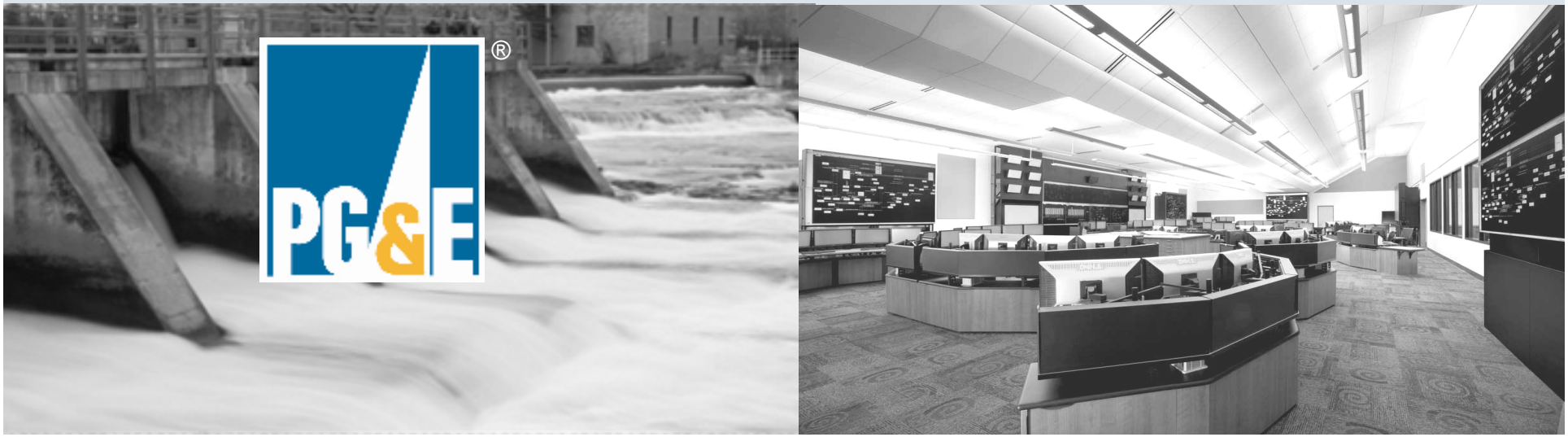
PG&E Corporation

Morgan Stanley Utilities Conference
March 11-12, 2010



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, projections of Pacific Gas and Electric Company's (Utility) capital expenditures, construction work in progress (CWIP), rate base and rate base growth, and projections of PG&E Corporation's and the Utility's financing needs. 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 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 the ability of the Utility to manage and respond to the volatility of the electricity and natural gas markets, including 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 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, including 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 with respect to the storage of spent nuclear fuel, security, safety or other matters associated with the operations at Diablo Canyon;**
- **whether the Utility can maintain the cost savings it has recognized from operating efficiencies it has achieved and identify and successfully implement additional sustainable cost-saving measures;**
- **whether the Utility earns incentive revenues or incurs obligations under incentive ratemaking mechanisms;**
- **the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;**
- **whether the new wholesale electricity markets in California will continue to function effectively and whether the Utility can successfully implement "dynamic pricing" for its electricity customers;**
- **how the CPUC administers the conditions imposed on PG&E Corporation when it became the Utility's holding company;**
- **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 effect of municipalization, direct access, community choice aggregation, or other forms of bypass;**
- **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's and the Utility's 2008 Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission.**

PCG: Key Takeaways

We have a solid strategy

- customer focus

- excellence in operations

- strong regulatory relations

- environmentally responsible

- community oriented

We execute on our strategy

- a proven management team

- delivering consistent solid results

for our *customers* and *shareholders*

2009 Report Card

Our Plan		*Our Results*
Earnings from Operations*	**$3.15 - $3.25 per share**	**$3.21**
Capital Expenditures	**$3.6 to $3.7 B**	**$3.9 B**
15% Reduction in Injuries**	**2.76 cases / 200,000 hours**	**2.38 cases**
Energy Efficiency Incentives	**$0 to $30 MM**	**$33.4 MM**
On Time, On Budget Execution	**SmartMeter™**	✓
	Gateway Generating Station	✓
	Nuclear Projects	✓
	New Gas Fired Facilities (on line in 2010)	✓

PG&E®

* Reg G reconciliation to GAAP for 2009 EPS from Operations available in Appendix and at www.pge-corp.com

