

# PG&E Corporation

Goldman Sachs  
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# Cautionary Language Regarding Forward-Looking Statements

This presentation contains management's guidance for PG&E Corporation's 2010 and 2011 earnings per share from operations. These statements and projections, as well as the underlying assumptions, are forward-looking statements that are based on current expectations which management believes are reasonable. These statements and assumptions are necessarily subject to various risks and uncertainties, the realization or resolution of which may be outside of management's control. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- the Utility's ability to efficiently manage capital expenditures and its operating and maintenance expenses within authorized levels;
- the outcome of pending and future regulatory proceedings and whether the Utility is able to timely recover its costs through rates;
- the adequacy and price of electricity and natural gas supplies and whether the new day-ahead, hour-ahead, and realtime wholesale electricity markets established by the California Independent System Operator ("CAISO") will continue to function effectively, the extent to which the Utility can manage and respond to the volatility of electricity and natural gas prices, and the ability of the Utility and its counterparties to post or return collateral;
- explosions, fires, accidents, mechanical breakdowns, the disruption of information technology and systems, and similar events that may occur while operating and maintaining an electric and natural gas system in a large service territory with varying geographic conditions that can cause unplanned outages, reduce generating output, damage the Utility's assets or operations, subject the Utility to third-party claims for property damage or personal injury, or result in the imposition of civil, criminal, or regulatory fines or penalties on the Utility;
- the impact of storms, earthquakes, floods, drought, wildfires, disease, and similar natural disasters, or acts of terrorism or vandalism, that affect customer demand or that 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;
- the potential impacts of climate change on the Utility's electricity and natural gas businesses;
- changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology that include the development of alternative technologies that enable customers to increase their reliance on self-generation, or other reasons;
- the occurrence of unplanned outages at the Utility's two nuclear generating units at Diablo Canyon, the availability of nuclear fuel, the outcome of the Utility's application to renew the operating licenses for Diablo Canyon, and potential changes in laws or regulations promulgated by the NRC or environmental agencies with respect to the storage of spent nuclear fuel, security, safety, or other matters associated with the operations at Diablo Canyon;
- whether the Utility earns incentive revenues or incurs obligations under incentive ratemaking mechanisms, such as the CPUC's incentive ratemaking mechanism relating to energy savings achieved through implementation of the utilities' customer energy efficiency programs;
- the impact of federal or state laws or regulations, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
- whether the Utility can successfully implement its program to install advanced meters for its electric and natural gas customers and integrate the new meters with its customer billing and other systems, the outcome of the independent investigation ordered by the CPUC and the California Legislature into customer concerns about the new meters, and the ability of the Utility to implement various rate changes including "dynamic pricing" by offering electric rates that can vary with the customer's time of use and are more closely aligned with wholesale electricity prices;
- 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 the extent to which the interpretation or enforcement of these conditions has a material impact on PG&E Corporation;
- the outcome of litigation, including litigation involving the application of various California wage and hour laws, and the extent to which PG&E Corporation or the Utility incurs costs and liabilities in connection with litigation that are not recoverable through rates, from insurance, or from other third parties;
- the ability of PG&E Corporation, the Utility, and counterparties to access capital markets and other sources of credit in a timely manner on acceptable terms;
- the impact of environmental laws and regulations and the costs of compliance and remediation;
- the loss of customers due to various forms of bypass and competition, including municipalization of the Utility's electric distribution facilities, increasing levels of "direct access" by which consumers procure electricity from alternative energy providers, and implementation of "community choice aggregation," which permits cities and counties to purchase and sell electricity for their local residents and businesses;
- the outcome of federal or state tax audits and the impact of changes in federal or state tax laws, policies, or regulations; and
- other factors and risks discussed in PG&E Corporation and Pacific Gas and Electric Company's 2009 Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission.

