	128
Total long-term disability trust	7	153	-	-	160
Other investments	33	-	-	-	33
Total assets	\$ 2,478	\$ 687	\$ 232	\$ 2	\$ 3,399
Liabilities:					
Price risk management instruments (Note 9 in the 2014 Form 10-K)					
Electricity	\$ 47	\$ 5	\$ 163	\$ (52)	\$ 163
Gas	-	3	-	-	3
Total liabilities	\$ 47	\$ 8	\$ 163	\$ (52)	\$ 166

⁽¹⁾ Includes the effect of the contractual ability to settle contracts under master netting agreements and margin cash collateral.

⁽²⁾ Represents amount before deducting \$324 million, primarily related to deferred taxes on appreciation of investment value.

Valuation Techniques

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the tables above. Investments, primarily consisting of equity securities, that are valued using a net asset value per share can be redeemed quarterly with notice not to exceed 90 days. Equity investments valued at net asset value per share utilize investment strategies aimed at matching the performance of indexed funds. Transfers between levels in the fair value hierarchy are recognized as of the end of the reporting period. There were no material transfers between any levels for the nine months ended September 30, 2015 and 2014.

Trust Assets

Nuclear decommissioning trust assets and other trust assets are composed primarily of equity securities, debt securities, and life insurance policies. In general, investments held in the trusts are exposed to various risks, such as interest rate, credit, and market volatility risks.

Equity securities primarily include investments in common stock that are valued based on quoted prices in active markets and are classified as Level 1. Equity securities also include commingled funds that are composed of equity securities traded publicly on exchanges across multiple industry sectors in the U.S. and other regions of the world. Investments in these funds are classified as Level 2 because price quotes are readily observable and available.

Debt securities are primarily composed of U.S. government and agency securities, municipal securities, and other fixed-income securities, including corporate debt securities. U.S. government and agency securities primarily consist of U.S. Treasury securities that are classified as Level 1 because the fair value is determined by observable market prices in active markets. A market approach is generally used to estimate the fair value of debt securities classified as Level 2 using evaluated pricing data such as broker quotes, for similar securities adjusted for observable differences. Significant inputs used in the valuation model generally include benchmark yield curves and issuer spreads. The external credit ratings, coupon rate, and maturity of each security are considered in the valuation model, as applicable.

Price Risk Management Instruments

Price risk management instruments include physical and financial derivative contracts, such as power purchase agreements, forwards, swaps, options, and CRRs that are traded either on an exchange or over-the-counter.

Power purchase agreements, forwards, and swaps are valued using a discounted cash flow model. Exchange-traded forwards and swaps that are valued using observable market forward prices for the underlying commodity are classified as Level 1. Over-the-counter forwards and swaps that are identical to exchange-traded forwards and swaps, or are valued using forward prices from broker quotes that are corroborated with market data are classified as Level 2. Exchange-traded options are valued using observable market data and market-corroborated data and are classified as Level 2.

Long-dated power purchase agreements that are valued using significant unobservable data are classified as Level 3. These Level 3 contracts are valued using either estimated basis adjustments from liquid trading points or techniques, including extrapolation from observable prices, when a contract term extends beyond a period for which market data is available. Market and credit risk management utilizes models to derive pricing inputs for the valuation of the Utility's Level 3 instruments using pricing inputs from brokers and historical data.

The Utility holds CRRs to hedge the financial risk of California Independent System Operator -imposed congestion charges in the day-ahead market. CRRs are classified as Level 3 and are valued based on CRR auction prices, including historical prices. Limited market data is available in the California Independent System Operator auction and between auction dates; therefore, the Utility uses models to forecast CRR prices for those periods not covered in the auctions.

Level 3 Measurements and Sensitivity Analysis

The Utility's market and credit risk management function, which reports to the Chief Risk Officer of the Utility, is responsible for determining the fair value of the Utility's price risk management derivatives. The Utility's finance and risk management functions collaborate to determine the appropriate fair value methodologies and classification for each derivative. Inputs used and the fair value of Level 3 instruments are reviewed period-over-period and compared with market conditions to determine reasonableness.

Significant increases or decreases in any of those inputs would result in a significantly higher or lower fair value, respectively. All reasonable costs related to Level 3 instruments are expected to be recoverable through customer rates; therefore, there is no impact to net income resulting from changes in the fair value of these instruments. (See Note 7 above.)

(in millions) Fair Value Measurement	Fair Value at At September 30, 2015		Valuation Technique	Unobservable Input	Range ⁽¹⁾
	Assets	Liabilities			
Congestion revenue rights	\$ 185	\$ 51	Market approach	CRR auction prices	\$ (15.97) - 8.17
Power purchase agreements	\$ -	\$ 113	Discounted cash flow	Forward prices	\$ 17.64 - 38.80

⁽¹⁾ Represents price per megawatt-hour

(in millions) Fair Value Measurement	Fair Value at At December 31, 2014		Valuation Technique	Unobservable Input	Range ⁽¹⁾
	Assets	Liabilities			
Congestion revenue rights	\$ 232	\$ 63	Market approach	CRR auction prices	\$ (15.97) - 8.17
Power purchase agreements	\$ -	\$ 100	Discounted cash flow	Forward prices	\$ 16.04 - 56.21

⁽¹⁾ Represents price per megawatt-hour

Level 3 Reconciliation

The following tables present the reconciliation for Level 3 price risk management instruments for the three and nine months ended September 30, 2015 and 2014 :

(in millions)	Price Risk Management Instruments	
	2015	2014
Asset (liability) balance as of July 1	\$ 48	\$ (11)
Net realized and unrealized gains:		
Included in regulatory assets and liabilities or balancing accounts ⁽¹⁾	(27)	(9)
Asset (liability) balance as of September 30	\$ 21	\$ (20)

⁽¹⁾ The costs related to price risk management activities are recoverable through customer rates, therefore, balancing account revenue is recorded for amounts settled and purchased and there is no impact to net income. Unrealized gains and losses are deferred in regulatory liabilities and assets.

(in millions)	Price Risk Management Instruments	
	2015	2014
Asset (liability) balance as of January 1	\$ 69	\$ (30)
Net realized and unrealized gains:		
Included in regulatory assets and liabilities or balancing accounts ⁽¹⁾	(48)	10
Asset (liability) balance as of September 30	\$ 21	\$ (20)

⁽¹⁾ The costs related to price risk management activities are recoverable through customer rates, therefore, balancing account revenue is recorded for amounts settled and purchased and there is no impact to net income. Unrealized gains and losses are deferred in regulatory liabilities and assets.

Financial Instruments

PG&E Corporation and the Utility use the following methods and assumptions in estimating fair value for financial instruments:

- The fair values of cash, restricted cash, net accounts receivable, short-term borrowings, accounts payable, customer deposits, floating rate senior notes, and the Utility's variable rate pollution control bond loan agreements approximate their carrying values at September 30, 2015 and December 31, 2014, as they are short-term in nature or have interest rates that reset daily.
- The fair values of the Utility's fixed-rate senior notes and fixed-rate pollution control bonds and PG&E Corporation's fixed-rate senior notes were based on quoted market prices at September 30, 2015 and December 31, 2014.

The carrying amount and fair value of PG&E Corporation's and the Utility's debt instruments were as follows (the table below excludes financial instruments with carrying values that approximate their fair values):

(in millions)	At September 30, 2015		At December 31, 2014	
	Carrying Amount	Level 2 Fair Value	Carrying Amount	Level 2 Fair Value
PG&E Corporation	\$ 350	\$ 354	\$ 350	\$ 352
Utility	14,273	15,858	13,778	15,851

Available for Sale Investments

The following table provides a summary of available-for-sale investments:

(in millions)	Amortized Cost	Total Unrealized Gains	Total Unrealized Losses	Total Fair Value
As of September 30, 2015				
Nuclear decommissioning trusts				
Money market investments	\$ 21	\$ -	\$ -	\$ 21
Global equity securities	510	963	(16)	1,457
Fixed-income securities	1,168	70	(5)	1,233
Total ⁽¹⁾	\$ 1,699	\$ 1,033	\$ (21)	\$ 2,711
As of December 31, 2014				
Nuclear decommissioning trusts				
Money market investments	\$ 17	\$ -	\$ -	\$ 17
Global equity securities	520	1,087	(9)	1,598
Fixed-income securities	1,059	75	(4)	1,130
Total nuclear decommissioning trusts ⁽¹⁾	1,596	1,162	(13)	2,745
Other investments	5	28	-	33
Total	\$ 1,601	\$ 1,190	\$ (13)	\$ 2,778

⁽¹⁾ Represents amounts before deducting \$ 294 million and \$324 million at September 30, 2015 and December 31, 2014, respectively, primarily related to deferred taxes on appreciation of investment value.

The fair value of debt securities by contractual maturity is as follows:

(in millions)	As of September 30, 2015
Less than 1 year	\$ 21
1–5 years	465
5–10 years	290
More than 10 years	457
Total maturities of debt securities	\$ 1,233

The following table provides a summary of activity for the debt and equity securities:

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Proceeds from sales and maturities of nuclear decommissioning trust investments	\$ 244	\$ 182	\$ 1,023	\$ 1,059
Gross realized gains on securities held as available-for-sale	3	30	50	114
Gross realized losses on securities held as available-for-sale	(12)	-	(25)	(3)

NOTE 9: CONTINGENCIES AND COMMITMENTS

PG&E Corporation and the Utility have significant contingencies arising from their operations, including contingencies related to enforcement and litigation matters and environmental remediation. The Utility also has substantial financial commitments in connection with agreements entered into to support its operating activities. PG&E Corporation's and the Utility's financial condition, results of operations, and cash flows also may be affected by the outcome of the following matters.

Enforcement and Litigation Matters

CPUC Matters

Improper CPUC Communications

In September 2014, the Utility notified the CPUC of ex parte communications between the Utility and the CPUC regarding the 2015 GT&S rate case. Ex parte communications include any communication between a decision maker and an interested person concerning substantive issues in certain identified categories of formal proceedings before the CPUC. In November 2014, the CPUC imposed a fine of \$1.05 million on the Utility for these communications. In addition, the CPUC may disallow the Utility from recovering up to the entire amount of the revenue increase that may be authorized in the pending GT&S rate case and that otherwise would have been collected from rate payers over a five-month period. The CPUC will determine the amount of this disallowance when it issues its decision to authorize the Utility's GT&S revenue requirements, which is expected to be issued in 2016.

In October and December 2014, the Utility also notified the CPUC of additional email communications between the Utility and the CPUC regarding various matters (not limited to the GT&S rate case) that the Utility believes may constitute or describe ex parte communications. The Utility also notified the CPUC of an additional potential ex parte communication made in the 2011 General Rate Case to supplement a notification that the Utility voluntarily provided on October 6, 2014. Additionally, on May 21, 2015, the Utility filed various documents (including copies of internal email correspondence) with the CPUC to complete its response to orders issued by CPUC administrative law judges regarding potential ex parte communications between the Utility and CPUC personnel. For these additional communications, the Utility believes it is probable that CPUC enforcement action will be taken. The Utility is unable to reasonably estimate the amount or range of future charges that could be incurred given the CPUC's wide discretion and the number of factors that can be considered in determining the final penalties.

In the Penalty Decision (further described below), the CPUC stated that it will begin a new investigation to examine allegations by the City of San Bruno that communications between the Utility's employees and CPUC personnel violated the CPUC's rules relating to ex parte communications. The Utility believes that the communications cited by San Bruno are not prohibited ex parte communications. If the CPUC determines that the communications constitute ex parte violations, it is reasonably possible that the CPUC will impose penalties or other remedies, but the Utility is unable to reasonably estimate the amount or range of future charges that could be incurred given the CPUC's wide discretion and the number of factors that can be considered in determining the final penalties.

The U.S. Attorney's Office in San Francisco and the California Attorney General's office have also begun investigations in connection with the ex parte communications. The Utility is cooperating with the federal and state investigators. It is uncertain whether any charges will be brought against the Utility.

CPUC Investigation Regarding Natural Gas Distribution Facilities Record-Keeping

On November 20, 2014, the CPUC began an investigation into whether the Utility violated applicable laws pertaining to record-keeping practices with respect to maintaining safe operation of its natural gas distribution service and facilities. The order also requires the Utility to show cause why (1) the CPUC should not find that the Utility violated provisions of the California Public Utilities Code, CPUC general orders or decisions, other rules, or requirements, and/or engaged in unreasonable and/or imprudent practices related to these matters, and (2) the CPUC should not impose penalties, and/or any other forms of relief, if any violations are found. In particular, the order cites the SED's investigative reports alleging that the Utility violated rules regarding safety record-keeping in connection with six natural gas distribution incidents, including the natural gas explosion that occurred in Carmel, California on March 3, 2014, for which the CPUC has previously imposed a penalty of \$10.85 million.

On September 30, 2015, the SED submitted its supplemental testimony, which included incidents allegedly related to record-keeping that had not been identified in the initial order, and also asserted violations related to the Utility's pre-excitation location and marking practices, causal evaluation practices, and compliance with regulations governing pressure validation for certain distribution facilities. Testimony from intervenors was submitted in October 2015. The Utility's response is due on November 12, 2015, followed by rebuttal testimony in December 2015. Hearings are scheduled for January 2016.

The CPUC can impose penalties of up to \$50,000 per day, per violation, for violations that occurred after January 1, 2012. (The statutory maximum penalty for violations that occurred before January 1, 2012 is \$20,000 per violation.) The CPUC has wide discretion to determine the amount of penalties based on the totality of the circumstances, including such factors as the gravity of the violations; the type of harm caused by the violations and the number of persons affected; and the good faith of the entity charged in attempting to achieve compliance, after notification of a violation. The CPUC is also required to consider the appropriateness of the amount of the penalty to the size of the entity charged. The CPUC has historically exercised this wide discretion in determining penalties.

PG&E Corporation and the Utility believe it is reasonably possible that the CPUC will impose penalties on the Utility or that the Utility will incur unrecoverable costs to implement operational remedies. The Utility is unable to reasonably estimate the amount or range of future charges that could be incurred given the CPUC's wide discretion (discussed above) and the number of factors that can be considered in determining penalties and given the fact that the extent of any alleged violations is currently unknown.

Natural Gas Transmission Pipeline Rights-of-Way

In 2012, the Utility notified the CPUC and the SED that the Utility planned to complete a system-wide survey of its transmission pipelines in an effort to address a self-reported violation whereby the Utility did not properly identify encroachments (such as building structures and vegetation overgrowth) on the Utility's pipeline rights-of-way. The Utility also submitted a proposed compliance plan that set forth the scope and timing of remedial work to remove identified encroachments over a multi-year period and to pay penalties if the proposed milestones were not met. In March 2014, the Utility informed the SED that the survey has been completed and that remediation work, including removal of the encroachments, is expected to continue for several years. The SED has not addressed the Utility's proposed compliance plan, and it is reasonably possible that the SED will impose fines on the Utility or take other enforcement action in the future based on the Utility's failure to continuously survey its system and remove encroachments. The Utility is unable to reasonably estimate the amount or range of future charges that could be incurred given the SED's wide discretion and the number of factors that can be considered in determining penalties.

Potential Safety Citations

The SED periodically audits utility operating practices and conducts investigations of potential violations of laws and regulations applicable to the safety of the California utilities' electric and natural gas facilities and operations. The CPUC has delegated authority to the SED to issue citations and impose fines for violations identified through audits, investigations, or self-reports. Although the SED can consider the discretionary factors discussed above (see "CPUC Investigation Regarding Natural Gas Distribution Facilities Record-Keeping" above) in determining the number of violations and whether to impose fines, the SED is required to impose the maximum statutory penalty of \$50,000 for each separate violation and has the discretion to impose daily fines for continuing violations.

The SED has imposed fines on the Utility ranging from \$50,000 to \$16.8 million for violations of electric and natural gas laws and regulations. The Utility believes it is probable that the SED will impose fines or take other enforcement action based on some of the Utility's self-reported non-compliance with laws and regulations or based on allegations of non-compliance with such laws and regulations that are contained in some of the SED's audits. The Utility is unable to reasonably estimate the amount or range of future charges that could be incurred for fines imposed by the SED with respect to these matters given the wide discretion the SED has in determining whether to bring enforcement action and the number of factors that can be considered in determining the amount of fines.

Federal Matters

Federal Criminal Indictment

On July 29, 2014, a federal grand jury for the Northern District of California returned a 28-count superseding criminal indictment against the Utility in federal district court that succeeded the original indictment that was returned on April 1, 2014. The superseding indictment charges 27 felony counts alleging that the Utility knowingly and willfully violated minimum safety standards under the Natural Gas Pipeline Safety Act relating to record - keeping, pipeline integrity management, and identification of pipeline threats. The superseding indictment also includes one felony count charging that the Utility illegally obstructed the NTSB's investigation into the cause of the San Bruno accident. The maximum statutory fine for each felony count is \$500,000, for total fines of \$14 million. The superseding indictment also seeks an alternative fine under the Alternative Fines Act which states, in part: "If any person derives pecuniary gain from the offense, or if the offense results in pecuniary loss to a person other than the defendant, the defendant may be fined not more than the greater of twice the gross gain or twice the gross loss." Based on the superseding indictment's allegations that the Utility derived gross gains of approximately \$281 million and that the victims suffered losses of approximately \$565 million, the maximum alternative fine would be approximately \$1.13 billion. The trial is scheduled to begin March 8, 2016.

The Utility entered a plea of not guilty. The Utility believes that criminal charges and the alternative fine allegations are not merited and that it did not knowingly and willfully violate minimum safety standards under the Natural Gas Pipeline Safety Act or obstruct the NTSB's investigation, as alleged in the superseding indictment. The Utility has filed several motions requesting that the court dismiss many of the counts based on various legal arguments. The court has heard oral argument on all the motions and the Utility is waiting for the court's decisions. PG&E Corporation and the Utility have not accrued any charges for criminal fines in their Condensed Consolidated Financial Statements as such amounts are not considered to be probable.

Other Federal Matters

The Utility was informed that the U.S. Attorney's Office was investigating a natural gas explosion that occurred in Carmel, California on March 3, 2014. (For more information refer to Note 14 of the Notes to the Consolidated Financial Statements appearing under Item 8 in the 2014 Form 10-K). The U.S. Attorney's Office in San Francisco also continues to investigate matters relating to the indicted case discussed above. It is uncertain whether any additional charges will be brought against the Utility.

Capital Expenditures Relating to Pipeline Safety Enhancement Plan

At September 30, 2015, approximately \$ 657 million of PSEP-related capital costs is recorded in property, plant, and equipment on the Condensed Consolidated Balance Sheets. The Utility would be required to record charges to the statement of income in future periods to the extent total forecasted PSEP-related capital costs are higher than currently expected.

Penalty Decision Related to the CPUC's Investigative Enforcement Proceedings Related to Natural Gas Transmission

The Penalty Decision (see Note 1 above) imposes penalties on the Utility totaling \$1.6 billion comprised of: (1) a \$300 million fine to be paid to the State General Fund, (2) a one-time \$400 million bill credit to the Utility's natural gas customers, (3) \$850 million to fund future pipeline safety projects and programs, and (4) remedial measures that the CPUC estimates will cost the Utility at least \$50 million. In August 2015, the Utility paid the \$300 million fine. At September 30, 2015, the Condensed Consolidated Balance Sheets include \$400 million in current regulatory liabilities for the one-time bill credit that will be provided to the Utility's natural gas customers in 2016.

The Penalty Decision requires that at least \$689 million of the \$850 million disallowance be allocated to capital expenditures, and that the Utility be precluded from including these capital costs in rate base. The CPUC will determine which safety projects and programs will be funded by shareholders in the Utility's pending 2015 GT&S rate case. If the \$850 million is not exhausted by designated safety-related projects and programs in the GT&S proceeding, the CPUC will identify additional projects in future proceedings to ensure that the full \$850 million is spent. The CPUC is expected to issue a final decision in the Utility's 2015 GT&S rate case in 2016 to identify safety-related projects and programs that will be subject to the disallowance. It is uncertain how the CPUC will identify the costs that are counted toward the \$850 million shareholder-funded obligation. If the Utility's actual costs exceed costs that the CPUC counts towards the \$850 million maximum, the Utility would record additional charges if such costs are not otherwise authorized by the CPUC. As a result, the total shareholder-funded obligation could exceed \$850 million.

For the three months and nine months ended September 30, 2015, the Utility recorded additional charges in operating and maintenance expenses in the Consolidated Statements of Income of \$142 million and \$770 million, respectively, as a result of the Penalty Decision. The cumulative charges at September 30, 2015, and the additional future charges to reach the \$1.6 billion total are shown in the following table:

(in millions)	Nine Months Ended September 30, 2015	Cumulative Charges September 30, 2015	Future Charges and Costs	Total Amount
Fine payable to the state ⁽¹⁾	\$ 100	\$ 300	\$ -	\$ 300
Customer bill credit	400	400	-	400
Charge for disallowed capital ⁽²⁾	270	270	419	689
Disallowed revenue for pipeline safety expenses ⁽³⁾	-	-	161	161
CPUC estimated cost of other remedies ⁽⁴⁾	-	20	30	50
Total Penalty Decision fines and remedies	\$ 770	\$ 990	\$ 610	\$ 1,600

⁽¹⁾ In March 2015, the Utility increased its accrual from \$200 million at December 31, 2014 to \$300 million.

⁽²⁾ The Penalty Decision prohibits the Utility from recovering certain expenses and capital spending associated with pipeline safety-related projects and programs that the CPUC will identify in the final decision to be issued in the Utility's 2015 GT&S rate case. The Utility estimates that approximately \$142 million and \$270 million of capital spending (which include less than \$1 million for remedy-related capital costs) in the three months and nine months ended September 30, 2015, respectively, are probable of disallowance, subject to adjustment based on the final 2015 GT&S rate case decision.

⁽³⁾ These costs are being expensed as incurred. Future GT&S revenues will be reduced for these unrecovered expenses.

⁽⁴⁾ In the Penalty Decision, the CPUC estimated that the Utility would incur \$50 million to comply with the remedies specified in the Penalty Decision, including approximately \$30 million for the cost of future audits to be conducted by the SED. The amounts shown in the table above represent these estimated amounts and do not reflect the Utility's remedy-related costs already incurred nor the Utility's estimated future remedy-related costs. The Utility has submitted testimony in its 2017 GRC request to remove additional remedy-related costs of approximately \$61 million. The Utility could incur remedy-related costs that are higher than current estimates.

Other Legal and Regulatory Contingencies

Rehearing of CPUC Decisions Approving Energy Efficiency Incentive Awards

On September 17, 2015, the CPUC issued an order granting TURN's and the ORA's long-standing applications for rehearing of the CPUC decisions that awarded energy efficiency incentive payments to the California investor-owned utilities for the 2006-2008 energy efficiency program cycle. Under the ratemaking mechanism applicable to the 2006-2008 program cycle, the maximum amount of incentives that the Utility could have earned (or the maximum amount that the Utility could have been required to reimburse customers) over the 2006-2008 program cycle was \$180 million. The Utility was awarded a total of \$104 million for the 2006-2008 program cycle. In the re-opened energy efficiency proceeding, the CPUC will evaluate whether incentives awarded to the California investor-owned utilities were just and reasonable, and whether any refunds are due. It is uncertain when the CPUC will issue a decision and whether the Utility will be required to refund amounts or incur other obligations related to the 2006-2008 program cycle. PG&E Corporation and the Utility believe it is reasonably possible that the Utility will be required to refund amounts or incur other obligations related to this matter, but they are unable to reasonably estimate the amount of such refunds or other obligations.

Investigation of the Butte Fire

In September 2015, a wildfire (known as the "Butte Fire") ignited and spread in Amador and Calaveras Counties in Northern California. The California Department of Forestry and Fire Protection ("Cal Fire") is investigating the source of the fire including whether a live tree may have contacted a power line owned and operated by the Utility, in the vicinity of the ignition point. The Utility also is conducting an investigation. Cal Fire has reported that as a result of the fire there were two deaths and 965 structures, including 571 houses, were damaged or destroyed.

Although the cause of the fire has not yet been determined, PG&E Corporation and the Utility believe that it is reasonably possible that the Utility will incur a material amount of losses associated with third-party claims for property damage, fire suppression costs, personal injury, or other claims. PG&E Corporation and the Utility are unable to reasonably estimate the amount of possible losses (or range of amounts) given the preliminary stages of the investigation into the cause of the fire and uncertainty about the extent and value of real and personal property damaged by the fire which spread over 70,000 acres much of which is remote and rugged terrain. The Utility has insurance coverage for these types of claims. If the amount of insurance is insufficient to cover the Utility's liability resulting from the Butte fire, or if insurance is otherwise unavailable, PG&E Corporation's and the Utility's financial condition or results of operations could be materially affected.

Other Contingencies

Accruals for other legal and regulatory contingencies (excluding amounts related to the contingencies discussed above under "Enforcement and Litigation Matters" and "Other Legal and Regulatory Contingencies") totaled \$61 million at September 30, 2015, and \$55 million at December 31, 2014. These amounts are included in other current liabilities in the Condensed Consolidated Balance Sheets. The resolution of these matters is not expected to have a material impact on PG&E Corporation's and the Utility's financial condition, results of operations, or cash flows.

Environmental Remediation Contingencies

The Utility's environmental remediation liability is primarily included in non-current liabilities on the Condensed Consolidated Balance Sheets and is composed of the following:

(in millions)	Balance at	
	September 30, 2015	December 31, 2014
Topock natural gas compressor station ⁽¹⁾	\$ 296	\$ 291
Hinkley natural gas compressor station ⁽¹⁾	136	158
Former manufactured gas plant sites owned by the Utility or third parties	267	257
Utility-owned generation facilities (other than fossil fuel-fired), other facilities, and third-party disposal sites	153	150
Fossil fuel-fired generation facilities and sites	94	98
Total environmental remediation liability	\$ 946	\$ 954

⁽¹⁾ See "Natural Gas Compressor Station Sites" below.