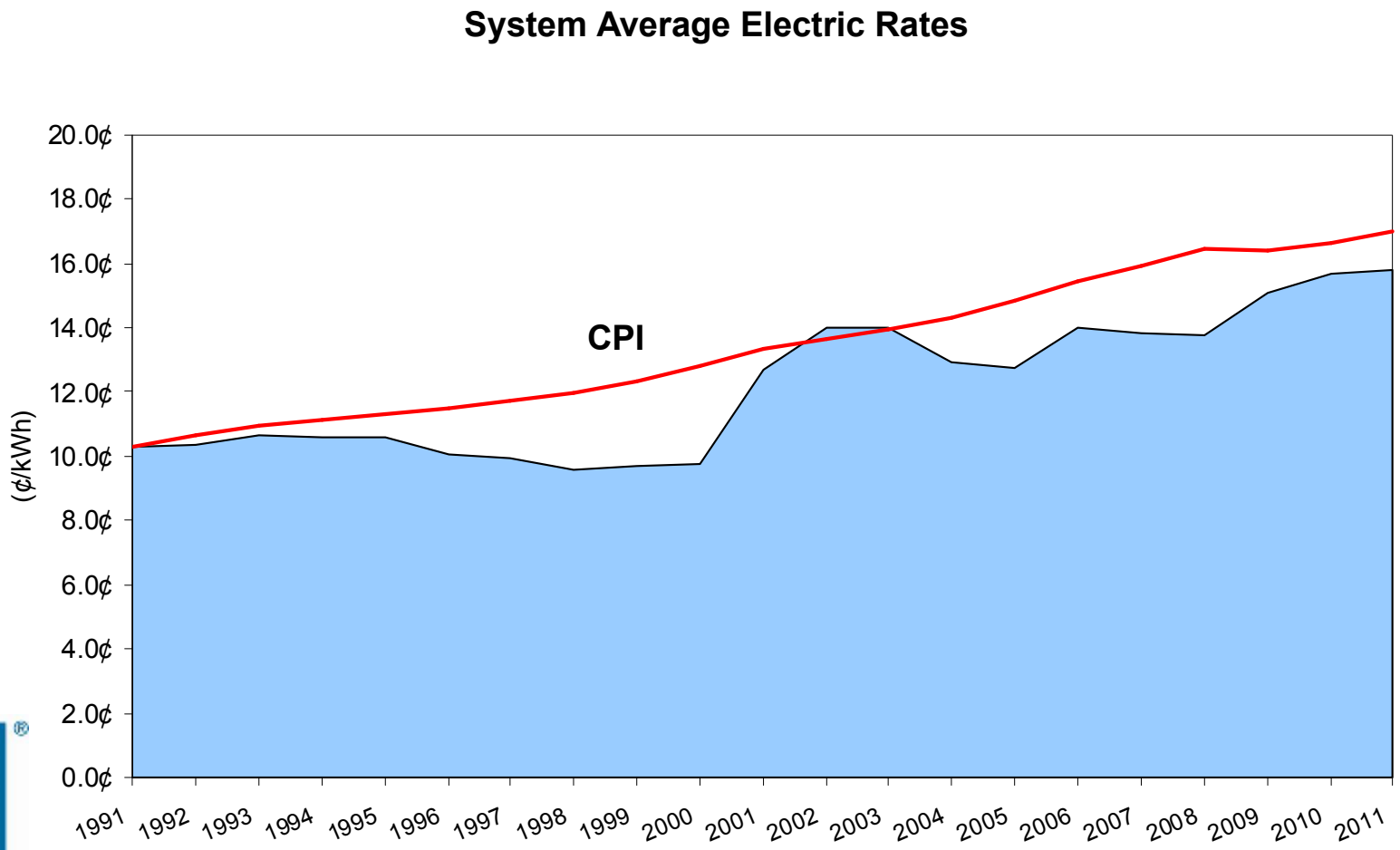
** Measured by OSHA Recordable Injuries

Customer Environment

PG&E is sensitive to customer needs

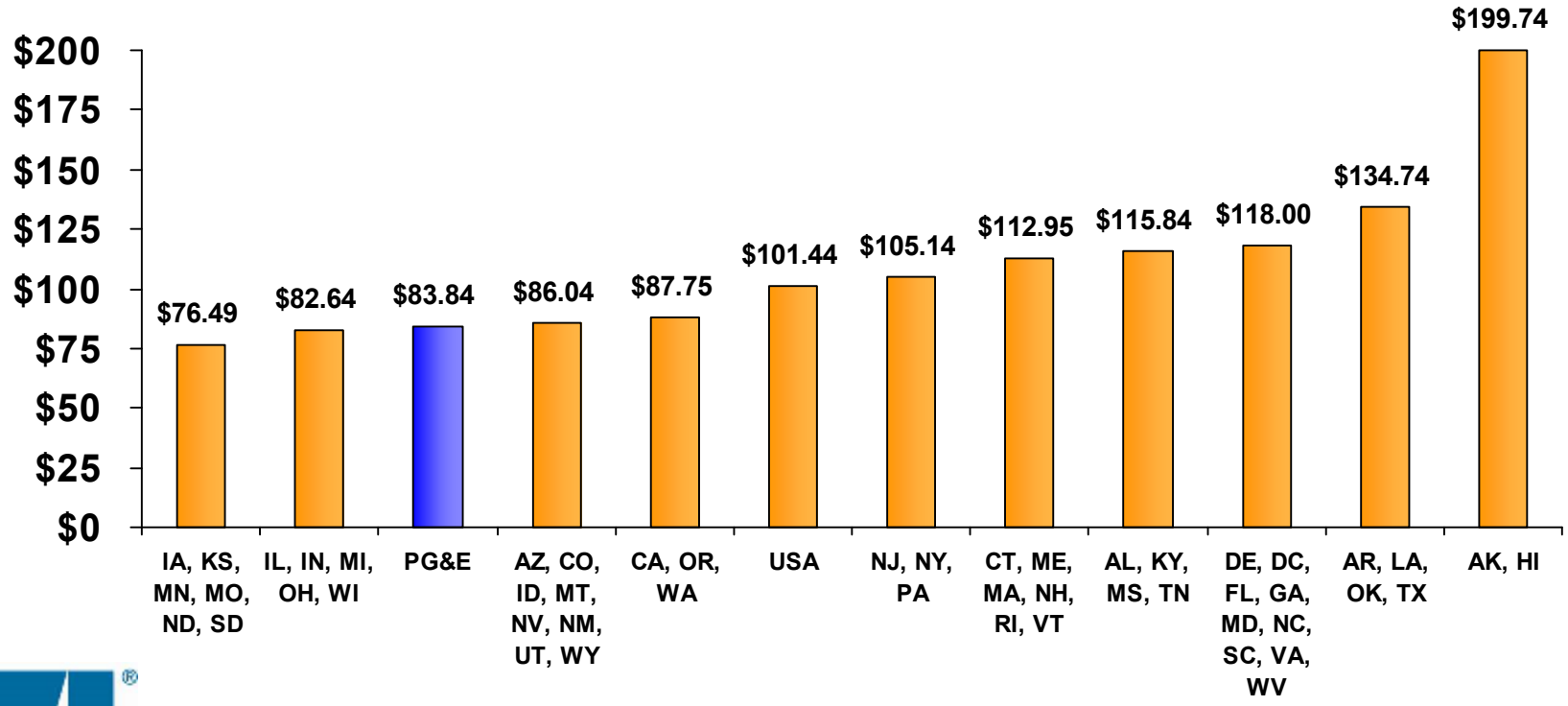
- **Proposing plan to restructure residential tiers**
  - **Making customers aware of options to tiered rates**
    - **Managing revenue changes to keep average rates flat in 2011**

Electric Rates



Residential Bills

Residential Average Monthly Bills by Region



Source: Edison Electric Institute, Statistical Yearbook, Year 2008

CPUC and Regulation

"We want to actually work with the people of the state of California, and the utilities and the sources of capital, to effect this multi-decade transformation…"
(Commissioner Bohn, Feb 4, 2010)

"We have a need for critical infrastructure. It is crucial that California continue to invest in critical infrastructure, not only in order to augment our portfolio of preferred resources, but also enhance reliability and help grow the economy"
(Commissioner Simon, Dec 17, 2009)

"No matter how one looks at it, California will have to make significant investments in transmission and power plants, be they conventional or renewable, to meet the demands of a growing population and economy."
(President Peevey, June 23, 2009)