# Table of Contents

**Overview**

**Page 4**

**Regulatory Update**

**Page 8**

**Appendix**

**Page 18**



# Pacific Gas and Electric Company (PG&E)

- Provides energy to approximately 15 million people
- 70,000 square-mile service territory
- Four main operational units:
  - Electric and gas distribution
  - Electric transmission
  - Natural gas transmission
  - Electric procurement and owned generation



□ PG&E SERVICE AREA  
IN CALIFORNIA



# PCG Investment Case

**Excellent service at reasonable cost**

**Constructive regulatory environment**

**Investment in infrastructure-  
providing solid, regulated growth**

**Clean generation and world-class energy  
efficiency programs**

**Stable capital structure and return**

**Reliable, growing dividend**

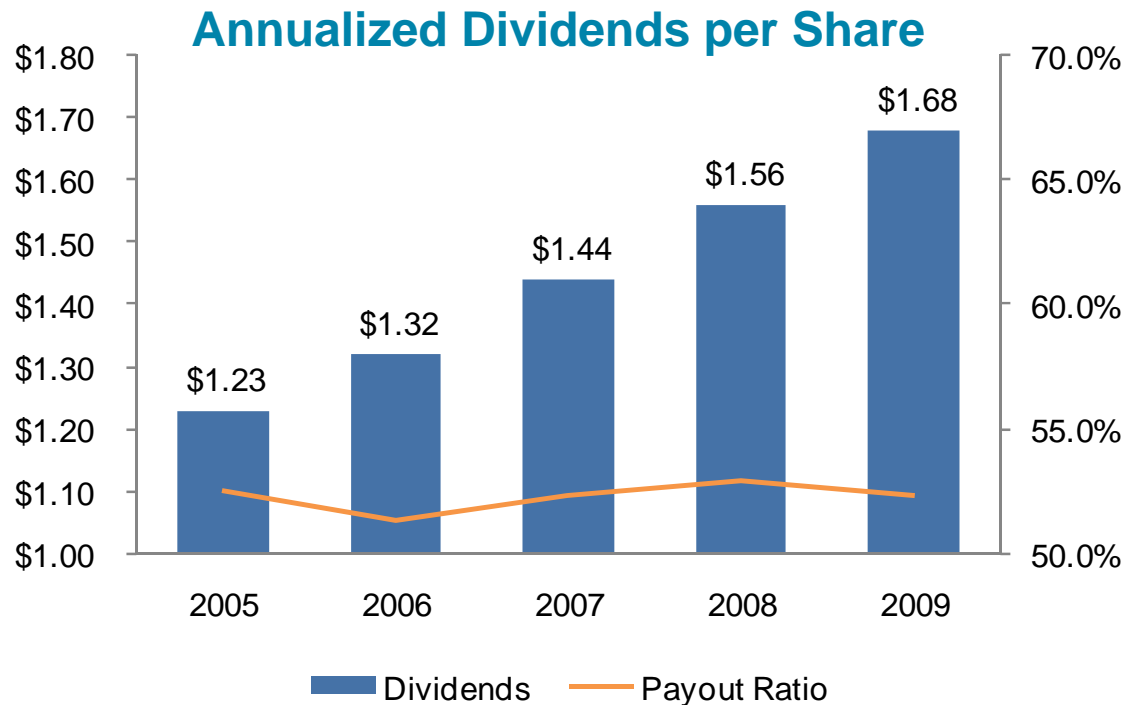


# Dividend Policy

**Sustainable, comparable dividend**

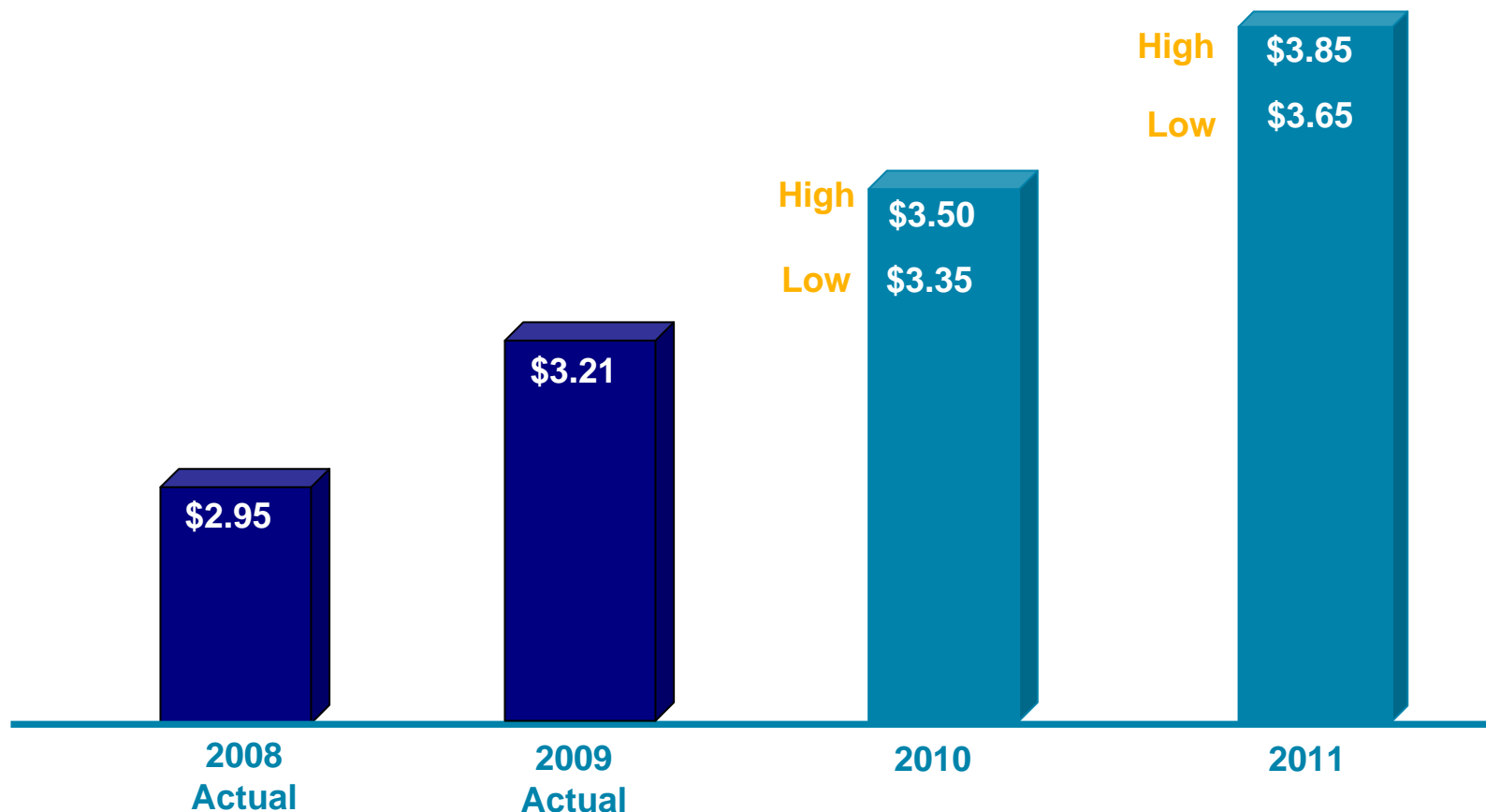