At September 30, 2015, the Utility expected to recover \$ 678 million of its environmental remediation liability through various ratemaking mechanisms authorized by the CPUC. Some of the Utility's environmental remediation liability, such as the environmental remediation costs associated with the Hinkley site discussed below, will not be recovered in rates.

Natural Gas Compressor Station Sites

The Utility is legally responsible for remediating groundwater contamination caused by hexavalent chromium used in the past at the Utility's natural gas compressor stations. One of these stations is located near Hinkley, California and is referred to below as the "Hinkley site." Another station is located near Needles, California and is referred to below as the "Topock site." The Utility also is required to take measures to abate the effects of the contamination on the environment.

Hinkley Site

The Utility has been implementing interim remediation measures at the Hinkley site to reduce the mass of the chromium plume and to monitor and control movement of the plume. The Utility's remediation and abatement efforts at the Hinkley site are overseen by the Regional Board. On October 16, 2015, the Regional Board issued a revised draft clean-up and abatement order, updating previous versions of the draft order released in September 2015 and January 2015. The updated draft order proposes that the Utility continue and improve its remediation efforts; define the boundaries of the chromium plume, and take other action. The draft order also proposes to set plume capture requirements, proposes deadlines for the Utility to meet interim cleanup targets, and proposes to establish a monitoring and reporting program. After a public comment period, the Regional Board is expected to consider adoption of a final clean-up and abatement order at its November 2015 meeting.

The Utility's environmental remediation liability at September 30, 2015 reflects the Utility's best estimate of probable future costs associated with the continuation of interim remediation measures and the anticipated final clean-up and abatement order. Future costs will depend on many factors, including the levels of hexavalent chromium the Utility is required to use as the standard for remediation, the required time period by which those standards must be met, and the nature and extent of the chromium contamination. Future changes in cost estimates and the assumptions on which they are based may have a material impact on future financial condition, results of operations, and cash flows.

Topock Site

The Utility's remediation and abatement efforts at the Topock site are overseen by the DTSC and the U.S. Department of the Interior. While the Utility has been working with these agencies to develop a final remediation plan, the Utility has been employing various interim remediation measures, including a system of extraction wells and a treatment plant designed to prevent movement of the chromium plume toward the Colorado River. In September 2014, the Utility submitted its near-final remediation plan to the agencies for approval. The Utility's plan proposes that the Utility construct an in-situ groundwater treatment system to convert hexavalent chromium into a non-toxic and non-soluble form of chromium. The DTSC is conducting an additional environmental review of the proposed plan, and the Utility anticipates that the DTSC's draft environmental impact report will be issued for public comment in July 2016. After the DTSC considers public comments that may be made, the DTSC is expected to issue a final environmental impact report in December 2016. After the Utility modifies its plan in response to the final report, the Utility plans to seek approval to begin construction of the new in-situ treatment system in early 2017.

The Utility's environmental remediation liability at September 30, 2015 reflects its best estimate of probable future costs associated with its anticipated final remediation plan. Future costs will depend on many factors, including the scope and timing of required remediation work. Future changes in cost estimates and the assumptions on which they are based may have a material impact on future financial condition and cash flows.

Reasonably Possible Environmental Contingencies

Although the Utility has provided for known environmental obligations that are probable and reasonably estimable, the Utility's undiscounted future costs could increase to as much as \$ 1.8 billion (including amounts related to the Hinkley and Topock sites described above) if the extent of contamination or necessary remediation is greater than anticipated or if the other potentially responsible parties are not financially able to contribute to these costs. The Utility may incur actual costs in the future that are materially different than this estimate and such costs could have a material impact on results of operations during the period in which they are recorded.

Resolution of Remaining Chapter 11 Disputed Claims

Various electricity suppliers filed claims in the Utility's proceeding filed under Chapter 11 of the U.S. Bankruptcy Code seeking payment for energy supplied to the Utility's customers between May 2000 and June 2001. The Utility has entered into a number of settlement agreements with various electricity suppliers to resolve some of these disputed claims and to resolve the Utility's refund claims against these electricity suppliers.

At December 31, 2014, the Consolidated Balance Sheets reflected \$ 434 million in net claims, within Disputed claims and customer refunds, and \$ 291 million of cash in escrow for payment of the remaining net disputed claims, within Restricted cash. There were no significant changes to these balances during the nine months ended September 30, 2015.

Tax Matters

The IRS is currently auditing several items in the 2011 to 2014 tax returns. The most significant relates to a 2011 accounting method change to adopt guidance issued by the IRS in determining which repair costs are deductible for the electric transmission and distribution businesses. PG&E Corporation and the Utility expect that the IRS will complete its audit of the 2011 and 2012 deductible repair costs for the electric transmission and distribution businesses in 2015. The IRS also is expected to issue guidance in late 2015 or 2016 that clarifies which repair costs are deductible for the natural gas transmission and distribution businesses. PG&E Corporation's and the Utility's unrecognized tax benefits may change significantly within the next 12 months depending on the IRS guidance that is issued and the resolution of the outstanding audits related to the 2011 and 2012 tax returns. As of September 30, 2015, it is reasonably possible that unrecognized tax benefits will decrease by approximately \$ 380 million within the next 12 months most of which would not impact net income.

There were no other significant developments to tax matters during the nine months ended September 30, 2015. (Refer to Note 8 of the Notes to the Consolidated Financial Statements in Item 8 of the 2014 Form 10-K.)

Purchase Commitments

In the ordinary course of business, the Utility enters into various agreements to purchase power and electric capacity; natural gas supply, transportation, and storage; nuclear fuel supply and services; and various other commitments. At December 31, 2014 the Utility had undiscounted future expected obligations of approximately \$53.3 billion. (See Note 14 of the Notes to the Consolidated Financial Statements in Item 8 of the 2014 Form 10-K .) During the nine months ended September 30, 2015, the Utility entered into several renewable energy and other power purchase agreements that were approved by the CPUC and completed major milestones with respect to construction, resulting in additional commitments of approximately \$ 780 million over the next 25 years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

PG&E Corporation is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility operating in northern and central California. The Utility generates revenues mainly through the sale and delivery of electricity and natural gas to customers.

The Utility is regulated primarily by the CPUC and the FERC. The CPUC has jurisdiction over the rates and terms and conditions of service for the Utility's electricity and natural gas distribution operations, electric generation, and natural gas transportation and storage. The FERC has jurisdiction over the rates and terms and conditions of service governing the Utility's electric transmission operations and interstate natural gas transportation contracts. The NRC oversees the licensing, construction, operation, and decommissioning of the Utility's nuclear generation facilities. The Utility also is subject to the jurisdiction of other federal, state, and local governmental agencies.

This is a combined quarterly report of PG&E Corporation and the Utility and should be read in conjunction with each company's separate Condensed Consolidated Financial Statements and the Notes to the Condensed Consolidated Financial Statements included in this quarterly report. It should also be read in conjunction with the 2014 Form 10-K.

Summary of Changes in Net Income and Earnings per Share

The following table is a summary reconciliation of the key changes, after-tax, in PG&E Corporation's income available for common shareholders and EPS (as well as earnings from operations and EPS on an earnings from operations basis) compared to the same period in the prior year (see "Results of Operations" below). "Earnings from operations" is a non-GAAP financial measure and is calculated as income available for common shareholders less items impacting comparability. "Items impacting comparability" represent items that management does not consider part of the normal course of operations and affect comparability of financial results between periods. PG&E Corporation uses earnings from operations to understand and compare operating results across reporting periods for various purposes including internal budgeting and forecasting, short- and long-term operating plans, and employee incentive compensation. PG&E Corporation believes that earnings from operations provide additional insight into the underlying trends of the business allowing for a better comparison against historical results and expectations for future performance. Earnings from operations are not a substitute or alternative for GAAP measures such as income available for common shareholders and may not be comparable to similarly titled measures used by other companies.

(in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	Earnings	EPS (Diluted)	Earnings	EPS (Diluted)
Income Available for Common Shareholders - 2014	\$ 811	\$ 1.71	\$ 1,305	\$ 2.79
Natural gas matters ⁽¹⁾	13	0.03	94	0.20
Environmental-related costs ⁽²⁾	(4)	(0.01)	(4)	(0.01)
Earnings from Operations - 2014 ⁽³⁾	\$ 820	\$ 1.73	\$ 1,395	\$ 2.98
Growth in rate base earnings	26	0.05	79	0.16
Nuclear refueling outage	-	-	26	0.05
2014 GRC cost recovery ⁽⁴⁾	(228)	(0.47)	-	-
Timing of 2015 GT&S cost recovery ⁽⁵⁾	(78)	(0.16)	(159)	(0.33)
Regulatory and legal matters ⁽⁶⁾	(24)	(0.05)	(18)	(0.04)
Gain on disposition of SolarCity stock ⁽⁷⁾	(14)	(0.03)	(13)	(0.03)
Timing of taxes ⁽⁸⁾	(45)	(0.09)	(7)	(0.01)
Increase in shares outstanding	-	(0.05)	-	(0.10)
Miscellaneous	(45)	(0.09)	(31)	(0.05)
Earnings from Operations - 2015 ⁽³⁾	\$ 412	\$ 0.84	\$ 1,272	\$ 2.63
Insurance recoveries ⁽⁹⁾	6	0.01	29	0.06
Fines and penalties ⁽¹⁰⁾	(84)	(0.16)	(497)	(1.03)
Pipeline-related expenses ⁽¹¹⁾	(19)	(0.04)	(38)	(0.08)
Legal and regulatory related expenses ⁽¹¹⁾	(8)	(0.02)	(26)	(0.05)
Income Available for Common Shareholders - 2015	\$ 307	\$ 0.63	\$ 740	\$ 1.53

⁽¹⁾ In 2014, natural gas matters included pipeline-related costs to perform work under the PSEP and other activities associated with safety improvements to the Utility's natural gas system, as well as legal and other costs related to natural gas matters. Natural gas matters also included charges recorded related to fines, third party liability claims, and insurance recoveries in 2014.

⁽²⁾ The Utility reduced its accrual related to the Hinkley whole house water program in the third quarter of 2014.

⁽³⁾ "Earnings from operations" is not calculated in accordance with GAAP and excludes the items impacting comparability shown in Notes (1) and (2) above and Notes (9), (10), and (11) below.

⁽⁴⁾ Represents the increase in base revenues authorized by the CPUC in the 2014 GRC decision, as well as the impact of flow-through ratemaking treatment for federal tax deductions for repairs, for the first two quarters of 2014. In 2014, the increase in base revenue and the impact of flow-through repairs deductions was not recognized until the quarter ended September 30, 2014, when the 2014 GRC decision was issued. Also includes 2014 GRC related items included in Miscellaneous in previous quarters.

⁽⁵⁾ Represents expenses during the three and nine months ended September 30, 2015 as compared to the same periods in 2014, with no corresponding increase in revenue. The Utility has requested the CPUC to authorize an increase to its revenue requirements for 2015, 2016, and 2017 in its 2015 GT&S rate case. Based on the procedural schedule, it is unlikely that the Utility will be able to recognize a revenue increase from a final 2015 GT&S rate case decision until 2016.

⁽⁶⁾ Primarily reflects incentive awards received in 2014. Also includes legal costs included in Miscellaneous in previous quarters.

⁽⁷⁾ Represents the gain recognized during the three months ended September 30, 2014 as compared to the three months ended September 30, 2015 during which no comparable gain was recognized.

⁽⁸⁾ Represents the timing of taxes reportable in quarterly financial statements.

⁽⁹⁾ Represents insurance recoveries of \$10 million and \$49 million, pre-tax, for third party claims and associated legal costs related to the San Bruno accident the Utility received during the three and nine months ended September 30, 2015, respectively. The Utility has received a cumulative total of \$515 million through insurance related to \$558 million of third-party claims and \$92 million of legal costs incurred. No further insurance recoveries related to these claims and costs are expected.

⁽¹⁰⁾ Represents the impact of the Penalty Decision (see Note 9 of the Notes to the Condensed Consolidated Financial Statements for before-tax amounts).

⁽¹¹⁾ In 2015, pipeline-related expenses include costs incurred to identify and remove encroachments from transmission pipeline rights of way and to perform remaining work under the Utility's PSEP. Legal and regulatory related expenses include various enforcement, regulatory, and litigation activities regarding natural gas matters and regulatory communications.

Key Factors Affecting Financial Results

PG&E Corporation and the Utility believe that their future results of operations, financial condition, and cash flows will be materially affected by the following factors:

- *Penalties, Fines and Remedial Costs.* Future financial results will be impacted by the timing and amount of disallowed costs the Utility incurs for designated pipeline safety-related projects and programs and to implement remedial measures, as required by the Penalty Decision. The Utility also could be required to pay fines associated with pending federal criminal charges. Based on the superseding indictment's allegations, the maximum statutory fine would be \$14 million and the maximum alternative fine would be approximately \$1.13 billion. The Utility also could be required to pay fines, or incur other unrecoverable costs, associated with the CPUC's pending investigation of the Utility's natural gas distribution record-keeping practices, enforcement action that may be taken with respect to ex parte communications or other improper communications between the Utility and the CPUC, or other enforcement matters. (See "Enforcement and Litigation Matters" in Note 9 of the Notes to the Condensed Consolidated Financial Statements.)
- *The Timing and Outcome of Ratemaking Proceedings.* In the 2015 GT&S rate case, the Utility has requested that the CPUC authorize an increase in the Utility's revenue requirements for gas transmission and storage operations beginning on January 1, 2015, with additional increases in 2016 and 2017. Any revenue requirement increase would be retroactive to January 1, 2015. Based on the scoping ruling and procedural schedule that was issued on June 11, 2015, the CPUC's initial decision to authorize revenue requirements is not likely to be issued before December 31, 2015. If the Utility does not recognize any increase in 2015, the authorized revenue increase would be recorded in 2016. (See "Ratemaking Proceedings—2015 Gas Transmission and Storage Rate Case" below for more information.) In September 2015, the Utility filed its 2017 GRC application to request that the CPUC authorize revenue requirements for the Utility's electric generation business and its electric and natural gas distribution business for 2017 through 2019. (See "Ratemaking Proceedings—2017 General Rate Case" below for more information.) Also, the CPUC recently granted applications for rehearing of CPUC decisions issued in 2008, 2009, and 2010 that awarded a total of \$104 million of incentive revenues to the Utility based on implementation of customer energy efficiency programs. It is uncertain whether the Utility would be required to refund any of the incentive revenues or incur other expense related to the final resolution of the re-opened proceedings. In addition, the Utility has one transmission owner rate case pending at the FERC (See "Ratemaking Proceedings—FERC TO Rate Cases" below). The outcome of ratemaking proceedings can be affected by many factors, including the level of opposition by intervening parties, potential rate impacts, the Utility's reputation, the regulatory and political environments, and other factors.
- *The Ability of the Utility to Control Operating Costs and Capital Expenditures.* Whether the Utility is able to earn its authorized rate of return could be materially affected if the Utility's actual costs differ from the amounts that have been authorized in the final 2014 GRC decision and that may be authorized in the 2015 GT&S rate case and future rate case decisions. In addition to incurring shareholder-funded costs and costs associated with remedial measures required by the Penalty Decision, the Utility forecasts that in 2015 it will incur unrecovered pipeline-related expenses ranging from \$100 million to \$125 million, which primarily relate to costs to identify and remove encroachments from transmission pipeline rights-of-way. Actual costs could be higher. The ultimate amount of unrecovered costs also could be affected by how the CPUC determines which costs are included in determining whether the \$850 million shareholder-funded obligation under the Penalty Decision has been met, and the outcome of pending and future investigations and enforcement matters. (See "Enforcement and Litigation Matters" below.) The Utility's ability to recover costs in the future also could be affected by decreases in customer demand driven by legislative and regulatory initiatives relating to distributed generation resources, renewable energy requirements, and changes in the electric rate structure.
- *The Amount and Timing of the Utility's Financing Needs.* PG&E Corporation contributes equity to the Utility as needed to maintain the Utility's CPUC-authorized capital structure. For the nine months ended September 30, 2015, PG&E Corporation issued \$689 million of common stock and made equity contributions to the Utility of \$605 million. PG&E Corporation forecasts that it will continue issuing a material amount of equity in 2016 and future years to support the Utility's capital expenditures. PG&E Corporation will issue additional equity to fund the Utility's unrecoverable pipeline-related expenses (including charges incurred under the Penalty Decision) and to pay fines and penalties that may be required by the final outcomes of pending enforcement matters. These additional equity issuances would have a further material dilutive effect on PG&E Corporation's EPS. PG&E Corporation's and the Utility's ability to access the capital markets and the terms and rates of future financings could be affected by the outcome of the matters discussed in "Enforcement and Litigation Matters" below, changes in their respective credit ratings, general economic and market conditions, and other factors.

For more information about the factors and risks that could affect future results of operations, financial condition, and cash flows, or that could cause future results to differ from historical results, see “Item 1A. Risk Factors” in the 2014 Form 10-K and in Part II below under “Item 1A. Risk Factors .” In addition, this quarterly report contains forward-looking statements that are necessarily subject to various risks and uncertainties. These statements reflect management’s judgment and opinions which are based on current estimates, expectations, and projections about future events and assumptions regarding these events and management’s knowledge of facts as of the date of this report. See the section entitled “Cautionary Language Regarding Forward-Looking Statements” below for a list of some of the factors that may cause actual results to differ materially. PG&E Corporation and the Utility are not able to predict all the factors that may affect future results and do not undertake an obligation to update forward-looking statements, whether in response to new information, future events, or otherwise.

RESULTS OF OPERATIONS

PG&E Corporation

The consolidated results of operations consist primarily of balances related to the Utility, which are discussed below. The following table provides a summary of net income available for common shareholders for the three and nine months ended September 30, 2015 and 2014 :

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Consolidated Total	\$ 307	\$ 811	\$ 740	\$ 1,305
PG&E Corporation	5	21	35	44
Utility	\$ 302	\$ 790	\$ 705	\$ 1,261

PG&E Corporation’s net income primarily consists of interest expense on long-term debt, income taxes, and other income from investments. Results include approximately \$30 million and \$45 million of realized gains and associated tax benefits related to an investment in SolarCity Corporation recognized in the nine months ended September 30, 2015 and 2014, respectively.

Utility

The tables below show certain items from the Utility’s Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2015 and 2014 . The tables separately identify the revenues and costs that impacted earnings from those that did not impact earnings. In general, expenses the Utility is authorized to pass through directly to customers (such as costs to purchase electricity and natural gas, as well as costs to fund public purpose programs) and the corresponding amount of revenues collected to recover those pass-through costs, do not impact earnings. In addition, expenses that have been specifically authorized (such as the payment of pension costs) and the corresponding revenues the Utility is authorized to collect to recover such costs , do not impact earnings.

Revenues that impact earnings are primarily those that have been authorized by the CPUC and the FERC to recover the Utility’s costs to own and operate its assets and to provide the Utility an opportunity to earn its authorized rate of return on rate base. Expenses that impact earnings are primarily those that the Utility incurs to own and operate its assets.

The Utility’s operating results for the three and nine months ended September 30, 2015 reflect charges associated with the impact of the Penalty Decision. (See “Utility Revenues and Costs that Impacted Earnings” below.)

(in millions)	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Revenues/Costs:			Revenues/Costs:		
	That Impacted Earnings	That Did Not Impact Earnings	Total Utility	That Impacted Earnings	That Did Not Impact Earnings	Total Utility
Electric operating revenues	\$ 1,907	\$ 1,961	\$ 3,868	\$ 1,979	\$ 2,033	\$ 4,012
Natural gas operating revenues	516	166	682	643	284	927
Total operating revenues	2,423	2,127	4,550	2,622	2,317	4,939
Cost of electricity	-	1,681	1,681	-	1,782	1,782
Cost of natural gas	-	50	50	-	134	134
Operating and maintenance	1,226	396	1,622	892	401	1,293
Depreciation, amortization, and decommissioning	653	-	653	671	-	671
Total operating expenses	1,879	2,127	4,006	1,563	2,317	3,880
Operating income	544	-	544	1,059	-	1,059
Interest income ⁽¹⁾			2			1
Interest expense ⁽¹⁾			(191)			(171)
Other income, net ⁽¹⁾			22			19
Income before income taxes			377			908
Income tax provision ⁽¹⁾			72			115
Net income			305			793
Preferred stock dividend requirement ⁽¹⁾			3			3
Income Available for Common Stock			\$ 302			\$ 790

⁽¹⁾These items impacted earnings for the three months ended September 30, 2015 and 2014 .

(in millions)	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Revenues/Costs:			Revenues/Costs:		
	That Impacted Earnings	That Did Not Impact Earnings	Total Utility	That Impacted Earnings	That Did Not Impact Earnings	Total Utility
Electric operating revenues	\$ 5,569	\$ 4,775	\$ 10,344	\$ 5,200	\$ 5,044	\$ 10,244
Natural gas operating revenues	1,547	775	2,322	1,569	967	2,536
Total operating revenues	7,116	5,550	12,666	6,769	6,011	12,780
Cost of electricity	-	3,958	3,958	-	4,341	4,341
Cost of natural gas	-	442	442	-	694	694
Operating and maintenance	3,878	1,150	5,028	2,935	976	3,911
Depreciation, amortization, and decommissioning	1,935	-	1,935	1,765	-	1,765
Total operating expenses	5,813	5,550	11,363	4,700	6,011	10,711
Operating income	1,303	-	1,303	2,069	-	2,069
Interest income ⁽¹⁾			6			6
Interest expense ⁽¹⁾			(567)			(535)
Other income, net ⁽¹⁾			68			56
Income before income taxes			810			1,596
Income tax provision ⁽¹⁾			95			325
Net income			715			1,271
Preferred stock dividend requirement ⁽¹⁾			10			10
Income Available for Common Stock			\$ 705			\$ 1,261

⁽¹⁾These items impacted earnings for the nine months ended September 30, 2015 and 2014 .

Utility Revenues and Costs that Impacted Earnings

The following discussion presents the Utility's operating results for the three and nine months ended September 30, 2015 and 2014 , focusing on revenues and expenses that impact ed earnings for these periods.

Operating Revenues

The Utility's electric and natural gas operating revenues that impacted earnings decreased by \$ 199 million , or 8% , in the three months ended September 30, 2015, compared to the same period in 2014 primarily due to the timing of the 2014 GRC decision that was issued in August 2014. Revenue increases of approximately \$305 million pertaining to the six months ended June 30, 2014 were not recognized until the third quarter of 2014. Additionally, operating revenues decreased in the three months ended September 30, 2015 due to the absence of approximately \$35 million of revenues the CPUC authorized the Utility to collect for recovery of certain PSEP-related costs during the same period in 2014. These decreases were offset by an increase in base revenues of approximately \$150 million as authorized by the CPUC in the 2014 GRC and by the FERC in the TO rate case.

The Utility's electric and natural gas operating revenues that impacted earnings increased by \$ 347 million, or 5% , in the nine months ended September 30, 2015 , compared to the same period in 2014 . The increase was primarily a result of approximately \$410 million of additional base revenues as authorized by the CPUC in the 2014 GRC decision and the FERC in the TO rate case. This increase was partially offset by the absence of approximately \$100 million of revenues the CPUC authorized the Utility to collect for recovery of certain PSEP-related costs during the same period in 2014.

Recovery of PSEP-related costs incurred during 2015 will depend upon the timing and outcome of the GT&S rate case. The Utility has requested the CPUC authorize an increase to its revenue requirements for 2015, 2016, and 2017 in its GT&S rate case. Based on the procedural schedule, it is unlikely that the Utility will be able to recognize an increase in its GT&S revenue before 2016 . (See "Rate-making Proceedings" below.)

Operating and Maintenance

The Utility's operating and maintenance expenses that impacted earnings increased by \$ 334 million, or 37% , in the three months ended September 30, 2015 compared to the same period in 2014 primarily due to \$ 142 million in charges associated with the Penalty Decision (see Note 9 of the Notes to the Condensed Consolidated Financial Statements). Additionally, the Utility received \$76 million fewer insurance recoveries during the three months ended September 30, 2015 compared to the same period in 2014.

The Utility's operating and maintenance expenses that impacted earnings increased by \$ 943 million, or 32% , in the nine months ended September 30, 2015 compared to the same periods in 2014 primarily due to \$770 million in charges associated with the Penalty Decision (see Note 9 of the Notes to the Condensed Consolidated Financial Statements). Additionally, the Utility received \$ 37 million fewer insurance recoveries for third-party claims related to the San Bruno accident during the nine months ended September 30, 2015 compared to the same period in 2014. No further insurance recoveries related to these claims are expected.

The Utility's future financial statements will continue to be impacted by additional charges associated with the Penalty Decision and unrecoverable pipeline-related expenses. (See "Key Factors Affecting Financial Results" above and Note 9 of the Notes to the Condensed Consolidated Financial Statements.)

Depreciation, Amortization, and Decommissioning

The Utility's depreciation, amortization, and decommissioning expenses decreased by \$ 18 million , or 3% , in the three months ended September 30, 2015 compared to the same period in 2014. This decrease primarily reflects the timing of the 2014 GRC decision that was issued in August 2014 and authorized the Utility to increase its depreciation rates. The decrease was partially offset by an increase in capital additions during the period.

The Utility's depreciation, amortization, and decommissioning expenses increased by \$ 170 million, or 10% , in the nine months ended September 30, 2015 compared to the same period in 2014, primarily due to an increase in capital additions.

Interest Expense

The Utility's interest expenses increased by \$ 32 million in the nine months ended September 30, 2015 compared to the same period in 2014, primarily due to the issuance of additional long-term debt.

Interest Income and Other Income, Net

There were no material changes to interest income and other income, net for the periods presented.