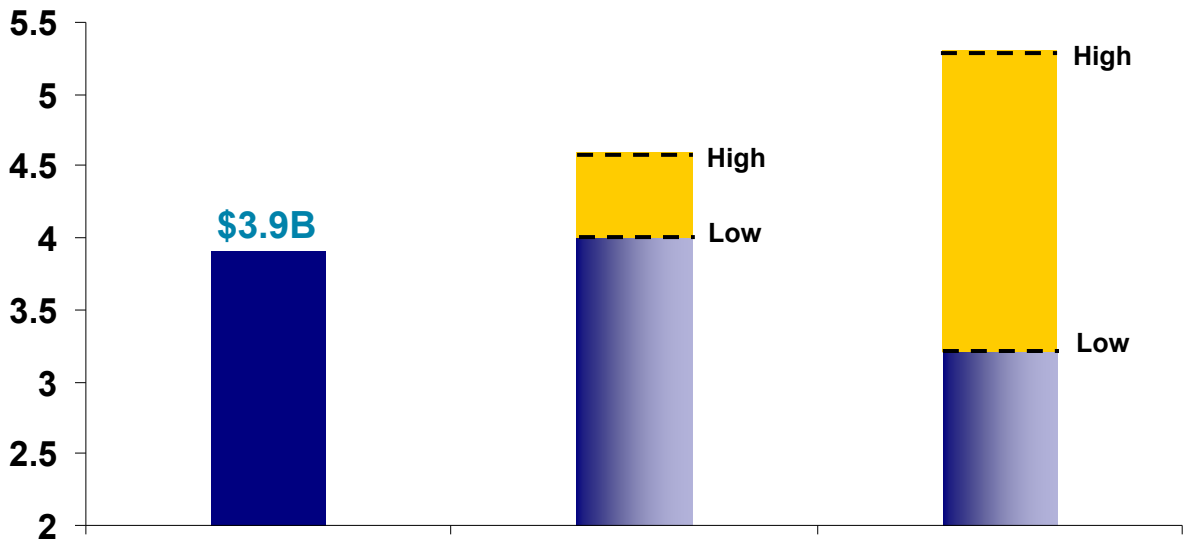
Impact of Election

Under a new governor, what changes?

May Change	Not Likely to Change
RPS Standards for 2020	Decoupling
Cap & Trade Rules	Pass Through of Procurement Costs
CPUC Composition	ROE / Equity Ratio Remains through 2012
	Previously Approved Projects and Contracts
	Emphasis on Energy Efficiency, Renewables and Load Management

Capital Expenditure Outlook

Cap Ex Forecast ($B)



CapEx Forecast 2010

Capital Expenditure Forecast ($MM)*

	2010	
Gas & Electric Distribution	$1,300	
Conventional Generation	$750	
Common Plant	$265	
Natural Gas Transmission	$250	
Electric Transmission	$800	
SmartMeter™ Program	$535	
	Low	High
Cornerstone Program	$0	$100
PV Project	$0	$160
Manzana Wind Project	$0	$280
Dynamic Pricing	$75	$115
Total	$3,975	$4,555