**Payout ratio range of 50% - 70%**

**Dividend growth in line with EPS growth**



# EPS Guidance

## Earnings per Share from Operations\*



\* Reg G reconciliation to GAAP for 2008 and 2009 EPS from Operations, and 2010-2011 EPS Guidance available in Appendix and at [www.pge-corp.com](http://www.pge-corp.com)

# Regulatory Update





# 2011 General Rate Case

**Sets revenue requirements for Gas and Electric Distribution and Electric Generation businesses for 2011 – 2013**

**Revenue Requirement Request: \$6.7B**

**\$1.1B increase**

**\$2.7B average capital expenditures per year**

**Allows for necessary investments in energy infrastructure to deliver energy safely and reliably to customers**

**Key capital projects will focus on:**

- replacement of gas and electric systems that are at or near the end of their useful lives
- replacement of aging generation infrastructure, hydro relicensing requirements
- replacement of aging fleet, buildings and IT systems



# 2011 General Rate Case

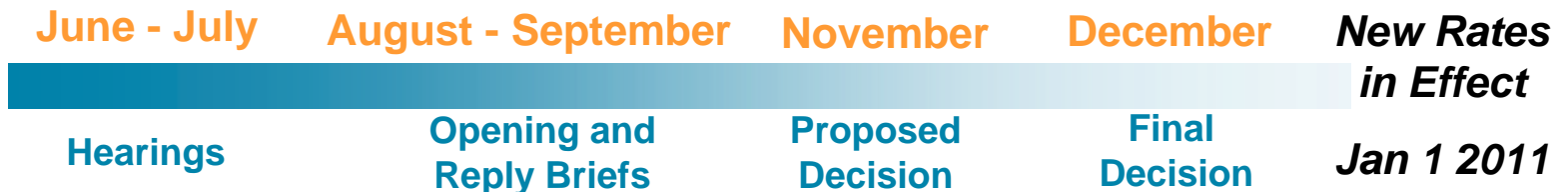
## Also requested a flexible attrition mechanism to adjust for:

