



Appendix

Investor Conference

May 22, 2008
Sonoma, California





Pacific Gas and Electric Company (PG&E)

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



PG&E SERVICE AREA
IN CALIFORNIA



Electric and Gas Distribution

Business Scope

- Retail electricity and natural gas distribution service (construction, operations and maintenance)
- Customer services (call centers, meter reading, billing)
- 5.1 million electric and 4.3 million gas customer accounts

Primary Assets

- \$11.0 billion of rate base (2007 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Cost of service ratemaking ⁽¹⁾
- Revenues stabilized by sales balancing accounts

⁽¹⁾ Authorized revenues = operating costs + (rate of return × rate base)
Rate base = net plant ± adjustments to approximate invested capital



Electric Transmission

Business Scope

- Wholesale electric transmission services (construction, maintenance)
- Operation by CA Independent System Operator

Primary Assets

- \$2.6 billion of rate base (2007 wtd. avg.)

Regulation

- Federal Regulation (FERC)
- Cost of Service Ratemaking
- Revenues vary with system load





Natural Gas Transmission

Business Scope

- Natural gas transportation, storage, parking and lending services
- Customers: PG&E natural gas distribution and electric generation businesses, industrial customers, California electric generators

Primary Assets

- \$1.5 billion of rate base (2007 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Incentive ratemaking framework (“Gas Accord”)
- Revenues vary with throughput



Electric Procurement and Owed Generation

Business Scope

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

Primary Assets

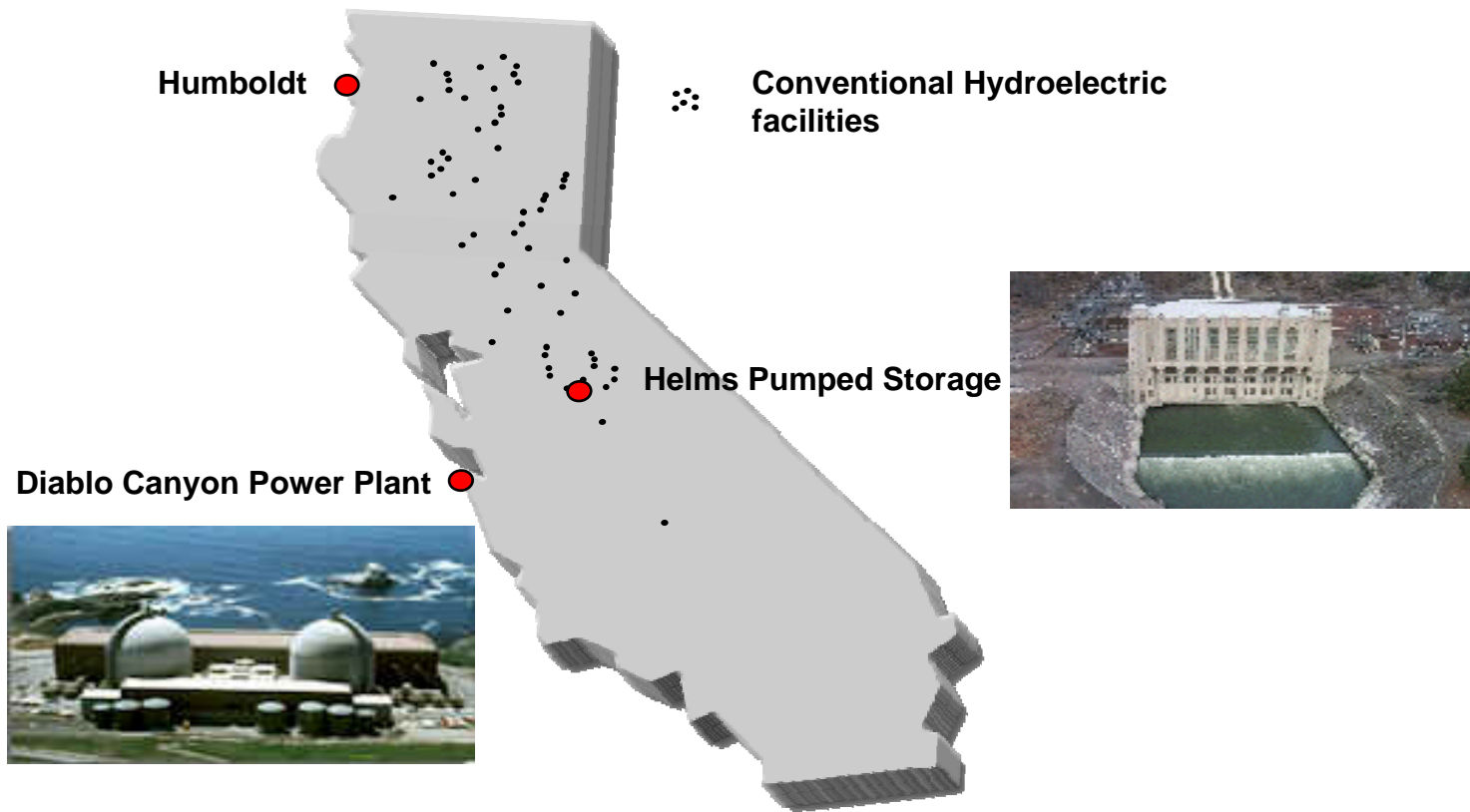
- \$1.7 billion of rate base (2007 wtd. avg.)
- Diablo Canyon nuclear power plant (2,240 MW)
- Largest privately owned hydro system (3,896 MW)
- Funded nuclear plant decommissioning trusts of \$1.8 billion