Income Tax Provision

The income tax provision decreased by \$43 million, or 37% in the three months ended September 30, 2015 as compared to the same period in 2014. The effective tax rates for the three months ended September 30, 2015 and 2014 were 19% and 13%, respectively. The decrease in the income tax provision in the three months ended September 30, 2015 is primarily due to lower pre-tax income resulting from the timing of the 2014 GRC decision (see "Operating Revenues" above) and the impact of the Penalty Decision recorded in 2015 with no comparable amount recorded for the same period in 2014. Under applicable accounting standards, charges resulting from the Penalty Decision are recorded at the statutory rate in the period incurred. (See Note 9 of the Notes to the Condensed Consolidated Financial Statements).

The income tax provision decreased by \$230 million, or 71%, in the nine months ended September 30, 2015 as compared to the same period in 2014. The effective tax rates for the nine months ended September 30, 2015 and 2014 were 12% and 20%, respectively. The decrease in the income tax provision and effective tax rate in the nine months ended September 30, 2015 is primarily due to lower pre-tax income resulting from the impact of the Penalty Decision.

SB 681 was introduced in June 2015 and proposed that the Utility be denied applicable state tax deductions for expenditures associated with the Penalty Decision. In September 2015, members of the California State Senate voted on this legislation and it did not receive a sufficient number of votes to pass. The authors of SB 681 requested to have the bill reconsidered and may reintroduce it in the future for subsequent votes. (See "Item 1A. Risk Factors" in Part II below).

Utility Revenues and Costs that did not Impact Earnings

Cost of Electricity

The Utility's cost of electricity includes the costs of power purchased from third parties (including renewable energy resources), transmission, fuel used in its own generation facilities, fuel supplied to other facilities under power purchase agreements, costs to comply with California's cap-and-trade program, and realized gains and losses on price risk management activities. (See Note 7 of the Notes to the Condensed Consolidated Financial Statements.)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of purchased power	\$ 1,605	\$ 1,684	\$ 3,734	\$ 4,083
Fuel used in own generation facilities	76	98	224	258
Total cost of electricity	\$ 1,681	\$ 1,782	\$ 3,958	\$ 4,341
Average cost of purchased power per kWh	\$ 0.111	\$ 0.114	\$ 0.105	\$ 0.101
Total purchased power (in millions of kWh) ⁽¹⁾	14,424	14,724	35,462	40,512

⁽¹⁾ The decrease in purchased power resulted from an increase in generation from the Utility's own generation facilities. Gas-fired generation increased in both the three and nine months ended September 30, 2015 and nuclear generation increased during the nine months ended September 30, 2015 as compared to the same periods in 2014.

The Utility's total purchased power is driven by customer demand, the availability of the Utility's own generation facilities (including the Diablo Canyon nuclear generation power plant and hydroelectric plants), and the cost-effectiveness of each source of electricity.

Cost of Natural Gas

The Utility's cost of natural gas includes the costs of procurement, storage, transportation of natural gas, costs to comply with California's cap-and-trade program, and realized gains and losses on price risk management activities. (See Note 7 of the Notes to the Condensed Consolidated Financial Statements.) The Utility's cost of natural gas is impacted by the market price of natural gas, changes in the cost of storage and transportation, and changes in customer demand.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of natural gas sold	\$ 18	\$ 102	\$ 335	\$ 591
Transportation cost of natural gas sold	32	32	107	103
Total cost of natural gas	\$ 50	\$ 134	\$ 442	\$ 694
Average cost per Mcf ⁽¹⁾ of natural gas sold ⁽²⁾	\$ 0.69	\$ 3.78	\$ 2.46	\$ 4.13
Total natural gas sold (in millions of Mcf)	26	27	136	143

⁽¹⁾ One thousand cubic feet

⁽²⁾ Average cost of natural gas sold impacted by a decline in the market price of natural gas and a decrease in compliance costs.

Operating and Maintenance Expense s

The Utility's operating expenses also include certain recoverable costs that the Utility incurs as part of its operations such as pension contributions and public purpose programs costs. If the Utility were to spend over authorized amounts, these expenses could have an impact to earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overview

The Utility's ability to fund operations, finance capital expenditures, and make distributions to PG&E Corporation depends on the levels of its operating cash flows and access to the capital and credit markets. The CPUC authorizes the Utility's capital structure, the aggregate amount of long-term and short-term debt that the Utility may issue, and the revenue requirements the Utility is able to collect to recover its debt financing costs. The Utility generally utilizes equity contributions from PG&E Corporation and long-term senior unsecured debt issuances to maintain its CPUC-authorized capital structure consisting of 52% equity and 48% debt and preferred stock. The Utility relies on short-term debt, including commercial paper, to fund temporary financing needs.

PG&E Corporation's ability to fund operations, make scheduled principal and interest payments, fund equity contributions to the Utility, and pay dividends, primarily depends on the level of cash distributions received from the Utility and PG&E Corporation's access to the capital and credit markets. PG&E Corporation has material stand-alone cash flows related to the issuance of equity and long-term debt, dividend payments, and borrowings and repayments under its revolving credit facility. PG&E Corporation relies on short-term debt, including commercial paper, to fund temporary financing needs.

PG&E Corporation forecasts that it will issue between \$700 million and \$800 million in common stock during 2015 primarily to fund equity contributions to the Utility. The Utility's equity needs will continue to be affected by unrecoverable pipeline-related expenses (including charges incurred to comply with the Penalty Decision) and by fines and penalties that may be imposed in connection with the matters described in "Enforcement and Litigation Matters" below. Common stock issuances by PG&E Corporation to fund these needs would have a material dilutive impact on PG&E Corporation's EPS.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments with original maturities of three months or less. PG&E Corporation and the Utility maintain separate bank accounts and primarily invest their cash in money market funds. In addition to cash and cash equivalents, the Utility holds restricted cash that primarily consists of cash held in escrow pending the resolution of the remaining disputed claims made by electricity suppliers in the Utility's proceeding under Chapter 11 of the U.S. Bankruptcy Code. (See "Resolution of Remaining Chapter 11 Disputed Claims" in Note 9 of the Notes to the Condensed Consolidated Financial Statements). The Utility is uncertain when and how the remaining disputed claims will be resolved.

Financial Resources

Debt and Equity Financings

In February 2015, PG&E Corporation entered into a new equity distribution agreement providing for the sale of PG&E Corporation common stock having an aggregate gross sales price of up to \$ 500 million. In the first quarter of 2015, PG&E Corporation sold 1.4 million shares under this agreement for cash proceeds of \$ 74 million, net of commissions paid of \$ 1 million. No additional shares have been sold under the equity distribution agreement.

In August 2015, PG&E Corporation sold 6.8 million shares of its common stock in an underwritten public offering for cash proceeds of \$352 million, net of fees.

In addition, PG&E Corporation issued common stock under the PG&E Corporation 401(k) plan, the Dividend Reinvestment and Stock Purchase Plan, and share-based compensation plans. During the nine months ended September 30, 2015, 6.1 million shares were issued for cash proceeds of \$ 263 million under these plans.

The proceeds from these sales were used for general corporate purposes, including the contribution of equity to the Utility. For the nine months ended September 30, 2015, PG&E Corporation made equity contributions to the Utility of \$605 million, of which \$300 million was used to pay a fine to the State General Fund as required by the Penalty Decision. Additionally, PG&E Corporation and the Utility expect to continue to issue long-term and short-term debt for general corporate purposes and to maintain the CPUC-authorized capital structure during 2015.

In June 2015, the Utility issued \$400 million principal amount of 3.50% Senior Notes due June 15, 2025 and \$100 million of 4.30% Senior Notes due March 15, 2045. The proceeds were used for general corporate purposes, including the repayment of a portion of the Utility's outstanding commercial paper.

Revolving Credit Facilities and Commercial Paper Program

On April 27, 2015, PG&E Corporation and the Utility amended and restated their respective \$300 million and \$3.0 billion revolving credit facilities. At September 30, 2015, PG&E Corporation and the Utility had \$300 million and \$2.1 billion available under their respective \$300 million and \$3.0 billion revolving credit facilities. (See Note 4 of the Notes to the Condensed Consolidated Financial Statements)

The revolving credit facilities require that PG&E Corporation and the Utility maintain a ratio of total consolidated debt to total consolidated capitalization of at most 65% as of the end of each fiscal quarter. PG&E Corporation's revolving credit facility agreement also requires that PG&E Corporation own, directly or indirectly, at least 80% of the common stock and at least 70% of the voting capital stock of the Utility. In addition, these revolving credit facilities include usual and customary provisions regarding events of default and covenants limiting liens, mergers, sales of all or substantially all of PG&E Corporation's and the Utility's assets, and other fundamental changes. At September 30, 2015, PG&E Corporation and the Utility were in compliance with all covenants under their respective revolving credit facilities.

Dividends

In September 2015, the Board of Directors of PG&E Corporation declared quarterly dividends of \$ 0.4 55 per share, totaling \$ 223 million, of which approximately \$218 million was paid on October 15, 2015, to shareholders of record on September 30, 2015.

In September 2015, the Board of Directors of the Utility declared a common stock dividend of \$179 million that was paid to PG&E Corporation on September 16, 2015.

In September 2015, the Board of Directors of the Utility declared dividends on its outstanding series of preferred stock, payable on November 15, 2015, to shareholders of record on October 30, 2015.

Utility Cash Flows

The Utility's cash flows were as follows:

(in millions)	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$ 2,932	\$ 2,914
Net cash used in investing activities	(3,734)	(3,546)
Net cash provided by financing activities	809	652
Net change in cash and cash equivalents	\$ 7	\$ 20

Operating Activities

The Utility's cash flows from operating activities primarily consist of receipts from customers less payments of operating expenses, other than expenses such as depreciation that do not require the use of cash. During the nine months ended September 30, 2015, net cash provided by operating activities increased by \$18 million compared to the same period in 2014. This increase was primarily due to lower purchased power costs (see "Cost of Electricity" under "Results of Operations – Utility Revenues and Costs that did not Impact Earnings" above) and offset by the payment of a \$300 million fine to the State General Fund as required by the Penalty Decision.

Future cash flow from operating activities will be affected by various factors, including:

- the shareholder-funded bill credit of \$400 million to natural gas customers in 2016, as required by the Penalty Decision (see “Enforcement and Litigation Matters” in Note 9 of the Notes to the Condensed Consolidated Financial Statements) ;
- the timing and amounts of other fines or penalties that may be imposed in connection with the criminal prosecution of the Utility and the remaining investigations and other enforcement matters (see “Enforcement and Litigation Matters” below);
- the timing and outcome of ratemaking proceedings, including the 2015 GT&S rate case;
- the timing and amount of costs the Utility incurs, but does not recover, associated with its natural gas system (including costs to implement remedial measures and \$850 million to pay for designated pipeline safety projects and programs, as required by the Penalty Decision) ;
- the timing and amount of tax payments, tax refunds, net collateral payments, and interest payments; and
- the timing of the resolution of the Chapter 11 disputed claims and the amount of principal and interest on these claims that the Utility will be required to pay

Investing Activities

Net cash used in investing activities increased by \$ 188 million during the nine months ended September 30, 2015 as compared to the same period in 2014. The Utility’s investing activities primarily consist of construction of new and replacement facilities necessary to provide safe and reliable electricity and natural gas services to its customers. Cash used in investing activities also includes the proceeds from sales of nuclear decommissioning trust investments which are largely offset by the amount of cash used to purchase new nuclear decommissioning trust investments. The funds in the decommissioning trusts, along with accumulated earnings, are used exclusively for decommissioning and dismantling the Utility’s nuclear generation facilities.

Future cash flows used in investing activities are largely dependent on the timing and amount of capital expenditures. The Utility estimates that it will incur approximately \$5.3 billion in capital expenditures in 2015 and between \$5.3 billion and \$5.8 billion in 2016.

Financing Activities

During the nine months ended September 30, 2015 , net cash provided by financing activities increased by \$ 157 million compared to the same period in 2014 . Cash provided by or used in financing activities is driven by the Utility’s financing needs, which depend on the level of cash provided by or used in operating activities, the level of cash provided by or used in investing activities , the conditions in the capital markets, and the maturity date of existing debt instruments . The Utility generally utilizes long-term debt issuances and equity contributions from PG&E Corporation to maintain its CPUC-authorized capital structure, and relies on short-term debt to fund temporary financing needs.

ENFORCEMENT AND LITIGATION MATTERS

PG&E Corporation and the Utility have significant contingencies arising from their operations, including contingencies related to the enforcement and litigation matters described in Note 9 in the Condensed Consolidated Financial Statements. The outcome of these matters, individually or in the aggregate, could have a material effect on PG&E Corporation’s and the Utility’s future financial results.

Department of Interior Inquiry

In September 2015, the Utility was notified that the U.S. Department of Interior (“DOI”) had initiated an inquiry into whether the Utility should be suspended or debarred from entering into federal procurement and non-procurement contracts and programs citing the allegations contained in the superseding criminal indictment discussed above. The Utility will file its initial response on November 2, 2015 to demonstrate that it is a presently responsible contractor under federal procurement regulations and that it believes suspension or debarment is not appropriate. It is uncertain when or if further action will be taken.

Pending Lawsuits and Claims

As of September 30, 2015, there were six purported derivative lawsuits seeking recovery on behalf of PG&E Corporation and the Utility for alleged breaches of fiduciary duty by officers and directors, among other claims. Four of the complaints were consolidated in an action entitled *Hind Bou-Salman, et. al. v. Peter A. Darbee, et. al.* pending in the San Mateo County Superior Court. On August 28, 2015, the San Mateo County Superior Court overruled the demurrers filed by PG&E Corporation, the Utility and the individual director and officer defendants seeking to dismiss the *Bou-Salman* action, based upon the plaintiffs' failure to demand action by the Boards of PG&E Corporation and the Utility prior to filing the complaint. After the ruling, and pursuant to a writ previously filed by PG&E Corporation, the Utility, and the individual defendants, on September 3, 2015 the California Court of Appeal issued an order staying the *Bou-Salman* action pending the court's final determination whether to stay the matter altogether until the resolution of federal criminal proceedings against the Utility. On September 30, 2015, PG&E Corporation, the Utility, and the individual defendants filed an additional writ petition asking the Court of Appeal to review the lower court's August 28 decision overruling their demurrers. On October 22, 2015, the Court of Appeal issued a ruling stating that it was declining to review the August 28 decision. The other two derivative actions are entitled *Tellardin v. PG&E Corp. et. al.*, pending in the San Mateo County Superior Court, and *Iron Workers Mid-South Pension Fund v. Johns, et. al.*, pending in the United States District Court for the Northern District of California. The *Iron Workers* matter remains stayed by agreement of the parties, pending further developments in the *Bou-Salman* action. There is a case management conference set in the *Tellardin* action for December 21, 2015. In addition, an Evaluation Committee the Board formed in May 2015 continues to consider responses to a demand on the board by the plaintiff in the *Tellardin* matter.

PG&E Corporation and the Utility are uncertain when and how the above lawsuits will be resolved.

RATEMAKING PROCEEDINGS

The Utility is subject to substantial regulation by the CPUC, the FERC, the NRC and other federal and state regulatory agencies. Significant regulatory developments that have occurred since the 2014 Form 10-K was filed with the SEC are discussed below.

2017 General Rate Case

On September 1, 2015, the Utility filed its 2017 GRC application with the CPUC. In the 2017 GRC, the Utility has requested that the CPUC determine the annual amount of base revenues (or “revenue requirements”) that the Utility will be authorized to collect from customers from 2017 through 2019 to recover its anticipated costs for electric distribution, natural gas distribution, and electric generation operations and to provide the Utility an opportunity to earn its authorized rate of return. (The Utility’s revenue requirements for other portions of its operations, such as electric transmission, natural gas transmission and storage services, and electricity and natural gas purchases, are authorized in other regulatory proceedings overseen by the CPUC or the FERC.) In its application, the Utility requested a revenue requirement increase of \$457 million, as compared to authorized base revenues for 2016, as shown in the following tables:

Line of Business: (in millions)	Amounts Requested In the GRC Application	Amounts Currently Authorized For 2016	Increase Compared to Currently Authorized Amounts
Electric distribution	\$ 4,376	\$ 4,212	\$ 164
Gas distribution	1,827	1,742	85
Electric generation	2,170	1,962	208
Total revenue requirements	\$ 8,373	\$ 7,916	\$ 457
Cost Category: (in millions)			
Operations and maintenance	\$ 1,833	\$ 1,664	\$ 169
Customer services	367	319	48
Administrative and general	978	1,011	(33)
Less: Revenue credits	(140)	(131)	(9)
Franchise fees, taxes other than income, and other adjustments	185	37	148
Depreciation (including costs of asset removal), return, and income taxes	5,150	5,016	134
Total revenue requirements	\$ 8,373	\$ 7,916	\$ 457

In its application, the Utility stated that over the 2017-2019 GRC period, the Utility plans to make average annual capital investments of approximately \$4 billion in electric distribution, natural gas distribution and electric generation infrastructure, and to improve safety, reliability, and customer service. (These annual investments would be incremental to the Utility’s capital expenditures for electric and natural gas transmission infrastructure.) The Utility also requested that the CPUC establish a ratemaking mechanism that would increase the Utility’s authorized revenues in 2018 and 2019, primarily to reflect increases in rate base due to capital investments in infrastructure and, to a lesser extent, anticipated increases in wages and other expenses. The Utility estimates that this mechanism would result in increases in revenue of \$489 million in 2018 and an additional \$390 million in 2019.

In October 2015, the Utility filed supplemental testimony to reduce its original revenue requirement request by approximately \$17 million per year based on its forecast that it will incur approximately \$ 61 million for unrecoverable costs to implement the remedies ordered in the Penalty Decision.

The Utility expects that a procedural schedule will be issued to set the dates for public hearings, the submission of testimony by the ORA and other interested parties, evidentiary hearings, and the submission of briefs. After the submission of briefs, the ALJ will issue a proposed decision for consideration by the CPUC. In its application, the Utility requested that the CPUC issue a final decision by December 31, 2016.

2015 Gas Transmission and Storage Rate Case

In the 2015 GT&S rate case, the Utility requested that the CPUC authorize a 2015 revenue requirement of \$1.263 billion to recover anticipated costs of providing natural gas transmission and storage services, an increase of \$532 million over currently authorized amounts. The Utility also requested attrition increases of \$83 million in 2016 and \$142 million in 2017. The Utility requested that the CPUC authorize the Utility's forecast of its 2015 weighted average rate base for its gas transmission and storage business of \$3.44 billion, which includes capital spending above authorized levels for the prior rate case period.

The O RA has recommended a 2015 revenue requirement of \$1.044 billion, an increase of \$329 million over authorized amounts. TURN recommended that the Utility not recover costs associated with hydrostatic testing for pipeline segments placed in service after January 1, 1956, as well as certain other work that TURN considers to be remedial. TURN also recommended the disallowance of about \$200 million of capital expenditures incurred over the period 2011 through 2014 and recommended that about \$500 million of capital expenditures during this period be subject to a reasonableness review and an independent audit. TURN states that the Utility's cost recovery should not begin until the CPUC issues a decision on the independent audit.

The Utility also has proposed changes to the revenue sharing mechanism authorized in the last GT&S rate case (covering 2011-2014) that subjected a portion of the Utility's transportation and storage revenue requirement to market risk. The Utility proposed full balancing account treatment that allows for recovery of the Utility's authorized transportation and storage revenue requirements (except for the revenue requirement associated with the Utility's 25% interest in the Gill Ranch storage field).

Based on the scoping ruling and procedural schedule that was issued on June 11, 2015, the CPUC plans to issue an initial decision to authorize revenue requirements followed by a second decision to reduce the authorized revenue requirements by the costs of designated safety-related projects and programs up to the \$850 million maximum cost disallowance imposed by the Penalty Decision. (See Note 9 in the Condensed Consolidated Financial Statements for more information about the CPUC's Penalty Decision.) (In accordance with an earlier CPUC decision regarding the Utility's violation of the CPUC's ex parte communication rules made in the GT&S rate case, the first decision could disallow the Utility from recovering up to a five-month portion of the revenue increase that may otherwise have been authorized.) It is uncertain how the second CPUC decision will identify the costs that are counted toward the \$850 million shareholder-funded obligation. If the Utility's actual costs exceed costs that the CPUC counts towards the \$850 million maximum, the Utility would record additional charges if such costs are not otherwise authorized by the CPUC.

The authorized revenue requirements in the GT&S rate case would be retroactive to January 1, 2015. Under the procedural schedule, the CPUC's first decision to authorize revenue requirements likely will not be issued until 2016 and the second decision to determine the revenue requirement reduction will follow. (The ruling states that, in any event, the case would be completed within 18 months of the date of the ruling, or by December 2016.) Based on the procedural schedule, it is unlikely that the Utility will be able to recognize any increase in its GT&S revenue in 2015.

FERC TO Rate Cases

On September 30, 2015, the FERC approved a settlement that sets the Utility's 2015 retail electric transmission revenue requirement at \$1.201 billion, a \$161 million increase over the currently authorized revenue requirement of \$1.040 billion.

On July 29, 2015, the Utility requested that the FERC approve a 2016 retail electric transmission revenue requirement of \$1.515 billion. The proposed amount reflects a \$314 million increase over the settled revenue requirement of \$1.201 billion. The Utility forecasts that it will make investments of \$1.246 billion in 2016 in various capital projects. The Utility's forecasted rate base for 2016 is \$5.85 billion, compared to forecasted rate base of \$5.12 billion in 2015. The Utility has requested that the FERC approve a 10.96% return on equity. On September 30, 2015, the FERC accepted the proposed revenue requirement, subject to hearing and refund, and established March 1, 2016 as the effective date for rate changes. Hearings are being held in abeyance pending settlement discussions among the parties.

CPUC Investigation of the Utility's Safety Culture

On August 27, 2015, the CPUC began a formal investigation into whether the organizational culture and governance of PG&E Corporation and the Utility prioritize safety and adequately direct resources to promote accountability and achieve safety goals and standards. The CPUC directed the SED to evaluate the Utility's and PG&E Corporation's organizational culture, governance, policies, practices, and accountability metrics in relation to the Utility's record of operations, including its record of safety incidents. The CPUC authorized the SED to engage a consultant to assist in the SED's investigation and the preparation of a report containing the SED's assessment.

The CPUC stated that the initial phase of the proceeding was categorized as rate setting because it will consider issues both of fact and policy and because the Utility and PG&E Corporation do not face the prospect of fines, penalties, or remedies in this phase. Upon completion of the consultant's report, the assigned Commissioner will determine the scope of and next actions in the proceeding. The timing scope and potential outcome of the investigation are uncertain.

LEGISLATIVE AND REGULATORY INITIATIVES

The California Legislature and the CPUC have adopted requirements and policies to accommodate the growth in distributed electric generation resources (including solar installations), increase the amount of renewable energy delivered to customers, foster the development of a state-wide electric vehicle charging infrastructure to encourage the use of electric vehicles, and promote customer energy efficiency and demand response programs. In addition, the CPUC continues to implement state law requirements to reform electric rates to more closely reflect the utilities' actual costs of service, reduce cross-subsidization among customer rate classes, implement new rules and rates for net energy metering (which currently allow certain self-generating customers to receive bill credits for surplus power at the full retail rate), and allow customers to have greater control over their energy use. CPUC proceedings related to some of these matters are discussed below.

The Utility's ability to recover its costs, including investments associated with legislative and regulatory initiatives, as well as its electricity procurement and other operating costs, will, in large part, depend on the final form of legislative or regulatory requirements, and whether the associated ratemaking mechanisms can be timely adjusted to reflect changes in customer demand for the Utility's electricity and natural gas service.

New Renewable Energy Targets

In October 2015, the California Governor signed SB 350 which, effective January 1, 2016, increases the amount of renewable energy that must be delivered by most load-serving entities, including the Utility, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period to 50% of their total annual retail sales by the end of the 2028- 2030 compliance period and in each compliance period thereafter. SB 350 includes increasing interim renewable energy targets for the periods between 2020 and 2030 and continues to include compliance flexibility and waiver mechanisms, including increased flexibility to apply excess renewable energy procurement in one compliance period to future compliance periods. The Utility will incur additional costs to procure renewable energy to meet the new renewable energy targets which the Utility expects will continue to be recoverable from customers as "pass-through" costs. The Utility also may be subject to penalties for failure to meet the higher targets. The CPUC is required to open a new rulemaking proceeding to adopt regulations to implement the higher targets .

Electric Distribution Resources Plan

As required by California law, on July 1, 2015, the Utility filed its proposed electric distribution resources plan for approval by the CPUC. The Utility's plan identifies optimal locations on its electric distribution system for deployment of distributed energy resources. The Utility's proposal is designed to allow energy technologies to be interconnected with each other and integrated into the larger grid while continuing to provide customers with safe, reliable and affordable electric service. The Utility envisions a future electric grid, titled the Grid of Things™, that would allow customers to choose new advanced energy supply technologies and services to meet their needs consistent with safe, reliable and affordable electric service. The Utility's 2017 GRC includes a request to recover some of the investment costs that it forecasts it will incur under its proposed electric distribution resources plan.

Electric Rate Reform and Net Energy Metering ("NEM")

On July 3, 2015, the CPUC approved a final decision to authorize the California investor-owned utilities to gradually flatten their tiered residential electric rate structures from four tiers to two tiers by January 1, 2019. The decision also allows the imposition of a surcharge on customers with extremely high electricity use beginning in 2017. The decision requires the Utility to file a proposal by January 1, 2018, to charge residential customers based on time-of-use rates unless customers elect otherwise (known as "default time-of-use rates"). The Utility also may propose to impose a fixed charge on customers. Under the CPUC's decision, default time-of-use rates must be implemented before the CPUC will permit the imposition of a fixed charge. The CPUC also approved increased minimum bill charges for residential customers.