* Excludes tax equity investment outside of the Utility

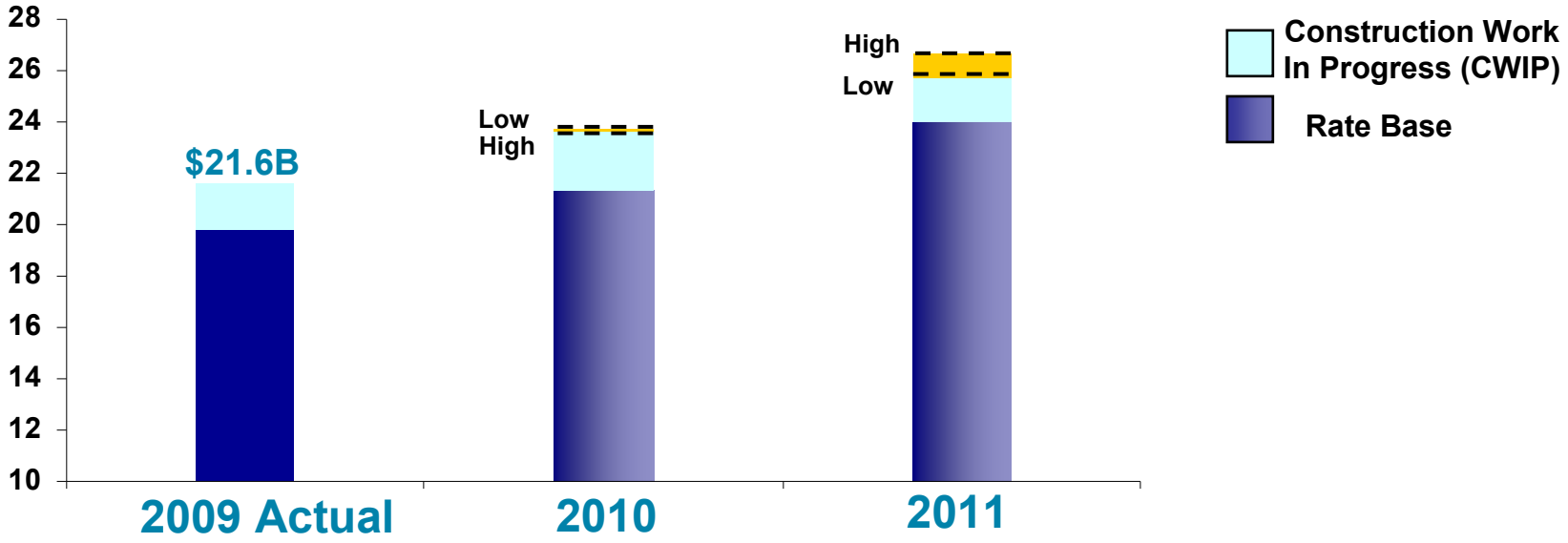
CapEx Forecast 2011

Capital Expenditure Forecast ($MM)

	2011	
	Low	High
Gas & Electric Distribution	$1,375	$1,900
Conventional Generation	$360	$450
Common Plant	$270	$390
Natural Gas Transmission	$215	$235
Electric Transmission	$775	$925
SmartMeter™ Program	$165	
	Low	High
Cornerstone Program	$0	$285
PV Project	$0	$300
Manzana Wind Project	$0	$580
Dynamic Pricing	$0	$35
Total	$3,160	$5,265

Rate Base and CWIP

Weighted Average Rate Base* and Construction Work in Progress ($B)