Regulation

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



PG&E Generation in California

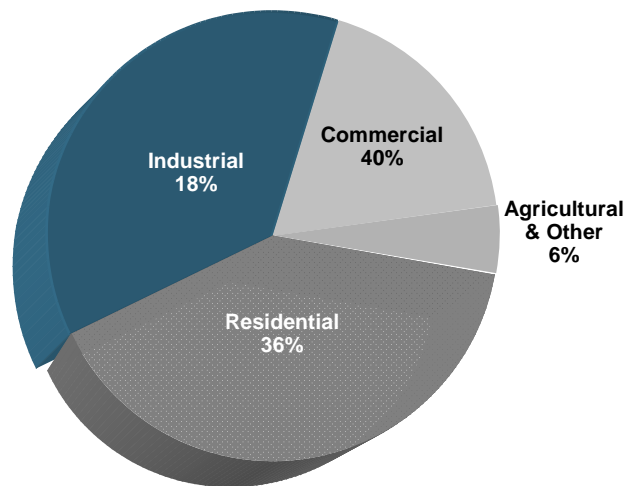




2007 Customer Profiles - % by Sales

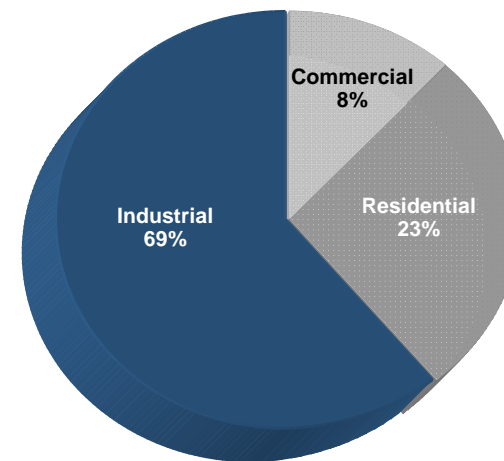
Electric Customers

(86,179 GWh delivered)



Gas Customers

(869 Bcf delivered)





Preferred Loading Order

- **PG&E's resource investment strategy is aligned with California's Energy Action Plans:**
 - Energy Efficiency
 - Demand Response
 - Renewable Resources
 - Distributed Generation
 - Conventional Resources





2008 RFO Process

Renewable RFO

- PG&E issued its annual Renewable RFO in March 2008
- Objective to sign an additional 1-2%
- Offers due by June, followed by CPUC review