In July 2014, the CPUC began a new rulemaking proceeding to develop new net energy metering rules and rates to more accurately reflect the utilities' costs of providing service to such customers while continuing to encourage the development and installation of renewable distributed generation technologies. On August 3, 2015, the Utility filed its proposal for new net energy metering rules and rates. The CPUC is expected to issue a decision by December 2015.

Electric Vehicle (EV) Infrastructure Development

In December 2014, the CPUC issued a decision adopting a policy to expand the California utilities' role in developing an EV charging infrastructure to support California's climate goals. On February 9, 2015, the Utility filed an application requesting that the CPUC approve the Utility's proposal to deploy, own, and maintain more than 25,000 EV charging stations and the associated infrastructure. The Utility proposed to engage with third party EV service providers to operate and maintain the charging stations. The Utility requested that the CPUC approve forecasted capital expenditures of \$551 million over the 5 year deployment period.

On September 4, 2015, the assigned CPUC Commissioner and the ALJ issued a scoping memo and procedural schedule that required the Utility to supplement its application by submitting a more phased deployment approach that will be considered in a first phase of the proceeding. On October 12, 2015, the Utility submitted supplemental testimony presenting two separate proposals. In its first proposal, the Utility has requested that the CPUC approve approximately \$70 million in capital expenditures to deploy and own 2,510 EV charging stations over approximately 2 years. In its second proposal, the Utility has requested that the CPUC approve approximately \$187 million in capital expenditures to deploy and own 7,530 EV charging stations over approximately 3 years. Under the CPUC's schedule, a proposed decision for the first phase of the proceeding is expected to be issued by June 2016. Further deployment of EV charging stations would be considered in a second phase of the proceeding depending on the outcome of the first phase.

ENVIRONMENTAL MATTERS

The Utility's operations are subject to extensive federal, state, and local laws and permits relating to the protection of the environment and the safety and health of the Utility's personnel and the public. These laws and requirements relate to a broad range of the Utility's activities, including the remediation of hazardous wastes, such as groundwater contamination caused by hexavalent chromium used in the past at the Utility's natural gas compressor stations; the reporting and reduction of carbon dioxide and other greenhouse gas emissions; the discharge of pollutants into the air, water, and soil; and the transportation, handling, storage, and disposal of spent nuclear fuel. (See Note 9 of the Notes to the Condensed Consolidated Financial Statements, as well as "Item 1A. Risk Factors" and Note 14 in the 2014 Form 10-K.)

CONTRACTUAL COMMITMENTS

PG&E Corporation and the Utility enter into contractual commitments in connection with future obligations that relate to purchases of electricity and natural gas for customers, purchases of transportation capacity, purchases of renewable energy, and purchases of fuel and transportation to support the Utility's generation activities. (See "Purchase Commitments" in Note 9 of the Notes to the Condensed Consolidated Financial Statements). Contractual commitments that relate to financing arrangements include long-term debt, preferred stock, and certain forms of regulatory financing. For more in-depth discussion about PG&E Corporation's and the Utility's contractual commitments, see "Liquidity and Financial Resources" above and Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Commitments in the 2014 Form 10-K.

Off-Balance Sheet Arrangements

PG&E Corporation and the Utility do not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future material effect on their financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources, other than those discussed in Note 14 of the Notes to the Consolidated Financial Statements in the 2014 Form 10-K (the Utility's commodity purchase agreements).

RISK MANAGEMENT ACTIVITIES

PG&E Corporation, mainly through its ownership of the Utility, and the Utility are exposed to market risk, which is the risk that changes in market conditions will adversely affect net income or cash flows. PG&E Corporation and the Utility face market risk associated with their operations; their financing arrangements; the marketplace for electricity, natural gas, electric transmission, natural gas transportation, and storage; emissions allowances and offset credits, other goods and services; and other aspects of their businesses. PG&E Corporation and the Utility categorize market risks as “price risk” and “interest rate risk.” The Utility is also exposed to “credit risk,” the risk that counterparties fail to perform their contractual obligations.

The Utility actively manages market risk through risk management programs designed to support business objectives, discourage unauthorized risk-taking, reduce commodity cost volatility, and manage cash flows. The Utility uses derivative instruments only for non-trading purposes (i.e., risk mitigation) and not for speculative purposes. The Utility’s risk management activities include the use of energy and financial instruments such as forward contracts, futures, swaps, options, and other instruments and agreements, most of which are accounted for as derivative instruments. Some contracts are accounted for as leases. These activities are discussed in detail in the 2014 Form 10-K. There were no significant developments to the Utility and PG&E Corporation’s risk management activities during the nine months ended September 30, 2015.

CRITICAL ACCOUNTING POLICIES

The preparation of the Condensed Consolidated Financial Statements in accordance with GAAP involves the use of estimates and assumptions that affect the recorded amounts of assets and liabilities as of the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. PG&E Corporation and the Utility consider their accounting policies for regulatory assets and liabilities, loss contingencies associated with environmental remediation liabilities and legal and regulatory matters, asset retirement obligations, and pension and other postretirement benefits plans to be critical accounting policies. These policies are considered critical accounting policies due, in part, to their complexity and because their application is relevant and material to the financial position and results of operations of PG&E Corporation and the Utility, and because these policies require the use of material judgments and estimates. Actual results may differ materially from these estimates. These accounting policies and their key characteristics are discussed in detail in the 2014 Form 10-K.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

See the discussion above in Note 2 of the Notes to the Condensed Consolidated Financial Statements.

CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are necessarily subject to various risks and uncertainties. These statements reflect management's judgment and opinions which are based on current estimates, expectations, and projections about future events and assumptions regarding these events and management's knowledge of facts as of the date of this report. These forward-looking statements relate to, among other matters, estimated losses, including penalties and fines, associated with various investigations and proceedings; forecasts of pipeline-related expenses that the Utility will not recover through rates; forecasts of capital expenditures; estimates and assumptions used in critical accounting policies, including those relating to regulatory assets and liabilities, environmental remediation, litigation, third-party claims, and other liabilities; and the level of future equity or debt issuances. These statements are also identified by words such as "assume," "expect," "intend," "forecast," "plan," "project," "believe," "estimate," "predict," "anticipate," "may," "should," "would," "could," "potential" and similar expressions. PG&E Corporation and the Utility are not able to predict all the factors that may affect future results. Some of the factors that could cause future results to differ materially from those expressed or implied by the forward-looking statements, or from historical results, include, but are not limited to:

- The outcome and timing of the 2015 GT&S rate case, including the amount of revenue disallowance that may be imposed as a penalty for improper ex parte communications and how the authorized revenue requirements are reduced to reflect the disallowance of costs associated with designated safety-related projects and programs as required by the Penalty Decision;
- the outcomes of the federal criminal prosecution of the Utility, the CPUC's investigation of the Utility's natural gas distribution record-keeping practices, the SED's unresolved enforcement action matters, and the other investigations that have been or may be commenced relating to the Utility's compliance with natural gas-related laws and regulations, and the amount of fines, penalties, and remedial costs that the Utility may incur in connection with such matters;
- the timing and outcome of the CPUC's investigation and the pending criminal investigations relating to communications between the Utility and the CPUC that may have violated the CPUC's rules regarding ex parte communications or are otherwise alleged to be improper, and whether such matters negatively affect the final decisions to be issued in the 2015 GT&S rate case or other ratemaking proceedings;
- whether PG&E Corporation and the Utility are able to repair the harm to their reputations caused by the criminal prosecution of the Utility, the state and federal investigations of natural gas incidents, improper communications between the CPUC and the Utility; and the Utility's ongoing work to remove encroachments from transmission pipeline rights-of-way;
- the restrictions on communications between the Utility and the CPUC that have been imposed by the CPUC that, along with continuing public criticism of the Utility and the CPUC, may make it more difficult for the Utility to sustain or repair a constructive working relationship with the CPUC and achieve balanced regulatory outcomes;
- the timing and outcome of ratemaking proceedings (such as the 2015 GT&S rate case, the 2017 GRC and the TO rate cases) and other regulatory proceedings (such as the recently re-opened proceeding related to the Utility's 2006-2008 energy efficiency programs and the proceeding to consider the Utility's proposal to develop an EV charging infrastructure);
- whether the Utility can control its costs within the authorized levels of spending, the extent to which the Utility incurs unrecoverable costs that are higher than the forecasts of such costs, and changes in cost forecasts or the scope and timing of planned work resulting from changes in customer demand for electricity and natural gas or other reasons;
- the amount and timing of additional common stock and debt issuances by PG&E Corporation, the proceeds of which are contributed as equity to maintain the Utility's authorized capital structure as the Utility incurs charges and costs that it cannot recover through rates (including shareholder-funded costs to complete designated safety projects and programs as ordered in the Penalty Decision) and fines;
- the outcome of the recently opened CPUC investigation into the Utility's safety culture, and future legislative or regulatory actions that may be taken to require the Utility to restructure into separate entities, undertake some other corporate restructuring, or implement corporate governance changes;

- the outcomes of future investigations or other enforcement proceedings that may be commenced relating to the Utility's compliance with laws, rules, regulations, or orders applicable to its operations, including the construction, expansion or replacement of its electric and gas facilities; inspection and maintenance practices, customer billing and privacy, and physical and cyber security; and whether the current or potentially worsening state regulatory environment increases the likelihood of unfavorable outcomes;
- the impact of environmental laws, regulations, and orders; the ultimate amount of costs incurred to discharge the Utility's known and unknown remediation obligations; the extent to which the Utility is able to recover environmental costs in rates or from other sources; and the ultimate amount of environmental costs the Utility incurs but does not recover, such as the remediation costs associated with the Utility's natural gas compressor station site located near Hinkley, California;
- the impact of new legislation or NRC regulations, recommendations, policies, decisions, or orders relating to the nuclear industry, including operations, seismic design, security, safety, relicensing, the storage of spent nuclear fuel, decommissioning, cooling water intake, or other issues; and whether the Utility decides to resume its pursuit to renew the two Diablo Canyon operating licenses, and if so, whether the licenses are renewed;
- the impact of droughts or other weather-related conditions or events, wildfires, climate change, natural disasters, acts of terrorism, war, or vandalism (including cyber-attacks), and other events, that can cause unplanned outages, reduce generating output, disrupt the Utility's service to customers, or damage or disrupt the facilities, operations, or information technology and systems owned by the Utility, its customers, or third parties on which the Utility relies; and subject the Utility to third-party liability for property damage or personal injury, or result in the imposition of civil, criminal, or regulatory penalties on the Utility;
- the impact of environmental laws and regulations aimed at the reduction of greenhouse gases, and whether the Utility is able to continue recovering associated compliance costs, such as the cost of emission allowances and offsets under cap-and-trade regulations, and whether the Utility can timely recover renewable energy procurement costs;
- the impact that reductions in customer demand for electricity and natural gas have on the Utility's ability to make and recover its investments through rates and earn its authorized return on equity, and whether the Utility's business strategy to address the impact of growing distributed and renewable generation resources and changing customer demands is successful;
- the supply and price of electricity, natural gas, and nuclear fuel; the extent to which the Utility can manage and respond to the volatility of energy commodity prices; the ability of the Utility and its counterparties to post or return collateral in connection with price risk management activities; and whether the Utility is able to recover timely its electric generation and energy commodity costs through rates;
- whether the Utility's information technology, operating systems and networks, including the advanced metering system infrastructure, customer billing, financial, and other systems, can continue to function accurately while meeting regulatory requirements; whether the Utility is able to protect its operating systems and networks from damage, disruption, or failure caused by cyber-attacks, computer viruses, or other hazards; whether the Utility's security measures are sufficient to protect against unauthorized or inadvertent disclosure of information contained in such systems and networks; and whether the Utility can continue to rely on third-party vendors and contractors that maintain and support some of the Utility's operating systems;
- the amount and timing of charges reflecting probable liabilities for third-party claims; the extent to which costs incurred in connection with third-party claims or litigation can be recovered through insurance, rates, or from other third parties; and whether the Utility can continue to obtain adequate insurance coverage for future losses or claims, especially following a major event that causes widespread third-party losses;
- the ability of PG&E Corporation and the Utility to access capital markets and other sources of debt and equity financing in a timely manner on acceptable terms;
- changes in credit ratings which could result in increased borrowing costs especially if PG&E Corporation or the Utility were to lose its investment grade credit ratings;

- the impact of federal or state laws or regulations, or their interpretation, on energy policy and the regulation of utilities and their holding companies, including how the CPUC interprets and enforces the financial and other conditions imposed on PG&E Corporation when it became the Utility's holding company, and whether the ultimate outcomes of the CPUC's pending investigations, the criminal prosecution, and other enforcement matters affect the Utility's ability to make distributions to PG&E Corporation, and, in turn, PG&E Corporation's ability to pay dividends;
- the outcome of federal or state tax audits and the impact of any changes in federal or state tax laws, policies, regulations, or their interpretation, including whether state law is enacted to prohibit the Utility from claiming tax deductions for costs associated with designated safety-related projects and programs that are disallowed by the Penalty Decision; and
- the impact of changes in GAAP, standards, rules, or policies, including those related to regulatory accounting, and the impact of changes in their interpretation or application.

For more information about the significant risks that could affect the outcome of these forward-looking statements and PG&E Corporation's and the Utility's future financial condition, results of operations, and cash flows, see "Risk Factors" in the 2014 Form 10-K and in Part II, Item. 1A. Risk Factors below. PG&E Corporation and the Utility do not undertake an obligation to update forward-looking statements, whether in response to new information, future events, or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PG&E Corporation's and the Utility's primary market risk results from changes in energy commodity prices. PG&E Corporation and the Utility engage in price risk management activities for non-trading purposes only. Both PG&E Corporation and the Utility may engage in these price risk management activities using forward contracts, futures, options, and swaps to hedge the impact of market fluctuations on energy commodity prices and interest rates. (See the section above entitled "Risk Management Activities" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.)

ITEM 4. CONTROLS AND PROCEDURES

Based on an evaluation of PG&E Corporation's and the Utility's disclosure controls and procedures as of September 30, 2015, PG&E Corporation's and the Utility's respective principal executive officers and principal financial officers have concluded that such controls and procedures were effective to ensure that information required to be disclosed by PG&E Corporation and the Utility in reports that the companies file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms. In addition, PG&E Corporation's and the Utility's respective principal executive officers and principal financial officers have concluded that such controls and procedures were effective in ensuring that information required to be disclosed by PG&E Corporation and the Utility in the reports that PG&E Corporation and the Utility file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to PG&E Corporation's and the Utility's management, including PG&E Corporation's and the Utility's respective principal executive officers and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, PG&E Corporation's or the Utility's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the following legal proceedings, PG&E Corporation and the Utility are involved in various legal proceedings in the ordinary course of their business. For more information regarding PG&E Corporation's and the Utility's contingencies, see Note 9 of the Notes to the Condensed Consolidated Financial Statements.

CPUC Investigations Related to Natural Gas Transmission

For description of this matter, see "Part II, Item 1. Legal Proceedings" in the Form 10-Q for the quarters ended March 31 and June 30, 2015. In addition, see discussion entitled "Enforcement and Litigation Matters" in Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Federal Criminal Indictment

For description of this matter, see "Part II, Item 1. Legal Proceedings" in the Form 10-Q for the quarters ended March 31 and June 30, 2015. In addition, see discussion entitled "Enforcement and Litigation Matters" in Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Litigation Related to the San Bruno Accident and Natural Gas Spending

As of September 30, 2015, there were six purported derivative lawsuits seeking recovery on behalf of PG&E Corporation and the Utility for alleged breaches of fiduciary duty by officers and directors, among other claims.

Four of the complaints were consolidated in an action entitled *Hind Bou-Salman, et. al. v. Peter A. Darbee, et. al.* pending in the San Mateo County Superior Court. On August 28, 2015, the San Mateo County Superior Court overruled the demurrers filed by PG&E Corporation, the Utility and the individual director and officer defendants seeking to dismiss the *Bou-Salman* action, based upon the plaintiffs' failure to demand action by the Boards of PG&E Corporation and the Utility prior to filing the complaint. After the ruling, and pursuant to a writ previously filed by PG&E Corporation, the Utility, and the individual defendants, on September 3, 2015 the California Court of Appeal issued an order staying the *Bou-Salman* action pending the court's final determination whether to stay the matter altogether until the resolution of federal criminal proceedings against the Utility. On September 30, 2015, PG&E Corporation, the Utility, and the individual defendants filed an additional writ petition asking the Court of Appeal to review the lower court's August 28 decision overruling their demurrers. On October 22, 2015, the Court of Appeal issued a ruling stating that it was declining to review the August 28 decision. The other two derivative actions are entitled *Tellardin v. PG&E Corp. et. al.*, pending in the San Mateo County Superior Court, and *Iron Workers Mid-South Pension Fund v. Johns, et. al.*, pending in the United States District Court for the Northern District of California. The *Iron Workers* matter remains stayed by agreement of the parties, pending further developments in the *Bou-Salman* action. There is a case management conference set in the *Tellardin* action for December 21, 2015. In addition, an Evaluation Committee the Board formed in May 2015 continues to consider a demand on the Boards by the plaintiff in the *Tellardin* matter.

PG&E Corporation and the Utility are uncertain when and how the above lawsuits and the shareholder demand will be resolved.

For additional information regarding these matters, see the discussion entitled "Enforcement and Litigation Matters" above in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition, see "Part I, Item 3. Legal Proceedings" in the 2014 Form 10-K, and "Part II, Item 1. Legal Proceedings" in the Form 10-Q for the quarters ended March 31 and June 30, 2015.

Other Enforcement Matters

In addition, fines may be imposed, or other regulatory or governmental enforcement action could be taken, with respect to the Utility's self-reports of noncompliance with natural gas safety regulations, prohibited ex parte communications between the Utility and CPUC personnel, investigations that were commenced after a pipeline explosion in Carmel, California on March 3, 2014, and other enforcement matters. See the discussion entitled "Enforcement and Litigation Matters" above in Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 9 of the Notes to the Condensed Consolidated Financial Statements. In addition, see "Part I, Item 3. Legal Proceedings" in the 2014 Form 10-K.

Diablo Canyon Nuclear Power Plant

For more information regarding the status of the 2003 settlement agreement between the Central Coast Regional Water Quality Control Board and the Utility, see “Part I, Item 3. Legal Proceedings” in the 2014 Form 10-K.

ITEM 1A. RISK FACTORS

For information about the significant risks that could affect PG&E Corporation's and the Utility's future financial condition, results of operations, and cash flows, see the section of the 2014 Form 10-K entitled "Risk Factors," as supplemented below, and the section of this quarterly report entitled "Cautionary Language Regarding Forward-Looking Statements."

PG&E Corporation's and the Utility's future financial results will continue to be materially affected as the Utility complies with the Penalty Decision and also may be materially affected by the outcomes of the 2015 GT&S rate case, the CPUC investigative enforcement proceeding regarding the Utility's natural gas distribution record - keeping, the ongoing federal criminal prosecution of the Utility, and the other federal, state and regulatory proceedings discussed above. In addition, their financial results may be materially affected if the Utility is required to refund incentive awards or incur other obligations with respect to its 2006-2008 energy efficiency programs.

PG&E Corporation's EPS will be materially affected by dilutive common stock issuances needed to fund equity contributions to the Utility to comply with the terms of the Penalty Decision, as discussed above in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Note 9 of the Condensed Consolidated Financial Statements. The Utility will incur material unrecoverable costs to meet the Penalty Decision's requirement to fund safety-related projects and programs to be identified by the CPUC in the GT&S rate case. Depending on how the CPUC designates pipeline safety-related projects and programs the Utility is required to fund, and how the Utility's associated costs are counted toward meeting the \$850 million maximum disallowance, the ultimate amount of unrecoverable pipeline-related costs the Utility incurs may be higher than current forecasts. In addition, the Penalty Decision requires the Utility to implement various remedial measures which the CPUC estimated would cost \$50 million. Actual costs to implement the remedies could be higher. The Penalty Decision also requires the SED to review the Utility's gas transmission operations (including review of the Utility's compliance with the remedies ordered by the Penalty Decision) and to perform annual audits (for a minimum of ten years) of the Utility's record - keeping practices. The Utility could incur material charges, including fines and other penalties, depending on the outcome of these future audits.

The ultimate financial impact of the Penalty Decision also could be affected by the tax treatment of the costs the Utility incurs to comply with the Penalty Decision. Although proposed state legislation to prohibit the Utility from claiming state tax deductions for charges associated with the Penalty Decision was defeated in September 2015, similar legislation may be passed in the future.

The Utility could incur material charges, including fines and other penalties, in connection with the CPUC's investigation of the Utility's compliance with natural gas distribution record-keeping practices, and the self-reports the Utility has submitted to the CPUC in accordance with the SED's safety citation program, and the Utility's efforts to identify and remove encroachments from transmission pipeline rights of way.

The CPUC has not yet taken action with respect to the City of San Bruno's allegations that the Utility violated the CPUC's rules regarding ex parte communications, or with respect to the Utility's self-reports about communications that may constitute or describe ex parte communications. Federal and state law enforcement authorities also have begun investigations in connection with these matters. The CPUC, or federal or state law enforcement authorities, could take enforcement action against the Utility with respect to these matters, and additional fines or penalties could be imposed on the Utility which could materially affect PG&E Corporation's and the Utility's financial results.

If the Utility is convicted of federal criminal charges, the Utility could be required to pay fines. Based on the superseding indictment's allegations, the maximum alternative fine would be approximately \$1.13 billion. The Utility also could incur a material amount of costs to comply with remedial measures that may be imposed on the Utility, such as a requirement that the Utility's natural gas operations be supervised by a third-party monitor. The Utility was informed that the U.S. Attorney's Office was investigating a natural gas explosion that occurred in Carmel, California on March 3, 2014. The U.S. Attorney's Office in San Francisco also continues to investigate matters related to the indicted case discussed above. It is uncertain whether any additional charges will be brought against the Utility.

Further, the CPUC has begun a new investigation to examine the Utility's safety culture and practices and has directed the SED to engage a consultant to evaluate the Utility's and PG&E Corporation's organizational culture, governance, policies, practices, and accountability metrics in relation to the Utility's record of operations, including its record of safety incidents. Although the initial phase of the proceeding has been categorized as rate setting, the assigned Commissioner will determine the scope of and next actions in the proceeding following the completion of the consultant's report. The timing, scope and potential outcome of the investigation and successor proceedings are uncertain.

PG&E Corporation and the Utility may incur material liability in connection with the recent wildfires in Northern California .

In September 2015, a wildfire (known as the "Butte fire") ignited and spread in Amador and Calaveras Counties in Northern California. Although the cause of the fire has not yet been determined, the Utility could incur material liability for claims from third parties, including claims for property damage, fire suppression costs, personal injury, or other claims. If insurance recoveries are unavailable or insufficient to cover such losses, PG&E Corporation's and the Utility's financial condition or results of operations could be materially affected. The Utility also could be subject to material fines, or penalties or disallowances if the CPUC or other law enforcement agency brought enforcement action against the Utility.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2015, PG&E Corporation made equity contributions totaling \$ 420 million to the Utility in order to maintain the 52% common equity component of the Utility's CPUC-authorized capital structure. Neither PG&E Corporation nor the Utility made any sales of unregistered equity securities during the quarter ended September 30, 2015.

Issuer Purchases of Equity Securities

During the quarter ended September 30, 2015, PG&E Corporation did not redeem or repurchase any shares of common stock outstanding. During the quarter ended September 30, 2015, the Utility did not redeem or repurchase any shares of its various series of preferred stock outstanding.

ITEM 5. OTHER INFORMATION

Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

The Utility's earnings to fixed charges ratio for the nine months ended September 30, 2015 was 1.88. The Utility's earnings to combined fixed charges and preferred stock dividends ratio for the nine months ended September 30, 2015 was 1.86. The statement of the foregoing ratios, together with the statements of the computation of the foregoing ratios filed as Exhibits 12.1 and 12.2 hereto, are included herein for the purpose of incorporating such information and Exhibits into the Utility's Registration Statement No. 333-193879.

PG&E Corporation's earnings to fixed charges ratio for the nine months ended September 30, 2015 was 1.87. The statement of the foregoing ratio, together with the statement of the computation of the foregoing ratio filed as Exhibit 12.3 hereto, is included herein for the purpose of incorporating such information and Exhibit into PG&E Corporation's Registration Statement No. 333-193880.

ITEM 6. EXHIBITS

- 3 Bylaws of Pacific Gas and Electric Company amended as of August 17, 2015 (incorporated by reference to Pacific Gas and Electric Company's Form 8-K filed on July 14, 2015 (File No. 1-2348), Exhibit 99.2)
- *10.1 Amended and Restated PG&E Corporation Director Grantor Trust Agreement dated October 1, 2015
- *10.2 Amended and Restated PG&E Corporation Officer Grantor Trust Agreement dated October 1, 2015
- *10.3 PG&E Corporation 2005 Supplemental Retirement Savings Plan as amended effective September 15, 2015
- 12.1 Computation of Ratios of Earnings to Fixed Charges for Pacific Gas and Electric Company
- 12.2 Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends for Pacific Gas and Electric Company
- 12.3 Computation of Ratios of Earnings to Fixed Charges for PG&E Corporation
- 31.1 Certifications of the Principal Executive Officer and the Principal Financial Officer of PG&E Corporation required by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certifications of the Principal Executive Officer s and the Principal Financial Officer of Pacific Gas and Electric Company required by Section 302 of the Sarbanes-Oxley Act of 2002
- **32.1 Certifications of the Principal Executive Officer and the Principal Financial Officer of PG&E Corporation required by Section 906 of the Sarbanes-Oxley Act of 2002
- **32.2 Certifications of the Principal Executive Officer s and the Principal Financial Officer of Pacific Gas and Electric Company required by Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

*Management contract or compensatory agreement.

** Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this Quarterly Report on Form 10-Q to be signed on their behalf by the undersigned thereunto duly authorized.