2009 Actual

Rate Base: $19.8B
Rate Base + CWIP: $21.6B

2010

Rate Base
Low Case $21.4B
High Case $21.3B

Rate Base + CWIP
Low Case $23.7B
High Case $23.6B

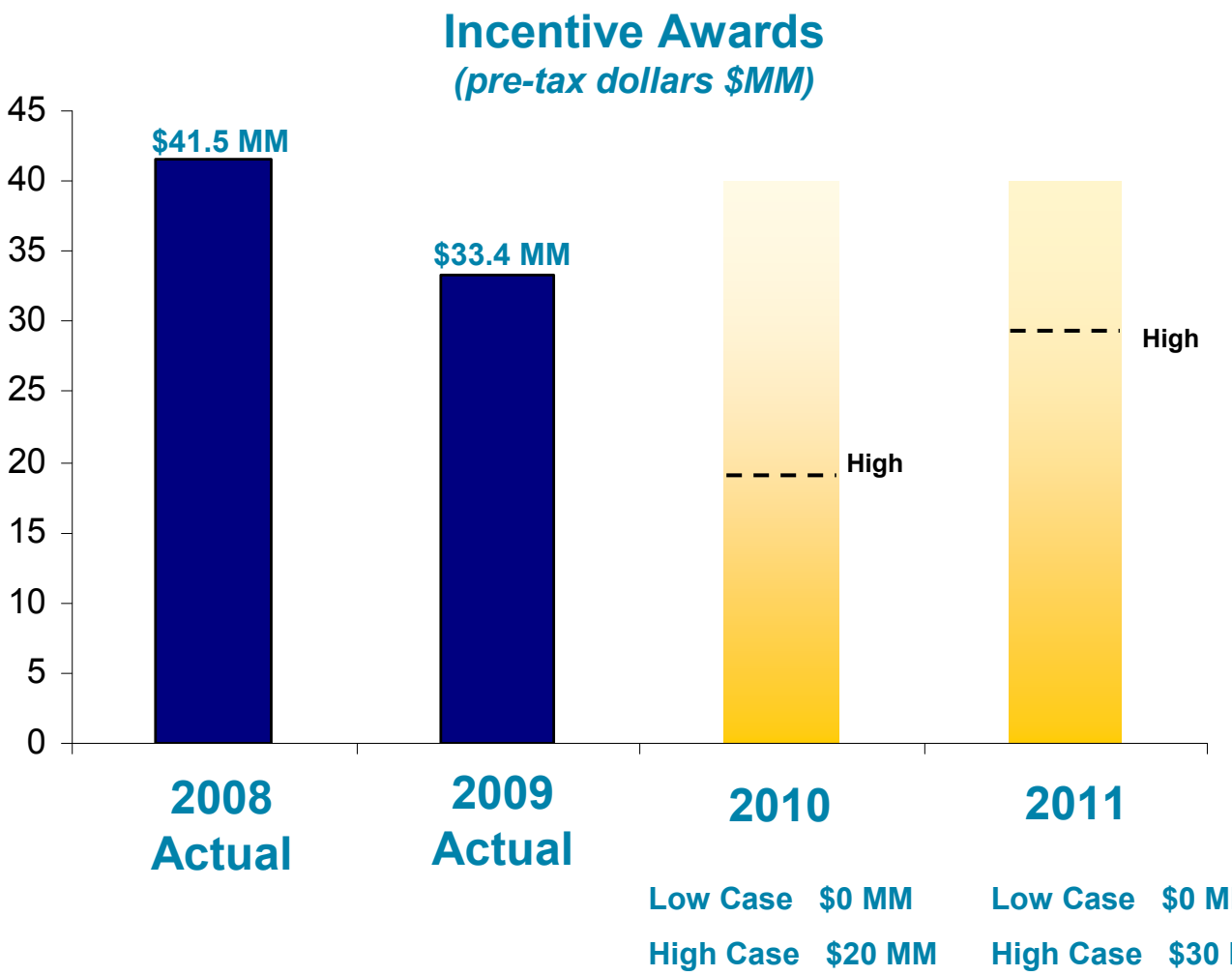
2011

Rate Base
Low Case $24.0B
High Case $24.4B

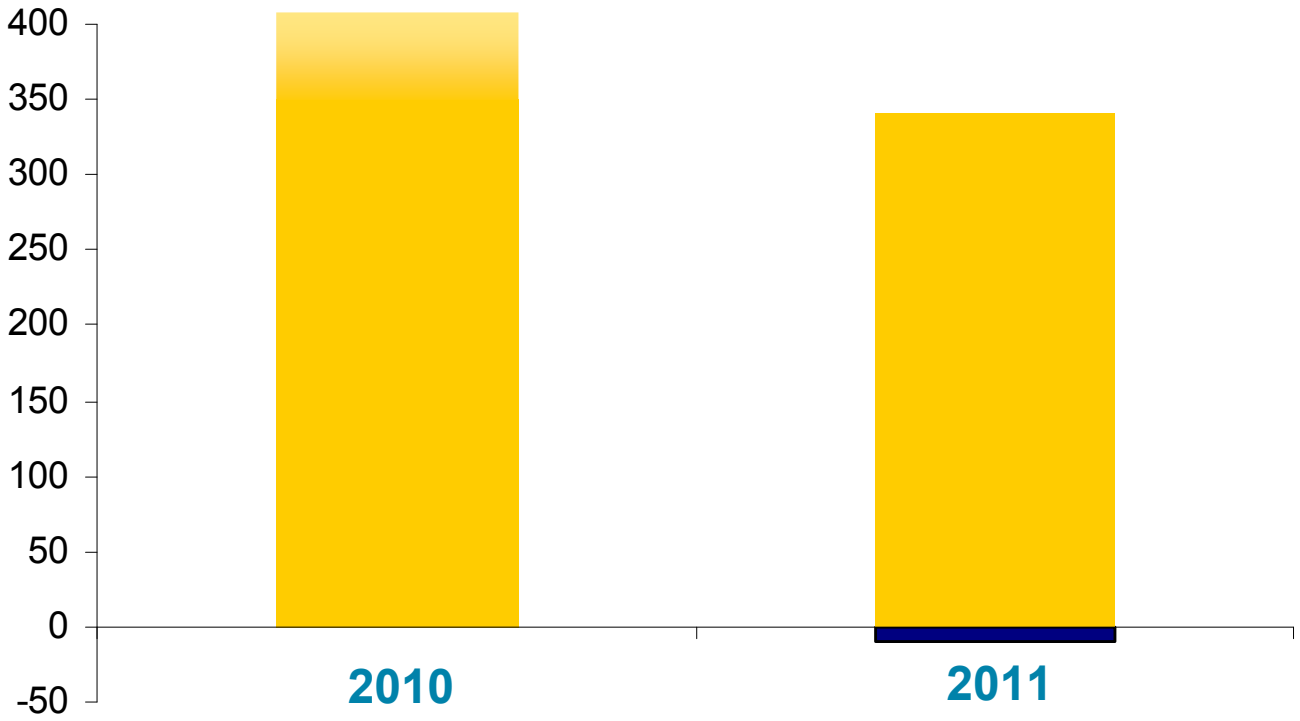
Rate Base + CWIP
Low Case $25.7B
High Case $26.7B

* Projected 2010-2011 rate base is not adjusted for the impact of the carrying cost credit that results from the second series of the Energy Recovery Bonds (see Appendix for this impact). Earnings will be reduced by an amount equal to the deferred tax balance associated with the Energy Recovery Bonds regulatory asset, multiplied by the Utility's equity ratio and by its equity return. This rate base offset carrying cost declines to zero when the taxes are fully paid in 2012.