- Labor costs
- Materials and services
- Capital investments
- Changes in franchise, payroll or other taxes

Based on the requested mechanism, attrition revenues are currently forecasted to be \$275M and \$343M in 2012 and 2013

## Items not included in the 2011 GRC:

- SmartMeter™ and SmartMeter™ Upgrade programs
- PV Project, Cornerstone, Manzana, Diablo Relicensing



# 2011 Gas Transmission and Storage Rate Case

**Sets revenue requirements, rates, terms and conditions for PG&E's Gas Transmission and Storage services for 2011 – 2014**

**Revenue Requirement Request: \$529M**

**\$67M increase over 2010 revenue requirement**

**\$235M Capital Expenditures**

**Allows for upgrades to backbone transmission, local transmission, and storage facilities, and maintenance of equipment**

**Proposed attrition mechanism similar to General Rate Case**

**Conference held in July resulted in a proposed, multi-party settlement**

**The terms are confidential until the agreement is submitted to the CPUC for approval**



**Final decision requested by Q4 2010**

# Manzana Wind Project

**Request for revenue requirements to acquire, own, and operate the 189 - 246MW Manzana wind project in the Tehachapi region of Southern California**

**Request: \$900M (all capital) at 246MW capacity**

**Manzana Wind Project would be designed, developed, and constructed by Iberdrola Renewables, Inc.**

- **PG&E proposes to make progress payments throughout construction and take full ownership at completion**
- **Final size of the project would depend upon permitting requirements, completion of land rights acquisition and turbine supply**
- **The proposed wind facility is targeted to be operational as early as December 2011**



**Final decision is requested by the end of 2010**

# FERC TO13 Filing

**Sets revenue requirements for PG&E's Electric Transmission business in 2011**

**Revenue Requirement Request: \$1.026B**  
**Capital Expenditures: \$810M**

**If approved, revenues would provide for additional transmission capacity and increased maintenance and replacement work on our substations to improve overall reliability of our system**

	<b>Request</b>	<b>Settlement</b>
TO 10	\$760.5M	\$718M
TO 11	\$845.0M	\$776M
TO 12	\$946.0M	\$875M - Approved on 7/27/10



**TO13 final decision expected by Q3 2011**

# Recent Decisions

## Cornerstone Reliability Program

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

Approved Final Decision (6/24/10):

- \$350M in reliability focused capital investments through 2013
- CPUC provided the opportunity for additional reliability investment in 2014 GRC and subsequent general rate cases

The primary focus of the program is:

Additional substation emergency capacity  
Enhanced interconnectivity and automation  
Reliability investments in rural areas



# Recent Decisions

## Solar PV Program

**Sets revenue requirements to develop and own up to 250MW of PV and sign PPAs for an additional 250MW of PV over a five year period**

### **Approved Final Decision (4/22/10):**

- **\$1.45B (all capital) for the Utility-owned 250MW**
- **Authorized cost of service ratemaking treatment for the Utility-owned portion**
- **Included an incentive mechanism with 90/10 sharing between customers and shareholders of the amount of total costs below a certain threshold over the timeframe of project development**



# Recent Decisions

## Summer Rate Relief Program

As proposed by PG&E, the CPUC approved reducing overall rates by \$400M, a 3% decrease, effective June 1, 2010

For residential rates, reductions focused on highest rate tiers

- Substantially reduced rates in Tier 5 by 19.6% and Tier 4 by 5.8%
- Moderately increased rates in Tier 3 by 1.8%



GRC Phase II filing recommends collapsing of Tier 3, 4, and 5 into one Tier 3 rate