PG&E CORPORATION

KENT M. HARVEY

Kent M. Harvey
Senior Vice President and Chief Financial Officer
(duly authorized officer and principal financial officer)

PACIFIC GAS AND ELECTRIC COMPANY

DINYAR B. MISTRY

Dinyar B. Mistry
Vice President, Chief Financial Officer and Controller
(duly authorized officer and principal financial officer)

Dated: October 28, 2015

EXHIBIT INDEX

- 3 Bylaws of Pacific Gas and Electric Company amended as of August 17, 2015 (incorporated by reference to Pacific Gas and Electric Company's Form 8-K filed on July 14, 2015 (File No. 1-2348), Exhibit 99.2)
- *10.1 Amended and Restated PG&E Corporation Director Grantor Trust Agreement dated October 1, 2015
- *10.2 Amended and Restated PG&E Corporation Officer Grantor Trust Agreement dated October 1, 2015
- *10.3 PG&E Corporation 2005 Supplemental Retirement Savings Plan as amended effective September 15, 2015
- 12.1 Computation of Ratios of Earnings to Fixed Charges for Pacific Gas and Electric Company
- 12.2 Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends for Pacific Gas and Electric Company
- 12.3 Computation of Ratios of Earnings to Fixed Charges for PG&E Corporation
- 31.1 Certifications of the Principal Executive Officer and the Principal Financial Officer of PG&E Corporation required by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certifications of the Principal Executive Officer s and the Principal Financial Officer of Pacific Gas and Electric Company required by Section 302 of the Sarbanes-Oxley Act of 2002
- **32.1 Certifications of the Principal Executive Officer and the Principal Financial Officer of PG&E Corporation required by Section 906 of the Sarbanes-Oxley Act of 2002
- **32.2 Certifications of the Principal Executive Officer s and the Principal Financial Officer of Pacific Gas and Electric Company required by Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

*Management contract or compensatory agreement.

** Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this report.

AMENDED AND RESTATED PG&E CORPORATION DIRECTOR GRANTOR TRUST AGREEMENT

This Director Grantor Trust Agreement (the "Trust Agreement") is made this 1st day of October, 2015 by and between **PG&E CORPORATION** ("the Company") and **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("the Trustee").

Recitals

- (a) **WHEREAS**, the Company has adopted the nonqualified deferred compensation Plans and Agreements (the "Arrangements") as listed in Attachment I;
- (b) **WHEREAS**, the Company has incurred or expects to incur liability under the terms of such Arrangements with respect to the individuals participating in such Arrangements (the "Participants and Beneficiaries");
- (c) **WHEREAS**, the Company established a Trust (the "Trust") on April 1, 1998 and periodically contributes Trust assets that shall be held therein, subject to the claims of the Company's creditors in the event of the Company's "Insolvency," as herein defined, until paid to Participants and their Beneficiaries in such manner and at such times as specified in the Plan and in this Trust Agreement;
- (d) **WHEREAS**, the Company desires to amend and restate the Trust Agreement to add certain provisions regarding the Trust's administration in the event of a Potential Change in Control or a Change in Control, as defined herein;
- (e) **WHEREAS**, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Arrangements as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974; and
- (e) **WHEREAS**, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds (the "Fund") to assist it in satisfying its Liabilities under the Arrangements.

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of The Trust

- (a) The Trust is intended to be a Grantor Trust, of which the Company is the Grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.
- (b) The Company shall be considered a Grantor for the purposes of the Trust.
- (c) The Trust hereby established is irrevocable.
- (d) The Company maintains a Trust with assets and such assets shall be held, administered and disposed of by the Trustee as provided in this Trust Agreement.
- (e) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants and their Beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Arrangements and this Trust Agreement shall be unsecured contractual rights of Participants and their Beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the general creditors of the Company under federal and state law in the event the Company is Insolvent, as defined in Section 3(a) herein.
- (f) The Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to the Trustee in the Trust to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Prior to a Change in Control, neither the Trustee nor any Participant or Beneficiary shall have any right to compel additional deposits.
- (g) Upon a Change in Control, and annually within 90 days following each December 31 thereafter, the Company shall, as soon as possible, but in no event longer than thirty (30) days following the occurrence of a Change in Control, make an irrevocable contribution to the Trust in an amount that is sufficient (taking into account the Trust assets, if any, resulting from prior contributions) to fund the Trust in an amount equal to no less than 100% but no more than 120% of the amount necessary to pay each Participant or Beneficiary the benefits to which Participants or their Beneficiaries would be entitled pursuant to the terms of the Arrangements as of the date on which the Change in Control occurred. The Company shall also fund an Expense Reserve for the Trustee in the amount of \$225,000.. The Company shall true up the Expense Reserve annually within 90 days following each December 31 thereafter.

Section 2. Payments to Participants and Their Beneficiaries

- (a) Prior to a Change in Control, distributions from the Trust shall be made by the Trustee to Participants and Beneficiaries at the direction of the Company. The entitlement of a Participant or his or her Beneficiaries to benefits under the Arrangements shall be determined by the Company or such party or professional administrator as it shall designate under the Arrangements as the Company's agent, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Arrangements.
- (b) The Company may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Arrangements. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to Participants or their Beneficiaries. Before a Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets, and debit the account of each Participant or his or her Beneficiary, for amounts paid directly to the Participant or their Beneficiaries by the Company. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Company has made the direct payments. No such reimbursement shall be allowed after a Change in Control that would result in Trust assets equaling less than 100% of the Required Funding and Expense Reserve.

In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Arrangements, the Company shall make the balance of each such payment as it falls due in accordance with the Arrangements. The Trustee shall notify the Company where principal and earnings are not sufficient. Nothing in this Agreement shall relieve the Company of its liabilities to pay benefits due under the Arrangements except to the extent such liabilities are met by application of assets of the Trust.

- (c) After a Change in Control, the Company shall continue to make the determination of benefits due to Participants or their Beneficiaries and shall provide the Trustee with a schedule of benefits due. The Trustee shall pay benefits due in accordance with such schedule; provided however, a Participant or their Beneficiaries may make application to the Trustee for an independent decision as to the amount or form of their benefits due under the Arrangements. In making any determination required or permitted to be made by the Trustee under this Section, the Trustee shall, in each such case, reach its own independent determination, in its absolute and sole discretion, as to the amount or form of the Participant's or Beneficiary's payment hereunder. In making its determination, the Trustee may consult with and make such inquiries of such persons, including the Participant or Beneficiary, the Company, legal counsel, actuaries or other persons, as the Trustee may reasonably deem necessary. Any reasonable costs incurred by the Trustee in arriving at its determination shall be reimbursed by the Company and, to the extent not paid by the Company within a reasonable time, shall be charged to the Trust. The Company waives any right to contest any amount paid over by the Trustee hereunder pursuant to a good faith determination made by the Trustee notwithstanding any claim by or on behalf of the Company (absent a manifest abuse of discretion by the Trustee) that such payments should not be made.
- (d) The Trustee agrees that it will not itself institute any action at law or at equity, whether in the nature of an accounting, interpleading action, request for a declaratory judgment or otherwise, requesting a court or administrative or quasi-judicial body to make the determination required to be made by the Trustee under this Section 2 in the place and stead of the Trustee. The Trustee may (and, if necessary or appropriate, shall) institute an action to collect a contribution due the Trust following a Change in Control or in the event that the Trust should ever experience a short-fall in the amount of assets necessary to make payments pursuant to the terms of the Arrangements.
- (e) In the event any Participant or his or her beneficiary is determined to be subject to federal income tax on any amount to the credit of his or her account under any Arrangement prior to the time of payment hereunder, whether or not due to the establishment of or contributions to this Trust, a portion of such taxable amount equal to the federal, state and local taxes (excluding any interest or penalties) owed on such taxable amount, shall be distributed by the Trustee as soon thereafter as practicable to such Participant or Beneficiary but only to the extent that such distribution would not trigger taxation under Section 409A of the Internal Revenue Code ("Section 409A") or violate applicable law, as determined by the Company. For these purposes, except as required otherwise by Section 409A, a Participant or Beneficiary shall be deemed to pay state and local taxes at the highest marginal rate of taxation in the state in which the Participant resides or is employed (or both) where a tax is imposed and federal income taxes at the highest marginal rate of taxation, net the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Such distributions shall be at the direction of the Company, or upon proper application of the Participant or Beneficiary. The actual amount of the distribution and whether the distribution complies with this Section 2(e) shall be determined by the Company, except that following a Change in Control, the Trustee may make such determinations to the extent permitted by Section 2(c). Except as otherwise required to avoid taxation under Section 409A an amount to the credit of a Participant's Account shall be determined to be subject to federal income tax upon the earliest of: (a) a final determination by the United States Internal Revenue Service addressed to the Participant or his Beneficiary which is now appealed to the courts; (b) a final determination by the United States Tax court or any other federal court affirming any such determination by the Internal Revenue Service; or (c) an opinion by the Company's tax counsel, addressed to the Company and the Trustee, to the effect that by reason of Treasury Regulations, amendments to the Internal Revenue Code, published Internal Revenue Service rulings, court decisions or other substantial precedent, amounts to the credit of Participants hereunder are subject to federal income tax prior to payment. The Company may, but is not required to, undertake at its sole expense to defend any tax claims described herein which are asserted by the Internal Revenue Service against any Participant or Beneficiary, including attorney fees and cost of appeal, and shall have the sole authority to determine whether or not to appeal any determination made by the Service or by a lower court. Any distributions from the Fund to a Participant or Beneficiary under this Section 2(e) shall be applied in accordance with provisions of the Arrangement to reduce the Company liabilities to such Participant and/or Beneficiary under the Arrangement with such reductions to be made on a pro-rata basis over the term of benefit payments under the Arrangement. Any reduction in accordance with the foregoing sentence and the Arrangements shall be determined by the Company prior to a Change of Control. Following a Change of Control, the Company shall continue to make such determination subject to the right of a Participant to petition the Trustee under Section 2 (c).

**Section 3. Trustee Responsibility Regarding Payments
To The Trust Beneficiary When The Company Is Insolvent**

- (a) The Trustee shall cease payment of benefits to Participants and their Beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.
- (b) At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

- (1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing that the Company is Insolvent. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Participants or their Beneficiaries.
 - (2) Unless the Trustee has actual knowledge that the Company is Insolvent, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.
 - (3) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to Participants or their Beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Participants or their Beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Arrangements or otherwise.
 - (4) The Trustee shall resume the payment of benefits to Participants or their Beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).
- (c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Participants or their Beneficiaries under the terms of the Arrangements for the period of such discontinuance, less the aggregate amount of any payments made to Participants or their Beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments When a Short-Fall of The Trust Assets Occurs

- (a) If there are not sufficient assets for the payment of current and expected future benefits pursuant to Section 2 or Section 3(c) hereof and the Company does not otherwise make such payments within a reasonable time after demand from the Trustee, the Trustee shall allocate the Trust assets among the Participants or their Beneficiaries in the following order of priority:
- (1) retired Participants and their Beneficiaries;
 - (2) vested Participants over the age of 55 who are terminated within two years following a Change of Control and their Beneficiaries;
 - (3) vested active Participants over the age of 55 and their Beneficiaries;
 - (4) any other vested active Participants and their Beneficiaries;
 - (5) vested former Participants and their Beneficiaries; and
 - (6) non-vested Participants and their Beneficiaries.
- (b) Within each category, assets shall be allocated pro-rata with respect to the total present value of benefits expected for each Participant or Beneficiary within the category, and payments to each Participant or Beneficiary shall be made to the extent of the assets allocated to each Participant or Beneficiary.
- (c) Upon receipt of a contribution from the Company necessary to make up for a short-fall in the payments due, the Trustee shall resume payments to all the Participants and Beneficiaries under the Arrangements. Following a Change in Control, the Trustee shall have the right and duty to compel a contribution to the Trust from the Company to make-up for any short-fall.

Section 5. Payments to the Company

- (a) Except as provided in Section 2(b), Section 5(b), and Section 8(a) hereof, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to Participants and their Beneficiaries pursuant to the terms of the Arrangements.
- (b) In the event that the Company, prior to a Change in Control, or the Trustee in its sole and absolute discretion, after a Change in Control, determines that the Trust assets exceed one-hundred percent (100%) of the anticipated benefit obligations and administrative expenses that are to be paid under the Arrangements, the Trustee, at the written direction of the Company, prior to a Change in Control, or the Trustee in its sole and absolute discretion, after a Change in Control, shall distribute to the Company such excess portion of Trust assets.

Section 6. Investment Authority

- (a) Prior to a Change in Control, the Company shall have the right, subject to this Section, to direct the Trustee with respect to investments.
- (1) The Company may direct the Trustee to segregate all or a portion of the Fund in a separate investment account or accounts and may appoint one or more investment managers and/or an Investment Committee established by the Company as described in 6(c) to direct the investment and reinvestment of each such investment account or accounts. In such event, the Company shall notify the Trustee of the appointment of each such investment manager and/or Investment Committee. No such investment manager shall be related, directly or indirectly, to the Company, but members of the Investment Committee may be employees of the Company.
 - (2) Thereafter, until a Change in Control, the Trustee shall make every sale or investment with respect to such investment account as directed in

writing by the investment manager or Investment Committee. It shall be the duty of the Trustee to act strictly in accordance with each direction. The Trustee shall be under no duty to question any such direction of the investment manager or Investment Committee, to review any securities or other property held in such investment account or accounts acquired by it pursuant to such directions or to make any recommendations to the investment managers or Investment Committee with respect to such securities or other property.

- (3) Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from an investment manager or Investment Committee, shall invest cash balances held by it from time to time in short term cash equivalents including, but not limited to, through the medium of any short term fund established and maintained by the Trustee subject to the instrument establishing such trust fund, U.S. Treasury Bills, commercial paper (including such forms of commercial paper as may be available through the Trustee's Trust Department), certificates of deposit (including certificates issued by the Trustee in its separate corporate capacity), and similar type securities, with a maturity not to exceed one year; and, furthermore, sell such short term investments as may be necessary to carry out the instructions of an investment manager or Investment Committee regarding more permanent type investment and directed distributions.
- (4) The Trustee shall neither be liable nor responsible for any loss resulting to the Fund by reason of any sale or purchase of an investment directed by an investment manager or Investment Committee nor by reason of the failure to take any action with respect to any investment which was acquired pursuant to any such direction in the absence of further directions of such investment manager or Investment Committee.
 - a. Notwithstanding anything in this Agreement to the contrary, the Trustee shall be indemnified and saved harmless by the Company from and against any and all personal liability to which the Trustee may be subjected by carrying out any directions of an investment manager or Investment Committee issued pursuant hereto or for failure to act in the absence of directions of the investment manager or Investment Committee including all expenses reasonably incurred in its defense in the event the Company fails to provide such defense; provided, however, the Trustee shall not be so indemnified if it participates knowingly in, or knowingly undertakes to conceal, an act or omission of an investment manager or Investment Committee, having actual knowledge that such act or omission is a breach of a fiduciary duty; provided further, however, that the Trustee shall not be deemed to have knowingly participated in or knowingly undertaken to conceal an act or omission of an investment manager or Investment Committee with knowledge that such act or omission was a breach of fiduciary duty by merely complying with directions of an investment manager or Investment Committee or for failure to act in the absence of directions of an investment manager or Investment Committee. The Trustee may rely upon any order, certificate, notice, direction or other documentary confirmation purporting to have been issued by the investment manager or Investment Committee which the Trustee believes to be genuine and to have been issued by the investment manager or Investment Committee. The Trustee shall not be charged with knowledge of the termination of the appointment of any investment manager or Investment Committee until it receives written notice thereof from the Company.
 - b. The Company, prior to a Change in Control, may direct the Trustee to invest in securities (including stock and the rights to acquire stock) or obligations issued by the Company.
 - c. All rights associated with respect to any investment held by the Trust, including but not limited to, exercising or voting of proxies, in person or by general or limited proxy, shall be in accordance with and as directed in writing by the Company or its authorized representative.
- (b) Subject to investment directions provided in writing from time to time by the Company, the Trustee shall have the power in investing and reinvesting the Fund in its sole discretion:
 - (1) To invest and reinvest in any readily marketable common and preferred stocks (including any stock or security of the Company), bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of the Trustee other than a de minimus amount held in a mutual fund), certificates of deposit or demand or time deposits (including any such deposits with the Trustee), limited partnerships or limited liability companies, private placements and shares of investment companies, and mutual funds, without being limited to the classes or property in which the Trustee is authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Fund. Without limitation, the Trustee may invest the Trust in any investment company (including any investment company or companies for which Wells Fargo Bank, N.A. or an affiliated company acts as the investment advisor {"Special Investment Companies"}) or, any insurance contract or contracts issued by an insurance company or companies in each case as the Trustee may determine provided that the Trustee may in its sole discretion keep such portion of the Trust in cash or cash balances for such reasonable periods as may from time to time be deemed advisable pending investment or in order to meet contemplated payments of benefits;
 - (2) To invest and reinvest all or any portion of the Fund collectively through the medium of any proprietary mutual fund that may be established and maintained by the Trustee;
 - (3) To commingle for investment purposes all or any portion of the Fund with assets of any other similar trust or trusts established by the Company with the Trustee for the purpose of safeguarding deferred compensation or retirement income benefits of its employees and/or directors;
 - (4) To retain any property at any time received by the Trustee;
 - (5) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;
 - (6) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;
 - (7) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof for any assessments levied with respect to any such property to be deposited;

- (8) To extend the time of payment of any obligation held by it;
 - (9) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;
 - (10) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;
 - (11) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;
 - (12) To employ suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;
 - (13) To register investments in its own name or in the name of a nominee; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held separate from securities deposited therein by other persons; provided, however, that no securities held in the Fund shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the Trust Fund;
 - (14) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;
 - (15) Subject to Section 7, to hold and retain policies of life insurance, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or any subsidiary of the Company or are purchased by the Trustee;
 - (16) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee, unless expressly prohibited herein;
 - (17) To loan any securities at any time held by it to brokers or dealers upon such security as may be deemed advisable, and during the terms of any such loan to permit the loaned securities to be transferred into the name of and voted by the borrower or others; and
 - (18) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.
- (c) Prior to a Change of Control, the Board of Directors of the Company may appoint an Investment Committee to direct the investment of the Fund. The Investment Committee may exercise any powers relating to the investment of Trust assets as described in Sections 6 and 7 hereof. The Investment Committee shall exercise its authority by an affirmative action of a majority of members constituting the Investment Committee, expressed from time to time by a vote at a meeting of the Investment Committee, or in an action in writing signed by all members without a meeting. Prior to Change of Control, the Board of Directors of the Company shall have the right to remove and replace any member of the Investment Committee at any time by notice in writing to that member. Following a Change of Control, the Company shall have no authority to remove or replace members of the Investment Committee, and any vacancy in the membership of the Investment Committee, created by resignation, disability, death or otherwise, shall be filled by the vote of a majority of the members of the Investment Committee then in office. Following a Change of Control, the Investment Committee then on its own initiative, acquire fiduciary insurance for the benefits of its members at the Company's expense. If for any reason, the Company does not pay the premiums for such insurance, the Trustee shall pay such premiums out of the Trust assets and seek reimbursement from the Company.
- (d) Following a Change in Control, the Trustee shall have the sole and absolute discretion in the management of the Trust assets and shall have all the powers set forth under Section 6(b). In investing the Trust assets, the Trustee shall consider:
- (1) the needs of the Arrangements;
 - (2) the need for matching of the Trust assets with the liabilities of the Arrangements; and
 - (3) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.
- (e) The Trustee shall have the right, in its sole discretion, to delegate its investment responsibility to an investment manager who may be an affiliate of the Trustee. In the event the Trustee shall exercise this right, the Trustee shall remain, at all times responsible for the acts of an investment manager. The Trustee shall have the right to purchase an insurance policy or an annuity to fund the benefits of the Arrangements.
- (f) The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets (other than securities issued by the Trustee or the Company) of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity; provided, however, that, following a Change in Control, no such substitution shall be permitted unless the Trustee determines that the fair market values of the substituted assets are equal.

Section 7. Insurance Contracts

- (a) To the extent that the Trustee is directed by the Company prior to a Change in Control to invest part or all of the Trust Fund in insurance contracts, the type and amount thereof shall be specified by the Company. The Trustee shall be under no duty to make inquiry as to the propriety of the type or amount so specified.
- (b) Each insurance contract issued shall provide that the Trustee shall be the owner thereof with the power to exercise all rights, privileges, options and elections granted by or permitted under such contract or under the rules of the insurer. The exercise by the Trustee of any incidents of ownership under any contract shall, prior to a Change in Control, be subject to the direction of the Company. After a Change in Control, the Trustee shall have all such rights.
- (c) The Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against an insurance policy held in the Trust Fund.
- (d) No insurer shall be deemed to be a party to the Trust and an insurer's obligations shall be measured and determined solely by the terms of contracts and other agreements executed by the insurer.

Section 8. Disposition of Income

- (a) Prior to a Change in Control, all income received by the Trust, net of expenses and taxes, may be returned to the Company or accumulated and reinvested within the Trust at the direction of the Company.
- (b) Following a Change in Control, all income received by the Trust, net of expenses and taxes payable by the Trust, shall be accumulated and reinvested within the Trust.

Section 9. Accounting by the Trustee

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within forty-five (45) days following the close of each calendar year and within forty-five (45) days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. The Company may approve such account by an instrument in writing delivered to the Trustee. In the absence of the Company's filing with the Trustee objections to any such account within ninety (90) days after its receipt, the Company shall be deemed to have so approved such account. In such case, or upon the written approval by the Company of any such account, the Trustee shall, to the extent permitted by law, be discharged from all liability to the Company for its acts or failures to act described by such account. The foregoing, however, shall not preclude the Trustee from having its accounting settled by a court of competent jurisdiction. The Trustee shall be entitled to hold and to commingle the assets of the Trust in one Fund for investment purposes but at the direction of the Company prior to a Change in Control, the Trustee shall create one or more sub-accounts.

Section 10. Responsibility of The Trustee

- (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Arrangements or this Trust and is given in writing by the Company. In the event of a dispute between the Company and a party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute, subject, however to Section 2(d) hereof.
- (b) The Company hereby indemnifies the Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of the Trust, unless resulting from the negligence or misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this paragraph 10(b), in a reasonably timely manner, the Trustee may obtain payment from the Trust. If the Trustee undertakes or defends any litigation arising in connection with this Trust or to protect a Participant's or Beneficiary's rights under the Arrangements, the Company agrees to indemnify the Trustee against the Trustee's costs, reasonable expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
- (c) Prior to a Change in Control, the Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder. Following a Change in Control the Trustee shall select independent legal counsel and may consult with counsel or other persons with respect to its duties and with respect to the rights of Participants or their Beneficiaries under the Arrangements.
- (d) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and may rely on any determinations made by such agents and information provided to it by the Company.
- (e) The Trustee shall have, without exclusion, all powers conferred on the Trustee by applicable law, unless expressly provided otherwise herein.
- (f) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

Section 11. Compensation and Expenses of The Trustee

The Trustee's compensation shall be as agreed in writing from time to time by the Company and the Trustee. The Company shall pay all administrative expenses and the Trustee's fees and shall promptly reimburse the Trustee for any fees and expenses of its agents. If not so paid within thirty (30) days of being invoiced, the fees and expenses shall be paid from the Trust.

Section 12. Resignation and Removal of The Trustee

- (a) Prior to a Change in Control, the Trustee may resign at any time by written notice to the Company, which shall be effective sixty (60) days after receipt of such notice unless the Company and the Trustee agree otherwise. Following a Change in Control, the Trustee may resign only after the appointment of a successor Trustee.
- (b) The Trustee may be removed by the Company on sixty days (60) days notice or upon shorter notice accepted by the Trustee prior to a Change in Control. Subsequent to a Change in Control, the Trustee may only be removed by the Company with the consent of a Majority of the Participants.
- (c) If the Trustee resigns within two years after a Change in Control, as defined herein, the Company, or if the Company fails to act within a reasonable period of time following such resignation, the Trustee, may apply to a court of competent jurisdiction for the appointment of a successor Trustee which satisfies the requirements of Section 13 or for instructions.
- (d) Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless the Company extends the time limit.
- (e) If the Trustee resigns or is removed, a successor shall be appointed by the Company, in accordance with Section 13 hereof, by the effective date of resignation or removal under paragraph(s) (a) or (b) of this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 13. Appointment of Successor

- (a) If the Trustee resigns or is removed in accordance with Section 12 hereof, the Company may appoint, subject to Section 12, any third party national banking association with a market capitalization exceeding \$100,000,000 to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.
- (b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Section 9 and 10 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

Section 14. Amendment or Termination

- (a) This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company, except as otherwise provided in this Section 14. Authority to approve amendments on behalf of the Company is delegated to the Compensation Committee (or its successor) or its authorized representatives, except that amendments to Attachment I may be approved on behalf of the Company by the P&GE Corporation Employee Benefits Committee (or its successor). Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Arrangements or shall make the Trust revocable.
- (b) The Trust shall not terminate until the date on which Participants and their Beneficiaries have received all of the benefits due to them under the terms and conditions of the Arrangements.
- (c) Upon written approval of all Participants or Beneficiaries entitled to payment of benefits pursuant to the terms of the Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Arrangements have been made. All assets in the Trust at termination shall be returned to the Company.
- (d) This Trust Agreement may not be amended by the Company following a Potential Change in Control or Change in Control without the written consent of a Majority of the Participants. In the event a Change in Control, as defined herein, does not occur within two (2) years of a Potential Change in Control, the Company's right to amend the Trust without the consent of a Majority of Participants shall be restored pursuant to Section 14(a).