Long-Term Plan 2006 Cycle

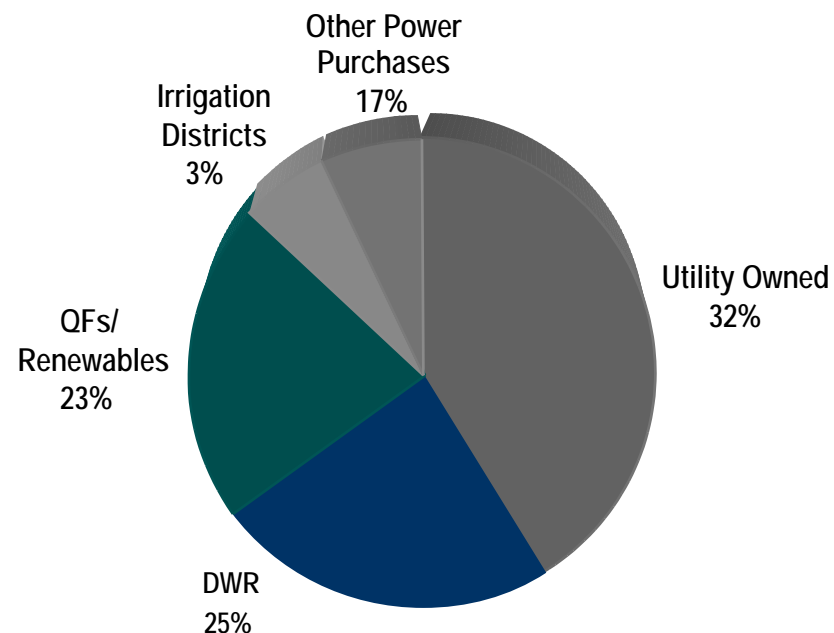
- PG&E issued its RFO in April, 2008
- PG&E was authorized to procure 800-1200 MW of operationally flexible resources by 2015
- Offers are due by the end of July, followed by CPUC review
- The authorized amount may be increased to account for any projects that have failed to materialize from the 2004 RFO



PG&E: Existing Resource Mix

Owned Generation	Type	Net Capacity (MW)	Percent
Diablo Canyon	Nuclear	2,240	36%
Hydroelectric Facilities	Hydro	3,896	62%
Humboldt	Fossil	135	2%
Total		6,271	100%

2007 total sources of electric energy*

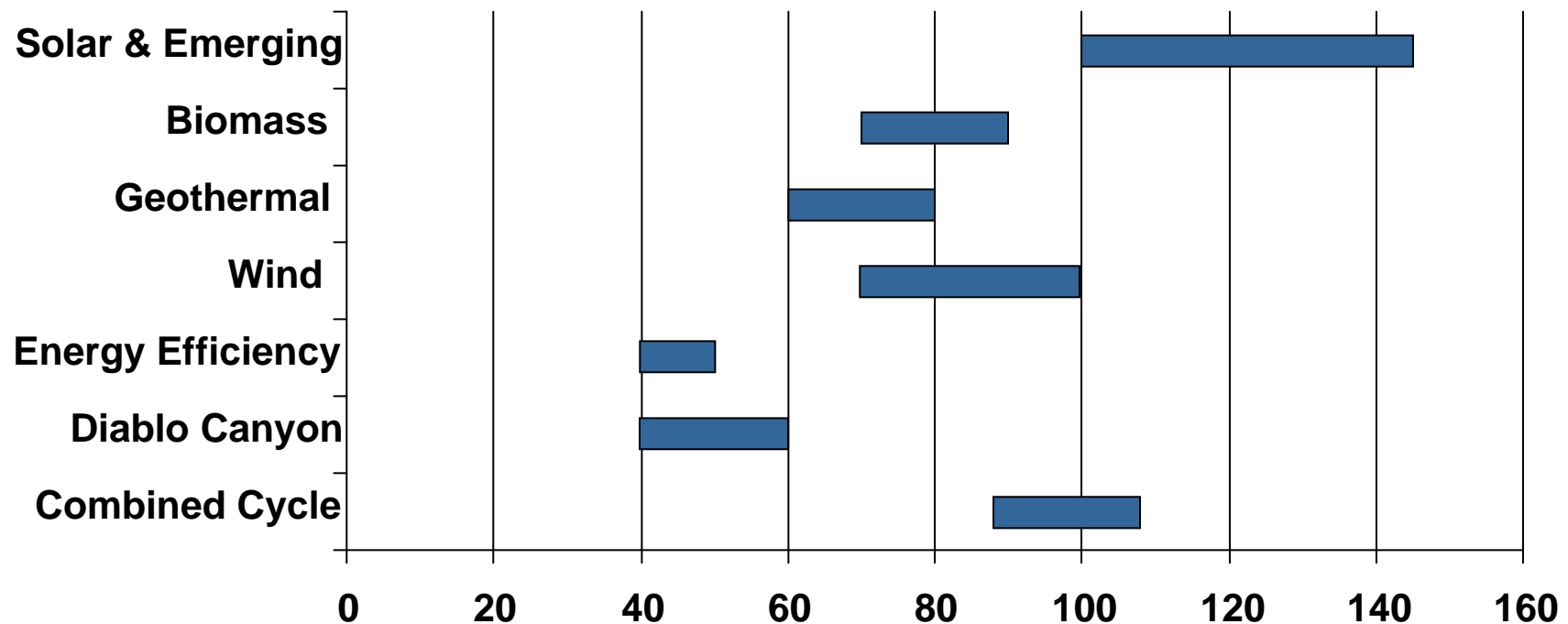


* Approximately 12% of total retail sales are supplied by eligible renewable resources coming from utility-owned, QF, Irrigation Districts, and other sources.