Energy Efficiency Incentives



Impact to Cash Flow from Tax



2010

Low Case $0 MM

High Case $400 MM*

2011

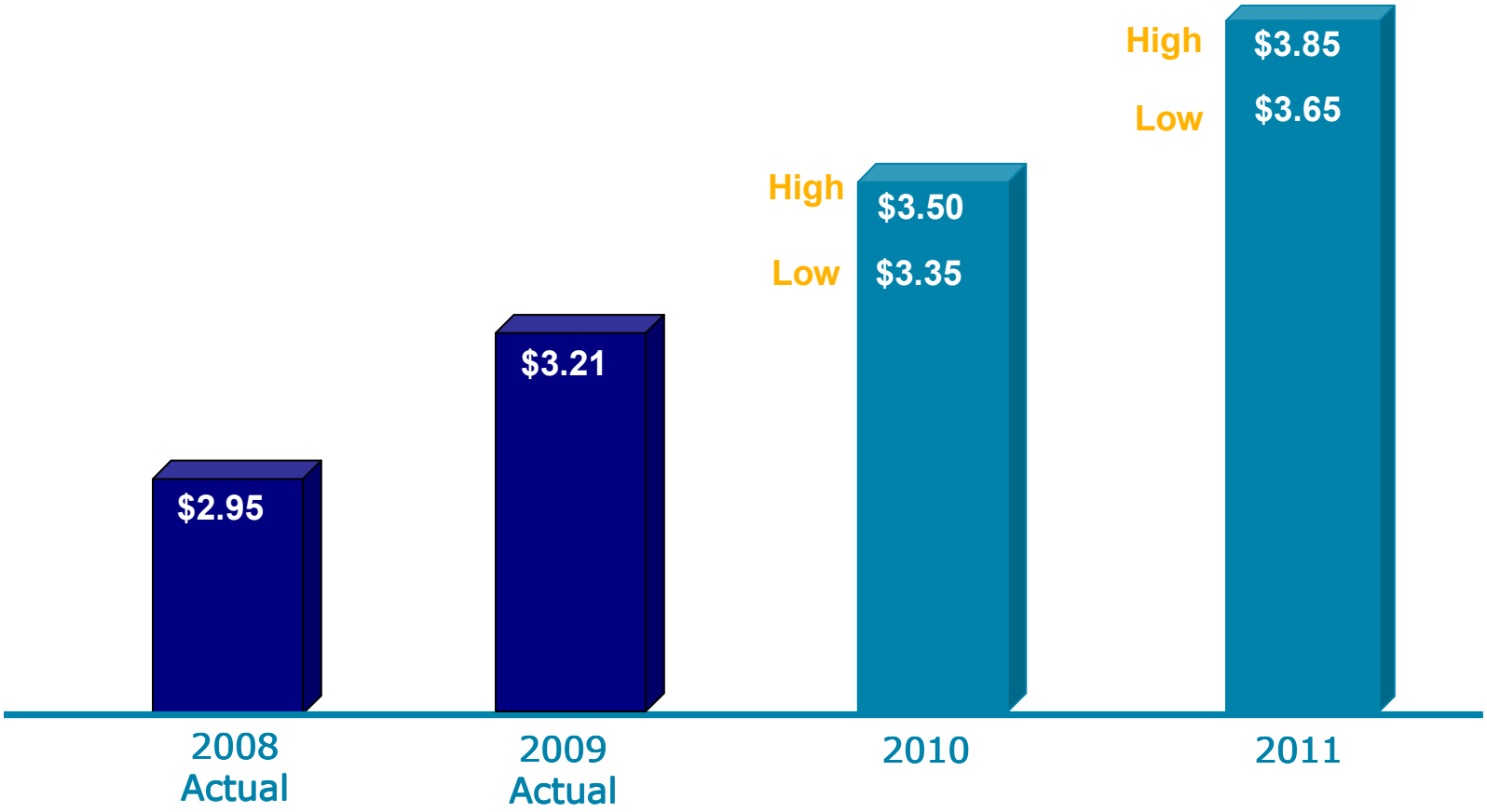
Low Case $(10) MM

High Case $340 MM

**** Estimate of 2010 bonus depreciation impact, but amount could vary based on actual capital additions***

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*

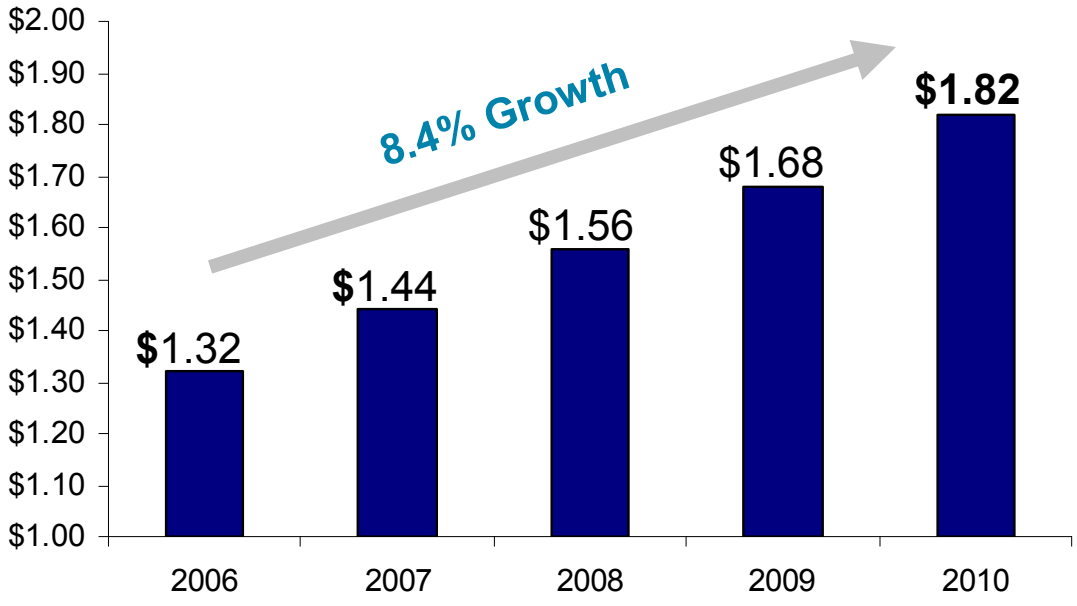
Dividend Policy

Sustainable, comparable dividend

Payout ratio range of 50% - 70%

Dividend growth in line with EPS growth

Annualized Dividends per Share



Cash Flow and Equity Needs

(in $MM)

	2010 Low		2010 High	2011 Low		2011 High
Cash from Operations (Total Sources)	2,765	to	3,395	3,355	to	3,930
Primary Uses						
Capital Expenditures	(3,975)	to	(4,555)	(3,160)	to	(5,265)
Dividends*	(675)	to	(725)	(760)	to	(865)
Total Uses	(4,650)	to	(5,280)	(3,920)	to	(6,130)
Uses in Excess of Sources	(1,885)	to	(1,885)	(565)	to	(2,200)
Debt Maturities	0	to	0	(500)	to	(500)
Required Funding	(1,885)	to	(1,885)	(1,065)	to	(2,700)
Financing						
Long-Term Debt Issuances	1,445	to	1,385	705	to	1,845
Equity Needs	150	to	250 **	430	to	900 **
Utilization of Cash (Inc ST Borrowing)	290	to	250	(70)	to	(45)
Total Financings and Cash Utilization	1,885		1,885	1,065		2,700