Section 15. Change in Control

- (a) For purposes of this Trust, the following terms shall be defined as set forth below:
 - (1) "Potential Change in Control" shall mean the earliest to occur of (i) the date on which the Company executes an agreement or letter of intent, where the consummation of the transaction described therein would result in the occurrence of a Change in Control, (ii) the date on which the Board of Directors approves a transaction or series of transactions, the consummation of which would result in a Change in Control, or (iii) the date on which a tender offer for the Company's voting stock is publicly announced, the completion of which would result in a Change in Control; provided, however, that if such Potential Change in Control terminates by its terms, such transaction shall no longer constitute a Potential Change in Control

(2) Change in Control shall mean the occurrence of any of the following:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ("Exchange Act"), but excluding any benefit plan for employees or any trustee, agent or other fiduciary for any such plan acting in such person's capacity as such fiduciary), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act) of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; or
- (ii) during any two consecutive years, individuals who at the beginning of such a period constitute the Board of Directors of the Company ("Board") cease for any reason to constitute at least a majority of the Board, unless the election, or the nomination for election by the shareholders of the Company, of each new member of the Board ("Director") was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the Directors then still in office (1) who were Directors at the beginning of the period or (2) whose election or nomination was previously so approved; or
- (iii) the consummation of any consolidation or merger of the Company other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto continuing to directly or indirectly hold at least seventy percent (70%) of the Combined Voting Power of the Company, the surviving entity in the merger or consolidation or the parent of such surviving entity outstanding immediately after the merger or consolidation; or
- (iv) (1) the consummation of any sale, lease, exchange or other transfer (in one or a series of related transactions) of all or substantially all of the assets of the Company or (2) the approval of the shareholders of the Company of a plan of liquidation or dissolution of the Company.

For purposes of this Section 15(a), the incumbent Board, by a majority vote, shall have the power to determine on the basis of information known to them (a) the number of shares beneficially owned by any person, entity or group; (b) whether there exists an agreement, arrangement or understanding with another as to matters referred to in this Section 15(a); and (c) such other matters with respect to which a determination is necessary under this Section 15(a).

Notwithstanding the foregoing, the phrase "Change of Control" shall not apply to any reorganization or merger initiated voluntarily by the Company in which the Company is the continuing surviving entity.

- (3) Majority of Participants shall mean Participants whose vested account balance(s) within the Plan(s)/Arrangement(s) indicated on Attachment I of this Trust Agreement exceed 50% of the Trust Assets.
- (b) The General Counsel of the Company shall have the specific authority to determine whether a Potential Change in Control or Change in Control has transpired, and to determine whether the Potential Change in Control is void under the guidance of this Section 15 and shall be required to give the Trustee notice of a Potential Change in Control, a Change in Control, or a void Potential Change in Control. The Trustee shall be entitled to rely upon such notice, but if the Trustee receives notice of a Change in Control from another source, the Trustee shall make its own independent determination.

Section 16. Confidentiality

- (a) This Trust Agreement and certain information relating to the Trust is "Confidential Information" pursuant to applicable federal and state law, and as such it shall be maintained in confidence and not disclosed, used or duplicated, except as described in this section. If it is necessary for the Trustee to disclose Confidential Information to a third party in order to perform the Trustee's duties hereunder and the Company has authorized the Trustee to do so, the Trustee shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Trustee and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. If it is necessary for the Company to disclose Confidential Information to a third party in order to perform the Company's duties hereunder and the Trustee has authorized the Company to do so, the Company shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Company and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. The Trustee and the Company shall maintain an appropriate information security program and adequate administrative and physical safeguards to prevent the unauthorized disclosure, misuse, alteration or destruction of Confidential Information, and shall inform the other party as soon as possible of any security breach or other incident involving possible unauthorized disclosure of or access to Confidential Information. Confidential Information shall be returned to the disclosing party upon request. Confidential Information does not include information that is generally known or available to the public or that is not treated as confidential by the disclosing party, provided, however, that this exception shall not apply to any publicly available information to the extent that the disclosure or sharing of the information by one or both parties is subject to any limitation, restriction, consent, or notification requirement under any applicable federal or state information privacy law or regulation. If the receiving party is required by law, according to the advice of competent counsel, to disclose Confidential Information, the receiving party may do so without breaching this section, but shall first, if feasible and legally permissible, provide the disclosing party with prompt notice of such pending disclosure so that the disclosing party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this section.

Section 17. Miscellaneous

- (a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

- (b) The Company hereby represents and warrants that all of the Arrangements have been established, maintained and administered in accordance with all applicable laws, including without limitation, ERISA. The Company hereby indemnifies and agrees to hold the Trustee harmless from all liabilities, including attorney's fees, relating to or arising out of the establishment, maintenance and administration of the Arrangements. To the extent the Company does not pay any of such liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
 - (c) Benefits payable to Participants and their Beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.
 - (d) This Trust Agreement shall be governed by and construed in accordance with the laws of North Carolina.
-

IN WITNESS WHEREOF , this Grantor Trust Agreement has been executed on behalf of the parties hereto on the day and year first above written.

PG&E CORPORATION

By: JOHN R. SIMON
Its: Executive Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION as TRUSTEE

By: ALAN C. FRAZIER
Its: Senior Vice President

ATTEST:

By: ERIC MONTIZAMBERT
Its: Assistant Corporate Secretary

ATTEST:

By: SHELLEY ANDERSON
Its: VP

Attachment I

The following Arrangements are covered by this Trust:

- PG&E Corporation Retirement Plan for Non-Employee Directors
- PG&E Corporation Deferred Compensation Plan for Non-Employee Directors
- PG&E Corporation 2005 Deferred Compensation Plan for Non-Employee Directors

AMENDED AND RESTATED PG&E CORPORATION OFFICER GRANTOR TRUST AGREEMENT

This Officer Grantor Trust Agreement (the "Trust Agreement") is made this 1st day of October, 2015 by and between **PG&E CORPORATION** ("the Company") and **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("the Trustee").

Recitals

- (a) **WHEREAS**, the Company has adopted the nonqualified deferred compensation Plans and Agreements (the "Arrangements") as listed in Attachment I;
- (b) **WHEREAS**, the Company has incurred or expects to incur liability under the terms of such Arrangements with respect to the individuals participating in such Arrangements (the "Participants and Beneficiaries");
- (c) **WHEREAS**, the Company established a Trust (the "Trust") on April 1, 1998 and periodically contributes Trust assets that shall be held therein, subject to the claims of the Company's creditors in the event of the Company's "Insolvency," as herein defined, until paid to Participants and their Beneficiaries in such manner and at such times as specified in the Plan and in this Trust Agreement;
- (d) **WHEREAS**, the Company desires to amend and restate the Trust Agreement to add certain provisions regarding the Trust's administration in the event of a Potential Change in Control or a Change in Control, as defined herein;
- (e) **WHEREAS**, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Arrangements as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974; and
- (e) **WHEREAS**, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds (the "Fund") to assist it in satisfying its Liabilities under the Arrangements.

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of The Trust

- (a) The Trust is intended to be a Grantor Trust, of which the Company is the Grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.
- (b) The Company shall be considered a Grantor for the purposes of the Trust.
- (c) The Trust hereby established is irrevocable.
- (d) The Company maintains a Trust with assets and such assets shall be held, administered and disposed of by the Trustee as provided in this Trust Agreement.
- (e) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants and their Beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Arrangements and this Trust Agreement shall be unsecured contractual rights of Participants and their Beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the general creditors of the Company under federal and state law in the event the Company is Insolvent, as defined in Section 3(a) herein.
- (f) The Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to the Trustee in the Trust to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Prior to a Change in Control, neither the Trustee nor any Participant or Beneficiary shall have any right to compel additional deposits.
- (g) Upon a Change in Control, and annually within 90 days following each December 31 thereafter, the Company shall, as soon as possible, but in no event longer than thirty (30) days following the occurrence of a Change in Control, make an irrevocable contribution to the Trust in an amount that is sufficient (taking into account the Trust assets, if any, resulting from prior contributions) to fund the Trust in an amount equal to no less than 100% but no more than 120% of the amount necessary to pay each Participant or Beneficiary the benefits to which Participants or their Beneficiaries would be entitled pursuant to the terms of the Arrangements as of the date on which the Change in Control occurred. The Company shall also fund an Expense Reserve for the Trustee in the amount of \$225,000.. The Company shall true up the Expense Reserve annually within 90 days following each December 31 thereafter.

Section 2. Payments to Participants and Their Beneficiaries

- (a) Prior to a Change in Control, distributions from the Trust shall be made by the Trustee to Participants and Beneficiaries at the direction of the Company. The entitlement of a Participant or his or her Beneficiaries to benefits under the Arrangements shall be determined by the Company or such party or professional administrator as it shall designate under the Arrangements as the Company's agent, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Arrangements.
- (b) The Company may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Arrangements. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to Participants or their Beneficiaries. Before a Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets, and debit the account of each Participant or his or her Beneficiary, for amounts paid directly to the Participant or their Beneficiaries by the Company. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Company has made the direct payments. No such reimbursement shall be allowed after a Change in Control that would result in Trust assets equaling less than 100% of the Required Funding and Expense Reserve.

In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Arrangements, the Company shall make the balance of each such payment as it falls due in accordance with the Arrangements. The Trustee shall notify the Company where principal and earnings are not sufficient. Nothing in this Agreement shall relieve the Company of its liabilities to pay benefits due under the Arrangements except to the extent such liabilities are met by application of assets of the Trust.

- (c) After a Change in Control, the Company shall continue to make the determination of benefits due to Participants or their Beneficiaries and shall provide the Trustee with a schedule of benefits due. The Trustee shall pay benefits due in accordance with such schedule; provided however, a Participant or their Beneficiaries may make application to the Trustee for an independent decision as to the amount or form of their benefits due under the Arrangements. In making any determination required or permitted to be made by the Trustee under this Section, the Trustee shall, in each such case, reach its own independent determination, in its absolute and sole discretion, as to the amount or form of the Participant's or Beneficiary's payment hereunder. In making its determination, the Trustee may consult with and make such inquiries of such persons, including the Participant or Beneficiary, the Company, legal counsel, actuaries or other persons, as the Trustee may reasonably deem necessary. Any reasonable costs incurred by the Trustee in arriving at its determination shall be reimbursed by the Company and, to the extent not paid by the Company within a reasonable time, shall be charged to the Trust. The Company waives any right to contest any amount paid over by the Trustee hereunder pursuant to a good faith determination made by the Trustee notwithstanding any claim by or on behalf of the Company (absent a manifest abuse of discretion by the Trustee) that such payments should not be made.
- (d) The Trustee agrees that it will not itself institute any action at law or at equity, whether in the nature of an accounting, interpleading action, request for a declaratory judgment or otherwise, requesting a court or administrative or quasi-judicial body to make the determination required to be made by the Trustee under this Section 2 in the place and stead of the Trustee. The Trustee may (and, if necessary or appropriate, shall) institute an action to collect a contribution due the Trust following a Change in Control or in the event that the Trust should ever experience a short-fall in the amount of assets necessary to make payments pursuant to the terms of the Arrangements.
- (e) In the event any Participant or his or her beneficiary is determined to be subject to federal income tax on any amount to the credit of his or her account under any Arrangement prior to the time of payment hereunder, whether or not due to the establishment of or contributions to this Trust, a portion of such taxable amount equal to the federal, state and local taxes (excluding any interest or penalties) owed on such taxable amount, shall be distributed by the Trustee as soon thereafter as practicable to such Participant or Beneficiary but only to the extent that such distribution would not trigger taxation under Section 409A of the Internal Revenue Code ("Section 409A") or violate applicable law, as determined by the Company. For these purposes, except as required otherwise by Section 409A, a Participant or Beneficiary shall be deemed to pay state and local taxes at the highest marginal rate of taxation in the state in which the Participant resides or is employed (or both) where a tax is imposed and federal income taxes at the highest marginal rate of taxation, net the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Such distributions shall be at the direction of the Company, or upon proper application of the Participant or Beneficiary. The actual amount of the distribution and whether the distribution complies with this Section 2(e) shall be determined by the Company, except that following a Change in Control, the Trustee may make such determinations to the extent permitted by Section 2(c). Except as otherwise required to avoid taxation under Section 409A an amount to the credit of a Participant's Account shall be determined to be subject to federal income tax upon the earliest of: (a) a final determination by the United States Internal Revenue Service addressed to the Participant or his Beneficiary which is now appealed to the courts; (b) a final determination by the United States Tax court or any other federal court affirming any such determination by the Internal Revenue Service; or (c) an opinion by the Company's tax counsel, addressed to the Company and the Trustee, to the effect that by reason of Treasury Regulations, amendments to the Internal Revenue Code, published Internal Revenue Service rulings, court decisions or other substantial precedent, amounts to the credit of Participants hereunder are subject to federal income tax prior to payment. The Company may, but is not required to, undertake at its sole expense to defend any tax claims described herein which are asserted by the Internal Revenue Service against any Participant or Beneficiary, including attorney fees and cost of appeal, and shall have the sole authority to determine whether or not to appeal any determination made by the Service or by a lower court. Any distributions from the Fund to a Participant or Beneficiary under this Section 2(e) shall be applied in accordance with provisions of the Arrangement to reduce the Company liabilities to such Participant and/or Beneficiary under the Arrangement with such reductions to be made on a pro-rata basis over the term of benefit payments under the Arrangement. Any reduction in accordance with the foregoing sentence and the Arrangements shall be determined by the Company prior to a Change of Control. Following a Change of Control, the Company shall continue to make such determination subject to the right of a Participant to petition the Trustee under Section 2 (c).

**Section 3. Trustee Responsibility Regarding Payments
To The Trust Beneficiary When The Company Is Insolvent**

- (a) The Trustee shall cease payment of benefits to Participants and their Beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.
- (b) At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

- (1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing that the Company is Insolvent. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Participants or their Beneficiaries.
 - (2) Unless the Trustee has actual knowledge that the Company is Insolvent, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.
 - (3) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to Participants or their Beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Participants or their Beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Arrangements or otherwise.
 - (4) The Trustee shall resume the payment of benefits to Participants or their Beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).
- (c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Participants or their Beneficiaries under the terms of the Arrangements for the period of such discontinuance, less the aggregate amount of any payments made to Participants or their Beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments When a Short-Fall of The Trust Assets Occurs

- (a) If there are not sufficient assets for the payment of current and expected future benefits pursuant to Section 2 or Section 3(c) hereof and the Company does not otherwise make such payments within a reasonable time after demand from the Trustee, the Trustee shall allocate the Trust assets among the Participants or their Beneficiaries in the following order of priority:
- (1) retired Participants and their Beneficiaries;
 - (2) vested Participants over the age of 55 who are terminated within two years following a Change of Control and their Beneficiaries;
 - (3) vested active Participants over the age of 55 and their Beneficiaries;
 - (4) any other vested active Participants and their Beneficiaries;
 - (5) vested former Participants and their Beneficiaries; and
 - (6) non-vested Participants and their Beneficiaries.
- (b) Within each category, assets shall be allocated pro-rata with respect to the total present value of benefits expected for each Participant or Beneficiary within the category, and payments to each Participant or Beneficiary shall be made to the extent of the assets allocated to each Participant or Beneficiary.
- (c) Upon receipt of a contribution from the Company necessary to make up for a short-fall in the payments due, the Trustee shall resume payments to all the Participants and Beneficiaries under the Arrangements. Following a Change in Control, the Trustee shall have the right and duty to compel a contribution to the Trust from the Company to make-up for any short-fall.

Section 5. Payments to the Company

- (a) Except as provided in Section 2(b), Section 5(b), and Section 8(a) hereof, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to Participants and their Beneficiaries pursuant to the terms of the Arrangements.
- (b) In the event that the Company, prior to a Change in Control, or the Trustee in its sole and absolute discretion, after a Change in Control, determines that the Trust assets exceed one-hundred percent (100%) of the anticipated benefit obligations and administrative expenses that are to be paid under the Arrangements, the Trustee, at the written direction of the Company, prior to a Change in Control, or the Trustee in its sole and absolute discretion, after a Change in Control, shall distribute to the Company such excess portion of Trust assets.

Section 6. Investment Authority

- (a) Prior to a Change in Control, the Company shall have the right, subject to this Section, to direct the Trustee with respect to investments.
- (1) The Company may direct the Trustee to segregate all or a portion of the Fund in a separate investment account or accounts and may appoint one or more investment managers and/or an Investment Committee established by the Company as described in 6(c) to direct the investment and reinvestment of each such investment account or accounts. In such event, the Company shall notify the Trustee of the appointment of each such investment manager and/or Investment Committee. No such investment manager shall be related, directly or indirectly, to the Company, but members of the Investment Committee may be employees of the Company.
 - (2) Thereafter, until a Change in Control, the Trustee shall make every sale or investment with respect to such investment account as directed in

writing by the investment manager or Investment Committee. It shall be the duty of the Trustee to act strictly in accordance with each direction. The Trustee shall be under no duty to question any such direction of the investment manager or Investment Committee, to review any securities or other property held in such investment account or accounts acquired by it pursuant to such directions or to make any recommendations to the investment managers or Investment Committee with respect to such securities or other property.

- (3) Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from an investment manager or Investment Committee, shall invest cash balances held by it from time to time in short term cash equivalents including, but not limited to, through the medium of any short term fund established and maintained by the Trustee subject to the instrument establishing such trust fund, U.S. Treasury Bills, commercial paper (including such forms of commercial paper as may be available through the Trustee's Trust Department), certificates of deposit (including certificates issued by the Trustee in its separate corporate capacity), and similar type securities, with a maturity not to exceed one year; and, furthermore, sell such short term investments as may be necessary to carry out the instructions of an investment manager or Investment Committee regarding more permanent type investment and directed distributions.
- (4) The Trustee shall neither be liable nor responsible for any loss resulting to the Fund by reason of any sale or purchase of an investment directed by an investment manager or Investment Committee nor by reason of the failure to take any action with respect to any investment which was acquired pursuant to any such direction in the absence of further directions of such investment manager or Investment Committee.
 - a. Notwithstanding anything in this Agreement to the contrary, the Trustee shall be indemnified and saved harmless by the Company from and against any and all personal liability to which the Trustee may be subjected by carrying out any directions of an investment manager or Investment Committee issued pursuant hereto or for failure to act in the absence of directions of the investment manager or Investment Committee including all expenses reasonably incurred in its defense in the event the Company fails to provide such defense; provided, however, the Trustee shall not be so indemnified if it participates knowingly in, or knowingly undertakes to conceal, an act or omission of an investment manager or Investment Committee, having actual knowledge that such act or omission is a breach of a fiduciary duty; provided further, however, that the Trustee shall not be deemed to have knowingly participated in or knowingly undertaken to conceal an act or omission of an investment manager or Investment Committee with knowledge that such act or omission was a breach of fiduciary duty by merely complying with directions of an investment manager or Investment Committee or for failure to act in the absence of directions of an investment manager or Investment Committee. The Trustee may rely upon any order, certificate, notice, direction or other documentary confirmation purporting to have been issued by the investment manager or Investment Committee which the Trustee believes to be genuine and to have been issued by the investment manager or Investment Committee. The Trustee shall not be charged with knowledge of the termination of the appointment of any investment manager or Investment Committee until it receives written notice thereof from the Company.
 - b. The Company, prior to a Change in Control, may direct the Trustee to invest in securities (including stock and the rights to acquire stock) or obligations issued by the Company.
 - c. All rights associated with respect to any investment held by the Trust, including but not limited to, exercising or voting of proxies, in person or by general or limited proxy, shall be in accordance with and as directed in writing by the Company or its authorized representative.
- (b) Subject to investment directions provided in writing from time to time by the Company, the Trustee shall have the power in investing and reinvesting the Fund in its sole discretion:
 - (1) To invest and reinvest in any readily marketable common and preferred stocks (including any stock or security of the Company), bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of the Trustee other than a de minimus amount held in a mutual fund), certificates of deposit or demand or time deposits (including any such deposits with the Trustee), limited partnerships or limited liability companies, private placements and shares of investment companies, and mutual funds, without being limited to the classes or property in which the Trustee is authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Fund. Without limitation, the Trustee may invest the Trust in any investment company (including any investment company or companies for which Wells Fargo Bank, N.A. or an affiliated company acts as the investment advisor {"Special Investment Companies"}) or, any insurance contract or contracts issued by an insurance company or companies in each case as the Trustee may determine provided that the Trustee may in its sole discretion keep such portion of the Trust in cash or cash balances for such reasonable periods as may from time to time be deemed advisable pending investment or in order to meet contemplated payments of benefits;
 - (2) To invest and reinvest all or any portion of the Fund collectively through the medium of any proprietary mutual fund that may be established and maintained by the Trustee;
 - (3) To commingle for investment purposes all or any portion of the Fund with assets of any other similar trust or trusts established by the Company with the Trustee for the purpose of safeguarding deferred compensation or retirement income benefits of its employees and/or directors;
 - (4) To retain any property at any time received by the Trustee;
 - (5) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;
 - (6) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;
 - (7) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof for any assessments levied with respect to any such property to be deposited;

- (8) To extend the time of payment of any obligation held by it;
 - (9) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;
 - (10) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;
 - (11) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;
 - (12) To employ suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;
 - (13) To register investments in its own name or in the name of a nominee; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held separate from securities deposited therein by other persons; provided, however, that no securities held in the Fund shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the Trust Fund;
 - (14) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;
 - (15) Subject to Section 7, to hold and retain policies of life insurance, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or any subsidiary of the Company or are purchased by the Trustee;
 - (16) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee, unless expressly prohibited herein;
 - (17) To loan any securities at any time held by it to brokers or dealers upon such security as may be deemed advisable, and during the terms of any such loan to permit the loaned securities to be transferred into the name of and voted by the borrower or others; and
 - (18) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.
- (c) Prior to a Change of Control, the Board of Directors of the Company may appoint an Investment Committee to direct the investment of the Fund. The Investment Committee may exercise any powers relating to the investment of Trust assets as described in Sections 6 and 7 hereof. The Investment Committee shall exercise its authority by an affirmative action of a majority of members constituting the Investment Committee, expressed from time to time by a vote at a meeting of the Investment Committee, or in an action in writing signed by all members without a meeting. Prior to Change of Control, the Board of Directors of the Company shall have the right to remove and replace any member of the Investment Committee at any time by notice in writing to that member. Following a Change of Control, the Company shall have no authority to remove or replace members of the Investment Committee, and any vacancy in the membership of the Investment Committee, created by resignation, disability, death or otherwise, shall be filled by the vote of a majority of the members of the Investment Committee then in office. Following a Change of Control, the Investment Committee then on its own initiative, acquire fiduciary insurance for the benefits of its members at the Company's expense. If for any reason, the Company does not pay the premiums for such insurance, the Trustee shall pay such premiums out of the Trust assets and seek reimbursement from the Company.
- (d) Following a Change in Control, the Trustee shall have the sole and absolute discretion in the management of the Trust assets and shall have all the powers set forth under Section 6(b). In investing the Trust assets, the Trustee shall consider:
- (1) the needs of the Arrangements;
 - (2) the need for matching of the Trust assets with the liabilities of the Arrangements; and
 - (3) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.
- (e) The Trustee shall have the right, in its sole discretion, to delegate its investment responsibility to an investment manager who may be an affiliate of the Trustee. In the event the Trustee shall exercise this right, the Trustee shall remain, at all times responsible for the acts of an investment manager. The Trustee shall have the right to purchase an insurance policy or an annuity to fund the benefits of the Arrangements.
- (f) The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets (other than securities issued by the Trustee or the Company) of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity; provided, however, that, following a Change in Control, no such substitution shall be permitted unless the Trustee determines that the fair market values of the substituted assets are equal.

Section 7. Insurance Contracts

- (a) To the extent that the Trustee is directed by the Company prior to a Change in Control to invest part or all of the Trust Fund in insurance contracts, the type and amount thereof shall be specified by the Company. The Trustee shall be under no duty to make inquiry as to the propriety of the type or amount so specified.
- (b) Each insurance contract issued shall provide that the Trustee shall be the owner thereof with the power to exercise all rights, privileges, options and elections granted by or permitted under such contract or under the rules of the insurer. The exercise by the Trustee of any incidents of ownership under any contract shall, prior to a Change in Control, be subject to the direction of the Company. After a Change in Control, the Trustee shall have all such rights.
- (c) The Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against an insurance policy held in the Trust Fund.
- (d) No insurer shall be deemed to be a party to the Trust and an insurer's obligations shall be measured and determined solely by the terms of contracts and other agreements executed by the insurer.

Section 8. Disposition of Income

- (a) Prior to a Change in Control, all income received by the Trust, net of expenses and taxes, may be returned to the Company or accumulated and reinvested within the Trust at the direction of the Company.
- (b) Following a Change in Control, all income received by the Trust, net of expenses and taxes payable by the Trust, shall be accumulated and reinvested within the Trust.

Section 9. Accounting by the Trustee

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within forty-five (45) days following the close of each calendar year and within forty-five (45) days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. The Company may approve such account by an instrument in writing delivered to the Trustee. In the absence of the Company's filing with the Trustee objections to any such account within ninety (90) days after its receipt, the Company shall be deemed to have so approved such account. In such case, or upon the written approval by the Company of any such account, the Trustee shall, to the extent permitted by law, be discharged from all liability to the Company for its acts or failures to act described by such account. The foregoing, however, shall not preclude the Trustee from having its accounting settled by a court of competent jurisdiction. The Trustee shall be entitled to hold and to commingle the assets of the Trust in one Fund for investment purposes but at the direction of the Company prior to a Change in Control, the Trustee shall create one or more sub-accounts.