Comparative Energy Procurement Costs

New Build Energy Procurement Cost (\$/MWh)





Renewable Contracts Signed

Over 21% of Projected 2010 Load Currently Signed*

Year Signed	Project	Max GWh/yr	Technology
2006	Military Pass Rd.	840	Geothermal
2006	HFI Silvan	142	Biomass
2006	Liberty Biofuels	70	Biofuels
2006	Bottle Rock USRG	385	Geothermal
2006	IAE Truckhaven	366	Geothermal
2006	Global Common - Chowchilla	72	2006
2006	Global Common – El Nido	72	Biomass
2006	Newberry	840	Geothermal
2006	Calpine Geysers	922	Geothermal
2006	Tunnel Hydro	2.1	Hydro
2006	Buckeye Hydro	1.4	Hydro
2006	Eden Vale Dairy	1.3	Biogas
2006	Microgy	TBD	Biogas
2006	Bio_Energy LLC	TBD	Biogas
2006	Palco	36	Biomass

Year Signed	Project	Max GWh/yr	Technology
2007	Solel	1388	Solar Thermal
2007	PPM-Klondike	265	Wind
2007	CalRenew	9	PV
2007	Green Volts	5	PV
2007	enXco	509	Wind
2007	Ausra	388	Solar Thermal
2007	White Creek	148	Wind
2007	Finavera Renewables	4	Wave
2008	BrightSource	1230	Solar Thermal

1) Average delivered energy over multiple years: pre-RPS baseline

*Based on contracts signed through August 2007



Carrying Cost Credit Impacts

Estimated Average Deferred Tax Balances and Carrying Cost Credit Impacts (\$MM)

(\$MM)	2008	2009	2010	2011	2012
Energy Recovery Bond Average Deferred Tax Balance	\$683	\$542	\$396	\$243	\$82
Estimated After-tax Carrying Cost Credit*	\$(40)	\$(32)	\$(23)	\$(14)	\$(5)

* Estimated carrying cost credits include only the equity portion and assume a utility equity ratio of 52% and ROE at 11.35%.



ERB Amortization Schedule

(\$MM)	2008	2009	2010	2011	2012
Annual ERB Amortization	\$354	\$369	\$386	\$404	\$423
End-of-year ERB balance	\$1,582	\$1,213	\$827	\$423	\$-



Liquidity Availability and Targets

	Utility	Holding Company
Credit Facility Size	\$2 billion	\$200 million
Target Minimum Unused Borrowing Capacity	\$800 million	\$100 million
Target Cash Balance	\$0	\$40 million



Credit Profile

Current Ratings

- Utility Corporate Credit/Issuer: BBB+ (S&P) and A3 (Moody's)
- Utility Senior unsecured debt: BBB+ (S&P) and A3 (Moody's)

Average Utility Metrics (2008-2011)*

- S&P Business Profile Rating: 5
- Total Debt to capitalization (EOY): 55%
- Funds from Operations Cash Interest Coverage: 5.20x
- Funds from Operations to Average Total Debt: 22%

* Metrics include debt equivalents for long-term power purchase contracts



2007 EPS - Reg G Reconciliation

	<u>2007</u>
EPS on an Earnings from Operations Basis	\$2.78
Items Impacting Comparability	<u>0.00</u>
EPS on a GAAP Basis	\$2.78

* Earnings per share from operations is a non-GAAP measure. This non-GAAP measure is used because it allows investors to compare the core underlying financial performance from one period to another, exclusive of items that do not reflect the normal course of operations.



EPS Guidance - Reg G Reconciliation

2008

	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis*	\$2.90	\$3.00
Estimated Items Impacting Comparability	0.00	0.00
EPS Guidance on a GAAP Basis	\$2.90	\$3.00

2009

	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis*	\$3.15	\$3.25
Estimated Items Impacting Comparability	0.00	0.00
EPS Guidance on a GAAP Basis	\$3.15	\$3.25

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