# Appendix



# Key Regulatory Proceedings

Regulatory Case	Docket #	Expected Decision Date
Transmission Owner ("TO") 13 Rate Case	ER.10-2026-000	Final decision is requested in Q3 2011
Long Term Procurement Plan (LTPP)	R.10-05-006	Final decisions for Track I, II and III expected in 2011 or as appropriate
Nuclear Relicensing	A.10-01-022	Final decision is expected in Q2 2011
2011 General Rate Case ("GRC")	A.09-12-020	Final decision is requested in Q4 2010
Manzana Wind Project	A.09-12-002	Final decision is requested by the end of 2010
Request for New Generation Offers and Potential New Utility-Owned Generation	R.06-02-013 A.09-09-021 D.10-07-045	Final decision approving three contracts and denying the Oakley Generating Station received on July 29, 2010
Gas Transmission & Storage Rate Case	A.09-09-013	Final decision is requested in Q4 2010
Transmission Owner ("TO") 12 Rate Case	ER09-1521-000	Final decision approving PG&E's request received on July 27, 2010
Photovoltaic Program	A.09-02-019 D.10-04-052	Final decision approving PG&E's request received on April 22, 2010
Energy Efficiency Order Instituting Rulemaking Post-2005	R.09-01-019 D.09-12-045	Final decision is requested in 2H 2010
SmartGrid OIR	R.08-12-009 D.10-06-047	Decision received on June 24, 2010 requiring the submission of SmartGrid deployment plans by July 2011; timing of subsequent rulemaking proceedings in 2010 and 2011 TBD
Cornerstone Improvement Program	A.08-05-023 D.10-06-048	Final decision approving PG&E's request received on June 24, 2010



# 2008 EPS – Reg G Reconciliation

	<u>2008</u>
EPS on an Earnings from Operations Basis*	\$2.95
Items Impacting Comparability**	<u>0.68</u>
EPS on a GAAP Basis	\$3.63

*\* 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.*

*\*\* Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and twelve months ended December 31, 2008, PG&E Corporation recognized \$257 million of net income resulting from a settlement of tax audits for tax years 2001 through 2004. Of this amount, \$154 million was related to PG&E Corporation's former subsidiary, National Energy & Gas Transmission, Inc., and was recorded as income from discontinued operations*



# 2009 EPS – Reg G Reconciliation

	<u>2009</u>
EPS on an Earnings from Operations Basis <sup>(1)</sup>	\$3.21
Items Impacting Comparability <sup>(2)</sup>	
Tax Benefit <sup>(3)</sup>	0.18
Recovery of hydro divestiture costs <sup>(4)</sup>	0.07
Accelerated work on gas system <sup>(5)</sup>	(0.16)
Severance costs <sup>(6)</sup>	<u>(0.10)</u>
EPS on a GAAP Basis	\$3.20

<sup>(1)</sup> *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.*

<sup>(2)</sup> *Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP.*

<sup>(3)</sup> *For the twelve months ended December 31, 2009, PG&E Corporation recognized \$66 million, after-tax, for the interest and state tax benefit associated with a federal tax refund, for 1998 and 1999.*

<sup>(4)</sup> *For the twelve months ended December 31, 2009, PG&E Corporation recognized \$28 million, after-tax, related to the CPUC's authorization to recover costs previously incurred in connection with the Utility's hydroelectric generation facilities.*

<sup>(5)</sup> *For the twelve months ended December 31, 2009, PG&E Corporation incurred \$59 million, after-tax of costs to perform accelerated system-wide natural gas integrity surveys and associated remedial work.*

<sup>(6)</sup> *For the twelve months ended December 31, 2009, PG&E Corporation accrued \$38 million, after-tax of severance costs related to the elimination of approximately 2% percent of the Utility's workforce.*



# EPS Guidance – Reg G Reconciliation

2010	Guidance Range	
	Low	High
EPS Guidance on an Earnings from Operations Basis <sup>(1)</sup>	\$3.35	\$3.50
Estimated Items Impacting Comparability <sup>(2)</sup>		
Statewide Ballot Initiative <sup>(3)</sup>	(0.12)	(0.12)
Federal Healthcare Law <sup>(4)</sup>	(0.05)	(0.05)
Estimated EPS on a GAAP Basis	\$3.18	\$3.33

2011	Guidance Range	
	Low	High
EPS Guidance on an Earnings from Operations Basis <sup>(1)</sup>	\$3.65	\$3.85
Estimated Items Impacting Comparability	0.00	0.00
Estimated EPS on a GAAP Basis	\$3.65	\$3.85



<sup>(1)</sup> *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.*

<sup>(2)</sup> *Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP.*

<sup>(3)</sup> *Costs related to Proposition 16 - The Taxpayers' Right to Vote Act*

<sup>(4)</sup> *Reduction in the deferred tax asset corresponding to the loss of tax deductibility of Medicare Part D federal subsidies.*