Section 10. Responsibility of The Trustee

- (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Arrangements or this Trust and is given in writing by the Company. In the event of a dispute between the Company and a party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute, subject, however to Section 2(d) hereof.
- (b) The Company hereby indemnifies the Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of the Trust, unless resulting from the negligence or misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this paragraph 10(b), in a reasonably timely manner, the Trustee may obtain payment from the Trust. If the Trustee undertakes or defends any litigation arising in connection with this Trust or to protect a Participant's or Beneficiary's rights under the Arrangements, the Company agrees to indemnify the Trustee against the Trustee's costs, reasonable expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
- (c) Prior to a Change in Control, the Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder. Following a Change in Control the Trustee shall select independent legal counsel and may consult with counsel or other persons with respect to its duties and with respect to the rights of Participants or their Beneficiaries under the Arrangements.
- (d) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and may rely on any determinations made by such agents and information provided to it by the Company.
- (e) The Trustee shall have, without exclusion, all powers conferred on the Trustee by applicable law, unless expressly provided otherwise herein.
- (f) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

Section 11. Compensation and Expenses of The Trustee

The Trustee's compensation shall be as agreed in writing from time to time by the Company and the Trustee. The Company shall pay all administrative expenses and the Trustee's fees and shall promptly reimburse the Trustee for any fees and expenses of its agents. If not so paid within thirty (30) days of being invoiced, the fees and expenses shall be paid from the Trust.

Section 12. Resignation and Removal of The Trustee

- (a) Prior to a Change in Control, the Trustee may resign at any time by written notice to the Company, which shall be effective sixty (60) days after receipt of such notice unless the Company and the Trustee agree otherwise. Following a Change in Control, the Trustee may resign only after the appointment of a successor Trustee.
- (b) The Trustee may be removed by the Company on sixty days (60) days notice or upon shorter notice accepted by the Trustee prior to a Change in Control. Subsequent to a Change in Control, the Trustee may only be removed by the Company with the consent of a Majority of the Participants.
- (c) If the Trustee resigns within two years after a Change in Control, as defined herein, the Company, or if the Company fails to act within a reasonable period of time following such resignation, the Trustee, may apply to a court of competent jurisdiction for the appointment of a successor Trustee which satisfies the requirements of Section 13 or for instructions.
- (d) Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless the Company extends the time limit.
- (e) If the Trustee resigns or is removed, a successor shall be appointed by the Company, in accordance with Section 13 hereof, by the effective date of resignation or removal under paragraph(s) (a) or (b) of this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 13. Appointment of Successor

- (a) If the Trustee resigns or is removed in accordance with Section 12 hereof, the Company may appoint, subject to Section 12, any third party national banking association with a market capitalization exceeding \$100,000,000 to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.
- (b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Section 9 and 10 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

Section 14. Amendment or Termination

- (a) This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company, except as otherwise provided in this Section 14. Authority to approve amendments on behalf of the Company is delegated to the Compensation Committee (or its successor) or its authorized representatives, except that amendments to Attachment I may be approved on behalf of the Company by the P&GE Corporation Employee Benefits Committee (or its successor). Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Arrangements or shall make the Trust revocable.
- (b) The Trust shall not terminate until the date on which Participants and their Beneficiaries have received all of the benefits due to them under the terms and conditions of the Arrangements.
- (c) Upon written approval of all Participants or Beneficiaries entitled to payment of benefits pursuant to the terms of the Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Arrangements have been made. All assets in the Trust at termination shall be returned to the Company.
- (d) This Trust Agreement may not be amended by the Company following a Potential Change in Control or Change in Control without the written consent of a Majority of the Participants. In the event a Change in Control, as defined herein, does not occur within two (2) years of a Potential Change in Control, the Company's right to amend the Trust without the consent of a Majority of Participants shall be restored pursuant to Section 14(a).

Section 15. Change in Control

- (a) For purposes of this Trust, the following terms shall be defined as set forth below:
 - (1) "Potential Change in Control" shall mean the earliest to occur of (i) the date on which the Company executes an agreement or letter of intent, where the consummation of the transaction described therein would result in the occurrence of a Change in Control, (ii) the date on which the Board of Directors approves a transaction or series of transactions, the consummation of which would result in a Change in Control, or (iii) the date on which a tender offer for the Company's voting stock is publicly announced, the completion of which would result in a Change in Control; provided, however, that if such Potential Change in Control terminates by its terms, such transaction shall no longer constitute a Potential Change in Control

(2) Change in Control shall mean the occurrence of any of the following:

- (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ("Exchange Act"), but excluding any benefit plan for employees or any trustee, agent or other fiduciary for any such plan acting in such person's capacity as such fiduciary), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act) of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities; or
- (ii) during any two consecutive years, individuals who at the beginning of such a period constitute the Board of Directors of the Company ("Board") cease for any reason to constitute at least a majority of the Board, unless the election, or the nomination for election by the shareholders of the Company, of each new member of the Board ("Director") was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the Directors then still in office (1) who were Directors at the beginning of the period or (2) whose election or nomination was previously so approved; or
- (iii) the consummation of any consolidation or merger of the Company other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto continuing to directly or indirectly hold at least seventy percent (70%) of the Combined Voting Power of the Company, the surviving entity in the merger or consolidation or the parent of such surviving entity outstanding immediately after the merger or consolidation; or
- (iv) (1) the consummation of any sale, lease, exchange or other transfer (in one or a series of related transactions) of all or substantially all of the assets of the Company or (2) the approval of the shareholders of the Company of a plan of liquidation or dissolution of the Company.

For purposes of this Section 15(a), the incumbent Board, by a majority vote, shall have the power to determine on the basis of information known to them (a) the number of shares beneficially owned by any person, entity or group; (b) whether there exists an agreement, arrangement or understanding with another as to matters referred to in this Section 15(a); and (c) such other matters with respect to which a determination is necessary under this Section 15(a).

Notwithstanding the foregoing, the phrase "Change of Control" shall not apply to any reorganization or merger initiated voluntarily by the Company in which the Company is the continuing surviving entity.

- (3) Majority of Participants shall mean Participants whose vested account balance(s) within the Plan(s)/Arrangement(s) indicated on Attachment I of this Trust Agreement exceed 50% of the Trust Assets.
- (b) The General Counsel of the Company shall have the specific authority to determine whether a Potential Change in Control or Change in Control has transpired, and to determine whether the Potential Change in Control is void under the guidance of this Section 15 and shall be required to give the Trustee notice of a Potential Change in Control, a Change in Control, or a void Potential Change in Control. The Trustee shall be entitled to rely upon such notice, but if the Trustee receives notice of a Change in Control from another source, the Trustee shall make its own independent determination.

Section 16. Confidentiality

- (a) This Trust Agreement and certain information relating to the Trust is "Confidential Information" pursuant to applicable federal and state law, and as such it shall be maintained in confidence and not disclosed, used or duplicated, except as described in this section. If it is necessary for the Trustee to disclose Confidential Information to a third party in order to perform the Trustee's duties hereunder and the Company has authorized the Trustee to do so, the Trustee shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Trustee and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. If it is necessary for the Company to disclose Confidential Information to a third party in order to perform the Company's duties hereunder and the Trustee has authorized the Company to do so, the Company shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Company and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. The Trustee and the Company shall maintain an appropriate information security program and adequate administrative and physical safeguards to prevent the unauthorized disclosure, misuse, alteration or destruction of Confidential Information, and shall inform the other party as soon as possible of any security breach or other incident involving possible unauthorized disclosure of or access to Confidential Information. Confidential Information shall be returned to the disclosing party upon request. Confidential Information does not include information that is generally known or available to the public or that is not treated as confidential by the disclosing party, provided, however, that this exception shall not apply to any publicly available information to the extent that the disclosure or sharing of the information by one or both parties is subject to any limitation, restriction, consent, or notification requirement under any applicable federal or state information privacy law or regulation. If the receiving party is required by law, according to the advice of competent counsel, to disclose Confidential Information, the receiving party may do so without breaching this section, but shall first, if feasible and legally permissible, provide the disclosing party with prompt notice of such pending disclosure so that the disclosing party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this section.

Section 17. Miscellaneous

- (a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

- (b) The Company hereby represents and warrants that all of the Arrangements have been established, maintained and administered in accordance with all applicable laws, including without limitation, ERISA. The Company hereby indemnifies and agrees to hold the Trustee harmless from all liabilities, including attorney's fees, relating to or arising out of the establishment, maintenance and administration of the Arrangements. To the extent the Company does not pay any of such liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
 - (c) Benefits payable to Participants and their Beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.
 - (d) This Trust Agreement shall be governed by and construed in accordance with the laws of North Carolina.
-

IN WITNESS WHEREOF , this Grantor Trust Agreement has been executed on behalf of the parties hereto on the day and year first above written.

PG&E CORPORATION

By: JOHN R. SIMON
Its: Executive Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION as TRUSTEE

By: ALAN C. FRAZIER
Its: Senior Vice President

ATTEST:

By: ERIC MONTIZAMBERT
Its: Assistant Corporate Secretary

ATTEST:

By: SHELLEY ANDERSON
Its: VP

The following Arrangements are covered by this Trust:

- Pacific Gas and Electric Company Supplemental Executive Retirement Plan
- PG&E Corporation Supplemental Executive Retirement Plan
- PG&E Corporation Supplemental Retirement Savings Plan
- PG&E Corporation 2005 Supplemental Retirement Savings Plan
- Pacific Gas and Electric Company Excess Benefit Plan
- PG&E Enterprises Supplemental Executive Retirement Plan
- PG&E Corporation Defined Contribution Executive Supplemental Retirement Plan

**PG&E CORPORATION
2005 SUPPLEMENTAL RETIREMENT SAVINGS PLAN**

This is the controlling and definitive statement of the PG&E CORPORATION (" PG&E CORP ") 2005 Supplemental Retirement Savings Plan (the " Plan "). The Plan was amended for compliance with the final Code Section 409A regulations effective as of January 1, 2009, further amended effective July 13, 2009 and August 1, 2011 with respect to available investment options, further amended effective September 17, 2013 with respect to default investment funds and election of installment payments, and further amended effective September 15, 2015 with respect to salary deferral percentages and crediting of matching contributions upon Separation from Service. Except as provided herein, the Plan is generally effective as of January 1, 2005, with respect to all individuals who are Eligible Employees as of such date. The Plan continues the benefit program embodied in the PG&E Corporation Supplemental Retirement Savings Plan (the " Prior Plan "). Benefits accrued under the Prior Plan continue to be payable under the Prior Plan pursuant to the terms and conditions of the Prior Plan.

1. Purpose of the Plan . The Plan is established and is maintained for the benefit of a select group of management and highly compensated employees of PG&E CORP and its Participating Subsidiaries in order to provide such employees with certain deferred compensation benefits. The Plan is an unfunded deferred compensation plan that is intended to qualify for the exemptions provided in Sections 201, 301, and 401 of ERISA.

2. Definitions . The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

(a) " Basic Employer Contributions " shall mean the amounts credited to Eligible Employees' Accounts under the Plan by the Employers, in accordance with Section 3(c) .

(b) " Board of Directors " shall mean the Board of Directors of PG&E CORP, as from time to time constituted .

(c) " Code " shall mean the Internal Revenue Code of 1986, as amended . Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

(d) " Committee " shall mean the Compensation Committee of the Board, as it may be constituted from time to time .

(e) " Eligible Employee " shall mean an Employee who:

(1) Is an officer of PG&E CORP or any Participating Subsidiary and who is in Officer Band 5 or above; or

(2) Is a key employee of PG&E CORP or any Participating Subsidiary and who is designated by the Plan Administrator as eligible to participate in the Plan.

(f) " Eligible Employee's Account " or " Account " shall mean as to any Eligible Employee, the separate account maintained on the books of the Employer in accordance with Section 6(a) in order to reflect his or her interest under the Plan . Accounts shall be centrally administered by the Plan Administrator or its designee.

(g) " Employee " shall mean an individual who is treated in the records of an Employer as an employee of the Employer, who is not on an unpaid leave of absence, and/or who is not covered by a collective bargaining agreement; provided, however, such term shall not mean an individual who is a "leased employee" or who has entered into a written contract or agreement with an Employer which explicitly excludes such individual from participation in an Employer's benefit plans . The provisions of this definition shall govern, whether or not it is determined that an individual otherwise meets the definition of "common law" employee.

(h) " Employers " shall mean PG&E CORP and the Participating Subsidiaries designated by the Employee Benefit Committee of PG&E CORP . An initial list of the Employers is contained in Appendix A to this Plan.

(i) " ERISA " shall mean the Employee Retirement Income Security Act of 1974, as amended . Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

(j) " Investment Funds " shall mean the investment funds established by the Board of Directors and reflected from time to time on Appendix B . The Investment Funds shall be used for tracking phantom investment results under the Plan.

(k) " Matching Employer Contributions " shall mean the amounts credited to Eligible Employees' Accounts under the Plan by the Employers, in accordance with Section 3(b) .

(l) " Participating Subsidiary " shall mean a United States-based subsidiary of PG&E CORP, which has been designated by the Employee Benefit Committee of PG&E CORP as a Participating Subsidiary under this Plan and which has agreed to make payments or reimbursements with respect to its Eligible Employees pursuant to Section 14(d) . At such times and under such conditions as the Employee Benefit Committee may direct, one or more other subsidiaries of PG&E CORP may become Participating Subsidiaries or a Participating Subsidiary may be withdrawn from the Plan. An initial list of the Participating Subsidiaries is contained in Appendix A to this Plan.

(m) " PG&E CORP " shall mean PG&E Corporation, a California corporation .

(n) " Plan " shall mean the PG&E Corporation 2005 Supplemental Retirement Savings Plan, as set forth in this instrument and as heretofore and hereafter amended from time to time .

(o) " Plan Year " shall mean the calendar year .

(p) " Prior Plan " shall mean the PG&E Corporation Supplemental Retirement Savings Plan .

(q) " Retirement " or " Retire " shall mean an Eligible Employee's Separation from Service , provided that the Eligible Employee is at least 55 years of age and has been employed by an Employer for at least five consecutive years prior to the Separation from Service .

(r) " RSP " shall mean, with respect to any Eligible Employee, the PG&E Corporation Retirement Savings Plan or any predecessor qualified retirement plan sponsored by PG&E CORP or any of its subsidiary companies .

(s) " Separation from Service " shall mean an Eligible Employee's "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and related Treasury Regulations and other guidance, as determined by the Plan Administrator in its discretion.

(t) " Valuation Date " shall mean:

(1) For purposes of valuing Plan assets and Eligible Employees' Accounts for periodic reports and statements, the date as of which such reports or statements are made; and

(2) For purposes of determining the amount of assets actually distributed to the Eligible Employee, his or her beneficiary, or an Alternate Payee (or available for withdrawal), a date that shall not be more than seven business days prior to the date the check is issued to the Eligible Employee.

In any other case, the Valuation Date shall be the date designated by the Plan Administrator (in its discretion) or the date otherwise set forth in this Plan. In all cases, the Plan Administrator (in its discretion) may change the Valuation Date, on a uniform and nondiscriminatory basis, as is necessary or appropriate. Notwithstanding the foregoing, the Valuation Date shall occur at least annually.

3. Employer Contributions .

(a) Matching Employer Contributions . Subject to the provisions of Section 13, the Eligible Employee's Account shall be credited for each Plan Year with a Matching Employer Contribution, calculated in the manner provided in Sections 3(a)(1), (2), and (3) below:

(1) First, an amount shall be calculated equal to the maximum matching contribution that would be made under the terms of the RSP, taking into account for such Plan Year the amount of pre-tax deferrals and after-tax contributions the Eligible Employee elected under the RSP. For purposes of this calculation, any amounts deferred under Subsection 4(a) of this Plan shall be treated as pre-tax deferrals under the RSP.

(2) The calculation made in accordance with this Section 3(a)(1) above shall be made without regard to any limitation on such amounts under the RSP resulting from the application of any of the limitations under Code Sections 401(m), 401(a)(17), or 415.

(3) The Employer Matching Contribution to be credited to the Account of an Eligible Employee for any Plan Year shall equal the amount calculated in accordance with Sections 3(a)(1) and (2) above, reduced by the amount of matching contribution made to such Eligible Employee's account for such Plan Year under the RSP.

(b) Crediting of Matching Employer Contributions . Matching Employer Contributions shall be calculated and credited to the Eligible Employee's Account as of the first business day of February of the calendar year following the Plan Year and shall be credited only if the Eligible Employee was an Eligible Employee on at least one day of the Plan Year for which the amounts are credited, except that if an Eligible Employee Separates from Service on or after September 15, 2015, then upon that Eligible Employee's Separation from Service, the value of the Matching Employer Contribution for the Plan Year during which Separation from Service occurs shall instead be calculated and credited to the Eligible Employee's Account as soon as practicable, as determined by PG&E CORP. All such amounts shall be deemed to be invested in an Investment Fund designated by the Plan Administrator.

(c) Basic Employer Contributions . Subject to the provisions of Section 13, the Account of each Eligible Employee shall be credited for each Plan Year with a Basic Employer Contribution, calculated in the manner provided in Sections 3(c)(1), (2), and (3) below:

(1) First, an amount shall be calculated equal to the Basic Employer Contribution that would be made under the terms of the RSP, taking into account for such Plan Year the Eligible Employee's Covered Compensation under the RSP, before any deductions for compensation deferrals elected by such Eligible Employee under Subsection 4(a) of this Plan. For Eligible Employees as defined by Section 2(e)(1) of this Plan, compensation shall also reflect such Eligible Employee's Short-Term Incentive Plan awards.

(2) The calculation made in accordance with this Section 3(c)(1) above shall be made without regard to any limitation on such amounts under the RSP resulting from the application of any of the limitations under Code Sections 401(a)(4), 401(a)(17), or 415.

(3) The Employer Contribution to be credited to the Account of an Eligible Employee for any Plan Year shall equal the amount calculated in accordance with Sections 3(c)(1) and (2) above, reduced by the amount of Basic Employer Contributions made to such Eligible Employee's account for such Plan Year under the RSP.

(d) **Crediting of Basic Employer Contributions .** The Employer Contribution attributable to an Eligible Employee's Short Term Incentive Plan award shall be credited to an Eligible Employee's Account as of the first business day of the month following the date on which the Short-Term Incentive Plan award is paid. All other Employer Contributions made in respect of an Eligible Employee shall be credited to the Eligible Employee's Account as of the first business day of February of the calendar year following the Plan Year and shall be credited only if the Eligible Employee is an Employee on the last day of the Plan Year for which the amounts are credited . All such amounts shall be deemed to be invested in an Investment Fund designated by the Plan Administrator.

(e) **FICA Taxes .** Each Eligible Employee shall be responsible for FICA taxes on amounts credited to his or her Account under Sections 3 and 4(d).

4. Eligible Employee Deferrals .

(a) **Amount of Deferral .** An Eligible Employee may defer all or part of his or her annual salary, Short Term Incentive Plan awards, Long-Term Incentive Plan (LTIP) awards (other than stock options), Perquisite Allowances, and any other special payments, awards, or bonuses as authorized by the Plan Administrator.

(b) **Credits to Accounts .** Salary deferrals shall be credited to an Eligible Employee's Account as of each payroll period. All other deferrals attributable to allowances, awards, bonuses, and other payments shall be credited as of the date that they otherwise would have been paid.

(c) **Deferral Election .** An Eligible Employee must file an election form with the Plan Administrator which indicates the percentage of salary and the amount of any awards, allowances, payments, and bonuses to be deferred under the Plan. The election shall occur no later than December 31 (or such earlier date established by the Plan Administrator) of the calendar year next preceding the service year (within the meaning of Treasury Regulation Section 1.409A-2(a)(3)). Notwithstanding the foregoing, to the extent permitted under Treasury Regulation Section 1.409A-2(a)(7), upon first becoming an Eligible Employee, an election to defer shall be effective for compensation to be earned for services performed beginning in the month following the filing of a Deferral Election Form, provided said Form is filed within 30 days following the date when the employee first becomes an Eligible Employee. Notwithstanding the foregoing, in the case of performance-based compensation (within the meaning of Treasury Regulation Section 1.409A-1(e)), the election may be made with respect to such performance-based compensation on or before the date that is six months before the end of

the applicable performance period to the extent permitted under Treasury Regulation Section 1.409A-2(a)(8). The Plan Administrator may, in its sole discretion, permit elections to be made under other timing rules that comply with Code Section 409A.

(d) Deferral of Special Incentive Stock Ownership Premiums . All of an Eligible Employee's Special Incentive Stock Ownership Premiums are automatically deferred to the Plan immediately upon grant and converted into units in the PG&E Corporation Phantom Stock Fund. The units attributable to Special Incentive Stock Ownership Premiums and any additional units resulting from the conversion of dividend equivalents thereon remain unvested until the earlier of the third anniversary of the date on which the Special Incentive Stock Ownership Premiums are credited to an Eligible Employee's account (provided the Eligible Employee continues to be employed on such date), death, disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code), or Retirement of the participant, or upon a Change in Control (as defined in the LTIP). Unvested units attributable to Special Incentive Stock Ownership Premiums and any additional units resulting from the conversion of dividend equivalents thereon shall be forfeited upon termination of the Eligible Employee's employment (unless otherwise provided in the PG&E Corporation Executive Stock Ownership Program or the PG&E Corporation Officer Severance Plan) or if an Eligible Employee's stock ownership falls below the levels set forth in the Executive Stock Ownership Program.

5. Investment Funds . Although no assets will be segregated or otherwise set aside with respect to an Eligible Employee's Account, the amount that is ultimately payable to the Eligible Employee with respect to such Account shall be determined as if such Account had been invested in some or all of the Investment Funds. The Plan Administrator, in its sole discretion, shall adopt (and modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the deemed investment of the Eligible Employees' Accounts. Such procedures generally shall provide that an Eligible Employee's Account shall be deemed to be invested among the available Investment Funds in the manner elected by the Eligible Employee in such percentages and manner as prescribed by the Plan Administrator. In the event no election has been made by the Eligible Employee, such Account will be deemed to be invested in an Investment Fund designated by the Plan Administrator. Eligible Employees shall be able to reallocate their Accounts between the Investment Funds and reallocate amounts newly credited to their Accounts at such time and in such manner as the Plan Administrator shall prescribe. Anything to the contrary herein notwithstanding, an Eligible Employee may not reallocate Account balances between Investment Funds if such reallocation would result in a non-exempt Discretionary Transaction as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or any successor to Rule 16b-3, as in effect when the reallocation is requested. The available Investment Funds shall be listed on Appendix B and may be changed from time to time by the Board of Directors.

6. Accounting .

(a) Eligible Employees' Accounts . At the direction of the Plan Administrator, there shall be established and maintained on the books of the Employer, a separate account for each Eligible Employee in order to reflect his or her interest under the Plan.

(b) Investment Earnings . Each Eligible Employee's Account shall initially reflect the value of his or her Account's interest in each of the Investment Funds, deemed acquired with the amounts credited thereto. Each Eligible Employee's Account shall also be credited (or debited) with the net appreciation (or depreciation), earnings and gains (or losses) with respect to the investments deemed made by his or her Account. Any such net earnings or gains deemed

realized with respect to any investment of any Eligible Employee's Account shall be deemed reinvested in additional amounts of the same investment and credited to the Eligible Employee's Account.

(c) Accounting Methods . The accounting methods or formulae to be used under the Plan for the purpose of maintaining the Eligible Employees' Accounts shall be determined by the Plan Administrator. The accounting methods or formulae selected by the Plan Administrator may be revised from time to time but shall conform to the extent practicable with the accounting methods used under the Applicable Plan.

(d) Valuations and Reports . The fair market value of each Eligible Employee's Account shall be determined as of each Valuation Date. In making such determinations and in crediting net deemed earnings and gains (or losses) in the Investment Funds to the Eligible Employees' Accounts, the Plan Administrator (in its discretion) may employ such accounting methods as the Plan Administrator (in its discretion) may deem appropriate in order to fairly reflect the fair market values of the Investment Funds and each Eligible Employee's Account. For this purpose, the Plan Administrator may rely upon information provided by the Plan Administrator or other persons believed by the Plan Administrator to be competent.

(e) Statements of Eligible Employee's Accounts . Each Eligible Employee shall be furnished with periodic statements of his or her interest in the Plan.

7. Distributions .

(a) Distribution of Account Balances . Except to the extent the Eligible Employee has elected otherwise under this Section 7 at the time of deferral, distribution of the balance credited to an Eligible Employee's Account shall be made in a single lump sum as soon as reasonably practicable (but in any event within 90 days) following the date that is seven (7) months following Separation from Service .

In the case of an Alternate Payee (as defined in Section 9(a), to the extent allowable under Code Section 409A, distribution shall be made as directed in a domestic relations order which the Plan Administrator determines is a DRO (as defined in Section 9(a), but only as to the portion of the Eligible Employee's Account which the DRO states is payable to the Alternate Payee .

(b) Specific Distributions . In lieu of a payment described in Section 7(a), by filing an irrevocable election with the Plan Administrator, an Eligible Employee may at the time of deferral elect to receive distribution of the specific type of income deferral for that calendar year plus the earnings thereon (exclusive of Special Incentive Stock Ownership Premiums) in, or in the case of installments commencing in, January of any future year and in the form of either (1) a single lump sum or (2) from two to ten annual installments with subsequent installments paid on each anniversary of the installment commencement date.

(c) Election of Installment Payments . In lieu of a single sum payment under Section 7(a), except in the case of Special Incentive Stock Ownership Premiums, an Eligible Employee may elect in writing to the Plan Administrator, on such form or in such other manner as it may prescribe, and file with the Plan Administrator an election that payment of amounts credited to the Eligible Employee's Account be made in from 2 to 10 equal annual installments. If the Eligible Employee elects installment payments pursuant to this Section 7(c), then such installment payments shall commence as soon as reasonably practicable (but in any event within 90 days) following the date that is seven (7) months following Separation from Service (" Benefit Commencement Date ") and subsequent installments will be paid on each anniversary of the Benefit Commencement Date thereof until all installments are paid.

(d) Change in Distribution Election . An Eligible Employee may change a distribution election previously made pursuant to Section 7(b) or 7(c) (or in place by default pursuant to Section 7(a)) only with respect to the portion of the Eligible Employee's Account attributable to Eligible Employee Deferrals (exclusive of Special Incentive Stock Ownership Premiums) and only in accordance with the rules under Code Section 409A. Generally, a subsequent election pursuant to this Section 7(d): (1) cannot take effect for twelve (12) months, (2) must occur at least twelve (12) months before the first scheduled payment under a payment at a specified date elected pursuant to Section 7(b), and (3) must defer a previously elected distribution at least five (5) additional years. The Plan Administrator may establish additional rules or restrictions on changes in distribution elections.

(e) Death Distributions . If an Eligible Employee dies before the balance of his or her Account has been distributed (whether or not the Eligible Employee had previously had a Separation from Service), the Eligible Employee's Account shall be distributed in a lump sum to the beneficiary designated or otherwise determined in accordance with Section 7, as soon as practicable after the date of death (but in any event within 90 days after the date of death).

(f) Special Incentive Stock Ownership Premiums . Distributions attributable to Special Incentive Stock Ownership Premiums shall only be made in the form of one or more certificates for the number of vested Special Incentive Stock Ownership Premium units, rounded down to the nearest whole share, in accordance with the timing rule set forth in Section 7(a) .

(g) Effect of Change in Eligible Employee Status . If an Eligible Employee ceases to be an Eligible Employee but does not experience a Separation from Service , the balance credited to his or her Account shall continue to be credited (or debited) with appreciation, depreciation, earnings, gains or losses under the terms of the Plan and shall be distributed to him or her at the time and in the manner set forth in this Section 7 .

(h) Payments to Incompetents . If any individual to whom a benefit is payable under the Plan is a minor or if the Plan Administrator determines that any individual to whom a benefit is payable under the Plan is incompetent to receive such payment or to give a valid release therefor, payment shall be made to the guardian, committee, or other representative of the estate of such individual which has been duly appointed by a court of competent jurisdiction. If no guardian, committee, or other representative has been appointed, payment may be made to any person as custodian for such individual under the California Uniform Transfers to Minors Act (or similar law of another state) or may be made to or applied to or for the benefit of the minor or incompetent, the incompetent's spouse, children or other dependents, the institution or persons maintaining the minor or incompetent, or any of them, in such proportions as the Plan Administrator from time to time shall determine; and the release of the person or institution receiving the payment shall be a valid and complete discharge of any liability of PG&E CORP with respect to any benefit so paid.

(i) Beneficiary Designations . Each Eligible Employee may designate, in a signed writing delivered to the Plan Administrator, on such form as it may prescribe, one or more beneficiaries to receive any distribution which may become payable under the Plan as the result of the Eligible Employee's death. An Eligible Employee may designate different beneficiaries at any time by delivering a new designation in like manner. Any designation shall become effective only upon its receipt by the Plan Administrator, and the last effective designation received by the Plan Administrator shall supersede all prior designations. If an Eligible Employee dies without having designated a beneficiary or if no beneficiary survives the Eligible Employee, the Eligible Employee's Account shall be payable to the beneficiary or beneficiaries designated or otherwise determined under the RSP.

(j) Undistributable Accounts . Each Eligible Employee and (in the event of death) his or her beneficiary shall keep the Plan Administrator advised of his or her current address. If the Plan Administrator is unable to locate the Eligible Employee or beneficiary to whom an Eligible Employee's Account is payable under this Section 7, the Eligible Employee's Account shall be frozen as of the date on which distribution would have been completed in accordance with this Section 7, and no further appreciation, depreciation, earnings, gains or losses shall be credited (or debited) thereto. PG&E CORP shall have the right to assign or transfer the liability for payment of any undistributable Account to the Eligible

Employee's former Employer (or any successor thereto).

(k) Plan Administrator Discretion . Within the specific time periods described in this Section 7, the Plan Administrator shall have sole discretion to determine the specific timing of the payment of any Account balance under the Plan.

8. Distribution Due to Unforeseeable Emergency (Hardship Distribution) . A participant may request a distribution due to an unforeseeable emergency (within the meaning of Code Section 409A) by submitting a written request to the Plan Administrator. The Plan Administrator shall have the authority to require such evidence as it deems necessary to determine if a distribution is warranted. If an application for a hardship distribution due to an unforeseeable emergency is approved, the distribution shall be payable in a lump sum within 30 days after approval of such distribution. After receipt of a payment requested due to an unforeseeable emergency, a participant may not make additional deferrals during the remainder of the Plan Year in which the recipient received the payment. The distribution due to an unforeseeable emergency shall not exceed the amount reasonably necessary to meet the emergency. This Section 8 shall be administered in accordance with the requirements of Code Section 409A.

9. Domestic Relations Orders .

(a) Domestic Relations Orders . The Plan Administrator shall establish written procedures for determining whether an order purporting to dispose of any portion of an Eligible Employee's Account is a domestic relations order (within the meaning of Section 414(p) of the Code) (a " DRO ").

(1) No Payment Unless a DRO . No payment shall be made to any person designated in an order (an " Alternate Payee ") until the Plan Administrator (or a court of competent jurisdiction reversing an initial adverse determination by the Plan Administrator) determines that the order is a DRO. Payment shall be made to each Alternate Payee as specified in the DRO.

(2) Time of Payment . Payment may be made to an Alternate Payee in the form of a lump sum, at the time specified in the DRO, but no earlier than the date the DRO determination is made.

(3) Hold Procedures . Notwithstanding any contrary Plan provision, prior to the receipt of a domestic relations order, the Plan Administrator may, in its sole discretion, place a hold upon all or a portion of an Eligible Employee's Account for a reasonable period of time (as determined by the Plan Administrator in accordance with Code Section 409A) if the Plan Administrator receives notice that (a) a domestic relations order is being sought by the Eligible Employee, his or her spouse, former spouse, child or other dependent, and (b) the Eligible Employee's Account is a source of the payment under such domestic relations order.

For purposes of this Section 9(a)(3), a " hold " means that no withdrawals, distributions, or investment transfers may be made with respect to an Eligible Employee's Account. If the Plan Administrator places a hold upon an Eligible Employee's Account pursuant to this Section 9(a)(3), it shall inform the Eligible Employee of such fact.

10. Vesting . Except as provided in Section 4(d), an Eligible Employee's interest in his or her Account at all times shall be 100 percent vested and nonforfeitable.

11. Administration of the Plan .

(a) Plan Administrator . The Employee Benefit Committee of PG&E CORP is hereby designated as the administrator of the Plan (within the meaning of Section 3(16)(A) of ERISA). The Plan Administrator delegates to the Senior Human Resource Officer for PG&E CORP, or his or her designee, the authority to carry out all duties and responsibilities of the Plan Administrator under the Plan. The Plan Administrator shall have the authority to control and manage the operation and administration of the Plan.

(b) Powers of Plan Administrator . The Plan Administrator shall have all discretion and powers necessary to supervise the administration of the Plan and to control its operation in accordance with its terms, including, but not by way of limitation, the power to interpret the provisions of the Plan and to determine, in its sole discretion, any question arising under, or in connection with the administration or operation of, the Plan.

(c) Decisions of Plan Administrator . All decisions of the Plan Administrator and any action taken by it in respect of the Plan and within the powers granted to it under the Plan shall be conclusive and binding on all persons and shall be given the maximum deference permitted by law.

12. Funding . All amounts credited to an Eligible Employee's Account under the Plan shall continue for all purposes to be a part of the general assets of PG&E CORP. The interest of the Eligible Employee in his or her Account, including his or her right to distribution thereof, shall be an unsecured claim against the general assets of PG&E CORP. While PG&E CORP may choose to invest a portion of its general assets in investments identical or similar to those selected by Eligible Employees for purposes of determining the amounts to be credited (or debited) to their Accounts, nothing contained in the Plan shall give any Eligible Employee or beneficiary any interest in or claim against any specific assets of PG&E CORP.

13. Modification or Termination of Plan .

(a) Employers' Obligations Limited . The Plan is voluntary on the part of the Employers, and the Employers do not guarantee to continue the Plan. PG&E CORP at any time may, by appropriate amendment of the Plan, suspend Matching Employer Contributions and/or Basic Employer Contributions or may discontinue Matching Employer Contributions and/or Basic Employer Contributions, with or without cause.

(b) Right to Amend or Terminate . The Board of Directors, acting through the Committee, reserves the right to alter, amend, or terminate the Plan, or any part thereof, in such manner as it may determine, for any reason whatsoever.

(1) Limitations . Any alteration, amendment, or termination shall take effect upon the date indicated in the document embodying such alteration, amendment, or termination, provided that no such alteration or amendment shall divest any portion of an Account that is then vested under the Plan.

(c) Effect of Termination . If the Plan is terminated, the balances credited to the Accounts of the Eligible Employees affected by such termination shall be distributed to them at the time and in the manner set forth in Section 7; provided, however, that the Plan Administrator,

in its sole discretion, may authorize accelerated distribution of Eligible Employees' Accounts to the extent provided in Treasury Regulation Sections 1-409A-3(j)(4)(ix) (A) (relating to terminations in connection with certain corporate dissolutions), (B) (relating to terminations in connection with certain change of control events), and (C) (relating to general terminations) .

14. General Provisions .

(a) **Inalienability** . Except to the extent otherwise directed by a domestic relations order which the Plan Administrator determines is a DRO (as defined in Section 9(a)) or mandated by applicable law, in no event may either an Eligible Employee, a former Eligible Employee or his or her spouse, beneficiary or estate sell, transfer, anticipate, assign, hypothecate, or otherwise dispose of any right or interest under the Plan; and such rights and interests shall not at any time be subject to the claims of creditors nor be liable to attachment, execution, or other legal process.

(b) **Rights and Duties** . Neither the Employers nor the Plan Administrator shall be subject to any liability or duty under the Plan except as expressly provided in the Plan, or for any action taken, omitted, or suffered in good faith.

(c) **No Enlargement of Employment Rights** . Neither the establishment or maintenance of the Plan, the making of any Matching Employer Contributions, nor any action of any Employer or Plan Administrator, shall be held or construed to confer upon any individual any right to be continued as an Employee nor, upon dismissal, any right or interest in any specific assets of the Employers other than as provided in the Plan. Each Employer expressly reserves the right to discharge any Employee at any time, with or without cause or advance notice.

(d) **Apportionment of Costs and Duties** . All acts required of the Employers under the Plan may be performed by PG&E CORP for itself and its Participating Subsidiaries, and the costs of the Plan may be equitably apportioned by the Plan Administrator among PG&E CORP and the other Employers. Whenever an Employer is permitted or required under the terms of the Plan to do or perform any act, matter or thing, it shall be done and performed by any officer or employee of the Employer who is thereunto duly authorized by the board of directors of the Employer. Each Participating Subsidiary shall be responsible for making benefit payments pursuant to the Plan on behalf of its Eligible Employees or for reimbursing PG&E CORP for the cost of such payments, as determined by PG&E CORP in its sole discretion. In the event the respective Participating Subsidiary fails to make such payment or reimbursement, and PG&E CORP does not exercise its discretion to make the payment on such Participating Subsidiary's behalf, participation in the Plan by the Eligible Employees of that Participating Subsidiary shall be suspended in a manner consistent with Code Section 409A. If at some future date, the Participating Subsidiary makes all past-due payments and reimbursements, plus interest at a rate determined by PG&E CORP in its sole discretion, the suspended participation of its Eligible Employees eligible to participate in the Plan will be recognized in a manner consistent with Code Section 409A. In the event the respective Participating Subsidiary fails to make such payment or reimbursement, an Eligible Employee's (or other payee's) sole recourse shall be against the respective Participating Subsidiary, and not against PG&E CORP. An Eligible Employee's participation in the Plan shall constitute agreement with this provision.

(e) **Applicable Law** . The provisions of the Plan shall be construed, administered, and enforced in accordance with the laws of the State of California and, to the extent applicable, ERISA. The Plan is intended to comply with the provisions of Code Section 409A. However, PG&E CORP makes no representation that the benefits provided under the Plan will comply

with Code Section 409A and makes no undertaking to prevent Code Section 409A from applying to the benefits provided under the Plan or to mitigate its effects on any deferrals or payments made under the Plan.

(f) Severability . If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provision had not been included.

(g) Captions . The captions contained in and the table of contents prefixed to the Plan are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of the Plan nor in any way shall affect the construction of any provision of the Plan.

APPENDIX A
EMPLOYERS
(As of January 1, 2005)

- PG&E Corporation
- All Participating Subsidiaries

Participating Subsidiaries (as of January 1, 2005):

- Pacific Gas and Electric Company
 - All U.S. subsidiaries of the above-named corporations
-

APPENDIX B
INVESTMENT FUNDS
(as of August 1, 2011)

SRSP Target Date Funds are a suite of funds that provides investors with convenient, cost-effective exposure across major global asset classes within single investment options. The suite consists of ten funds targeting a normal retirement age of 65. These broadly diversified vehicles combine low-cost stock and bond strategies and automatic rebalancing with professional judgment regarding the appropriate risk level for a specific retirement date. On an annual basis, the SRSP Target Date Funds incrementally reduce exposure to equities and increase exposure to fixed income assets as the target retirement date approaches. This equity roll down continues for five years after the target retirement date, at which time a fixed income-oriented allocation of 65% is combined with 35% stocks that is maintained indefinitely within the RSP Target Retirement Income Fund. A participant typically invests in one fund within the suite which fund reflects a target retirement date closest to the anticipated retirement date of the participant.

PG&E Corporation Phantom Stock Fund converts contributions and transferred amounts into units of phantom common stock valued at the closing price of a share of PG&E Corporation common stock on the contribution/transfer date. If the transfer request is received after the market closes, the following day's closing price will be used. Thereafter, the value of a unit shall fluctuate depending on the price of PG&E Corporation common stock. Each time a dividend is paid on common stock, an amount equal to such dividend shall be credited to the account as additional units.

SRSP Total US Stock Index Fund seeks to match the returns of the Russell 3000 Index. The Russell 3000 Index represents the 3,000 largest stocks in the US market and accounts for approximately 97% of the US stock market's capitalization. The strategy of investing in the same stocks as the Russell 3000 Index provides reliable exposure to this asset class and results in lower expenses.

SRSP Large Company Stock Index Fund seeks to match the returns of the S&P 500 Index. The Fund invests in all 500 stocks in the S&P 500 Index in proportion to their weightings in the Index. The S&P 500 provides exposure to about 85% of the market value of all publicly traded common stocks in the United States. The strategy of investing in the same stocks as the S&P 500 Index provides reliable exposure to this asset class and results in lower expenses.

SRSP Small Company Stock Index Fund seeks to match the returns of the Russell Small Cap Completeness Index. The Fund invests in all of the stocks in the Russell Special Small Cap Completeness Index in proportion to their weightings in the Index. The Russell Small Cap Completeness Index represents about 15% of the market value of all publicly traded common stocks in the United States. The strategy of investing in the same stocks as the Russell Small Cap Completeness Index provides reliable exposure to this asset class and results in lower expenses.

SRSP World Stock Index Fund seeks to match the returns of the MSCI All Country World Index over the long term. The MSCI All Country World Index invests in the US, Canada, Europe, Australasia and Far East countries and emerging markets. The strategy of investing in a portfolio of stocks designed to track the MSCI All Country World Ex-US Index provides reliable exposure to this asset class and results in lower expenses.

SRSP International Stock Index Fund seeks to match the returns of the MSCI World ex-US Index. The Fund invests in all of the stocks in the MSCI World ex-US Index in proportion to their weightings in the Index. The MSCI World ex-US index provides exposure to Canada as well as developed market countries in Europe, Australasia, and the Far East. The strategy of investing in the same stocks as the MSCI World ex-US provides reliable exposure to this asset class and results in lower expenses.

SRSP Emerging Markets Enhanced Index Fund seeks to provide a total investment return in excess of the performance of the MSCI Emerging Markets Index over the long term. The MSCI Emerging Markets Index invests in emerging market countries. The strategy attempts to identify and capitalize on inefficiencies in the emerging markets by employing a disciplined investment process that combines top-down country selection with bottom-up stock selection to determine an optimal country and security mix. Portfolio construction is risk-controlled, with the goal of a well-diversified portfolio that has characteristics similar to the benchmark and superior performance potential.

SRSP Bond Index Fund seeks to match the returns of the Barclays Capital Aggregate Bond Index. The Fund invests in a portfolio of government, corporate, mortgage-backed, and asset-backed fixed-income securities that is representative of the broad domestic bond market. The Barclays Capital Aggregate Bond Index is an unmanaged, market-value weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. The strategy of investing in a portfolio of bonds designed to track the Barclays Capital Aggregate Bond Index provides reliable exposure to this asset class and results in lower expenses.

SRSP US Government Bond Index Fund seeks to match the returns of the Barclays Capital US Government Bond Index. The Fund invests in a well-diversified portfolio that is representative of the Barclays Capital US Government Bond Index, which consists of US Government and government agency securities (other than mortgage securities) with maturities of one year or more. The

strategy of investing in a portfolio of stocks designed to track the Barclays Capital US Government Index provides reliable exposure to this asset class and results in lower expenses.

SRSP Money Market Investment Fund is maintained for the purpose of investing in a diversified portfolio consisting primarily of short-term government and non-government debt securities. The primary objective of this fund is to provide participants with preservation of principal.

Short-Term Bond Index Fund is maintained for the purpose of investing in a diversified portfolio consisting primarily of short-term, marketable fixed-income securities.

AA Utility Bond Fund accrues interest on the amount invested in this fund. The interest rate is equal to the AA Utility Bond Yield reported by Moody's Investor Services .

PG&E CORPORATION
2005 SUPPLEMENTAL RETIREMENT SAVINGS PLAN

1. Purpose of the Plan			1
2. Definitions			1
3. Employer Contributions			3
4. Eligible Employee Deferrals			4
5. Investment Funds			5
6. Accounting			6
7. Distributions			6
8. Distribution Due to Unforeseeable Emergency (Hardship Distribution)		8	
9. Domestic Relations Orders			8
10. Vesting			9
11. Administration of the Plan			9
12. Funding			10
13. Modification or Termination of Plan		10	
14. General Provisions			10

EXHIBIT 12.1
PACIFIC GAS AND ELECTRIC COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(in millions)	Nine Months Ended September 30,	Year Ended December 31,				
	2015	2014	2013	2012	2011	2010
Earnings:						
Net income	\$ 715	\$ 1,433	\$ 866	\$ 811	\$ 845	\$ 1,121
Income tax provision	95	384	326	298	480	574
Fixed charges	923	1,176	971	891	880	799
Total earnings	\$ 1,733	\$ 2,993	\$ 2,163	\$ 2,000	\$ 2,205	\$ 2,494
Fixed charges:						
Interest on short-term borrowings and long-term debt, net	\$ 884	\$ 1,125	\$ 917	\$ 834	\$ 824	\$ 731
Interest on capital leases	3	6	7	9	16	18
AFUDC debt	36	45	47	48	40	50
Total fixed charges	\$ 923	\$ 1,176	\$ 971	\$ 891	\$ 880	\$ 799
Ratios of earnings to fixed charges	1.88	2.55	2.23	2.24	2.51	3.12

Note:

For the purpose of computing Pacific Gas and Electric Company's ratios of earnings to fixed charges, "earnings" represent net income adjusted for the income or loss from equity investees of less than 100% owned affiliates, equity in undistributed income or losses of less than 50% owned affiliates, income taxes and fixed charges (excluding capitalized interest). "Fixed charges" include interest on long-term debt and short-term borrowings (including a representative portion of rental expense), amortization of bond premium, discount and expense, interest on capital leases, AFUDC debt, and earnings required to cover the preferred stock dividend requirements. Fixed charges exclude interest on tax liabilities.

EXHIBIT 12.2
PACIFIC GAS AND ELECTRIC COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO COMBINED
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(in millions)	Nine Months Ended September 30,	Year ended December 31,				
	2015	2014	2013	2012	2011	2010
Earnings:						
Net income	\$ 715	\$ 1,433	\$ 866	\$ 811	\$ 845	\$ 1,121
Income tax provision	95	384	326	298	480	574
Fixed charges	923	1,176	971	891	880	799
Total earnings	\$ 1,733	\$ 2,993	\$ 2,163	\$ 2,000	\$ 2,205	\$ 2,494
Fixed charges:						
Interest on short-term borrowings and long-term debt, net	\$ 884	\$ 1,125	\$ 917	\$ 834	\$ 824	\$ 731
Interest on capital leases	3	6	7	9	16	18
AFUDC debt	36	45	47	48	40	50
Total fixed charges	\$ 923	\$ 1,176	\$ 971	\$ 891	\$ 880	\$ 799
Preferred stock dividends:						
Tax deductible dividends	\$ 7	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9
Pre-tax earnings required to cover non-tax deductible preferred stock dividend requirements	4	6	7	7	8	7
Total preferred stock dividends	11	15	16	16	17	16
Total combined fixed charges and preferred stock dividends	\$ 934	\$ 1,191	\$ 987	\$ 907	\$ 897	\$ 815
Ratios of earnings to combined fixed charges and preferred stock dividends	1.86	2.51	2.19	2.21	2.46	3.06

Note:

For the purpose of computing Pacific Gas and Electric Company's ratios of earnings to combined fixed charges and preferred stock dividends, "earnings" represent net income adjusted for the income or loss from equity investees of less than 100% owned affiliates, equity in undistributed income or losses of less than 50% owned affiliates, income taxes and fixed charges (excluding capitalized interest). "Fixed charges" include interest on long-term debt and short-term borrowings (including a representative portion of rental expense), amortization of bond premium, discount and expense, interest on capital leases, AFUDC debt, and earnings required to cover the preferred stock dividend requirements. "Preferred stock dividends" represent tax deductible dividends and pre-tax earnings that are required to pay the dividends on outstanding preferred securities. Fixed charges exclude interest on tax liabilities.

EXHIBIT 12.3
PG&E CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(in millions)	Nine Months Ended September 30,	Year Ended December 31,				
	2015	2014	2013	2012	2011	2010
Earnings:						
Net income	\$ 750	\$ 1,450	\$ 828	\$ 830	\$ 858	\$ 1,113
Income tax provision	84	345	268	237	440	547
Fixed charges	942	1,206	1,012	931	919	850
Pre-tax earnings required to cover cover the preferred stock dividend of consolidated subsidiaries	(11)	(15)	(16)	(15)	(17)	(16)
Total earnings	\$ 1,765	\$ 2,986	\$ 2,092	\$ 1,983	\$ 2,200	\$ 2,494
Fixed charges:						
Interest on short-term borrowings and long-term debt, net	\$ 892	\$ 1,140	\$ 942	\$ 859	\$ 846	\$ 766
Interest on capital leases	3	6	7	9	16	18
AFUDC debt	36	45	47	48	40	50
Pre-tax earnings required to cover the preferred stock dividend of consolidated subsidiaries	11	15	16	15	17	16
Total fixed charges	\$ 942	\$ 1,206	\$ 1,012	\$ 931	\$ 919	\$ 850
Ratios of earnings to fixed charges	1.87	2.48	2.07	2.13	2.39	2.93

Note:

For the purpose of computing PG&E Corporation's ratios of earnings to fixed charges, "earnings" represent income from continuing operations adjusted for income taxes, fixed charges (excluding capitalized interest), and pre-tax earnings required to cover the preferred stock dividend of consolidated subsidiaries. "Fixed charges" include interest on long-term debt and short-term borrowings (including a representative portion of rental expense), amortization of bond premium, discount and expense, interest on capital leases, AFUDC debt, and earnings required to cover preferred stock dividends of consolidated subsidiaries. Fixed charges exclude interest on tax liabilities.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Anthony F. Earley, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of PG&E Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2015

ANTHONY F. EARLEY, JR.

Anthony F. Earley, Jr.

Chairman, Chief Executive Officer, and President

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Kent M. Harvey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of PG&E Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2015

KENT M. HARVEY

Kent M. Harvey

Senior Vice President and Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Nickolas Stavropoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of Pacific Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2015

NICKOLAS STAVROPOULOS

Nickolas Stavropoulos
President, Gas

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Geisha J. Williams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of Pacific Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2015

GEISHA J. WILLIAMS

Geisha J. Williams

President, Electric

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Dinyar B. Mistry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of Pacific Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2015

DINYAR B. MISTRY

Dinyar B. Mistry

Vice President, Chief Financial Officer and Controller

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Quarterly Report on Form 10-Q of PG&E Corporation for the quarter ended September 30, 2015 ("Form 10-Q"), I, Anthony F. Earley, Jr., Chairman, Chief Executive Officer and President of PG&E Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PG&E Corporation.

October 28, 2015

ANTHONY F. EARLEY, JR.
ANTHONY F. EARLEY, JR.
Chairman, Chief Executive Officer and President

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Quarterly Report on Form 10-Q of PG&E Corporation for the quarter ended September 30, 2015 ("Form 10-Q"), I, Kent M. Harvey, Senior Vice President and Chief Financial Officer of PG&E Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PG&E Corporation.

October 28, 2015

KENT M. HARVEY
KENT M. HARVEY
Senior Vice President and
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Quarterly Report on Form 10-Q of Pacific Gas and Electric Company for the quarter ended September 30, 2015 ("Form 10-Q"), I, Nickolas Stavropoulos, President, Gas of Pacific Gas and Electric Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Pacific Gas and Electric Company.

October 28, 2015

NICKOLAS STAVROPOULOS

NICKOLAS STAVROPOULOS

President, Gas

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Quarterly Report on Form 10-Q of Pacific Gas and Electric Company for the quarter ended September 30, 2015 ("Form 10-Q"), I, Geisha J. Williams, President, Electric of Pacific Gas and Electric Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Pacific Gas and Electric Company.

October 28, 2015

GEISHA J. WILLIAMS

GEISHA J. WILLIAMS

President, Electric

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Quarterly Report on Form 10-Q of Pacific Gas and Electric Company for the quarter ended September 30, 2015 ("Form 10-Q"), I, Dinyar B. Mistry, Vice President, Chief Financial Officer and Controller of Pacific Gas and Electric Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Pacific Gas and Electric Company.

October 28, 2015

DINYAR B. MISTRY

DINYAR B. MISTRY

Vice President, Chief Financial Officer and Controller