401k / DRIP forecasted to provide **$100 to $200 MM** per year

* Includes both common and preferred dividends

** The high case scenario reflects bonus depreciation in 2010 of approximately $400MM. If bonus depreciation is not extended, the high case for equity needs in 2010 and 2011 would be $325MM and $1080MM, respectively.

Financial Assumptions: 2010-2011

GUIDANCE REFLECTS:

Capital expenditures consistent with low and high case ranges

Utility earns ROE of at least 11.35%

Ratemaking capital structure maintained at 52% equity

CEE incentives and tax cash flow consistent with high and low case ranges

Resolution of FERC generator claims in 2011 results in financing needs partially in 2011 (low case) or entirely in 2012 and beyond (high case)

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

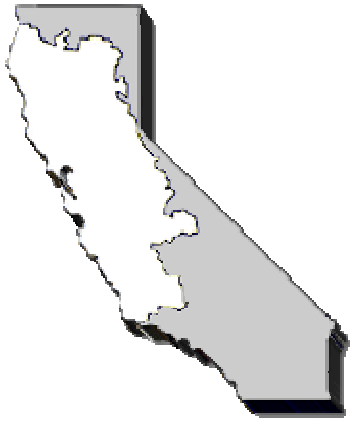
Reliable, growing dividend

Appendix



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 generation**



PG&E SERVICE AREA IN CALIFORNIA

PG&E Financial Highlights

	2008	2009
Revenues	$14.628 billion	$13.399 billion
Consolidated Net Income	$1.34 billion	$1.22 billion
Assets	$40.860 billion	$42.945 billion

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

- $12.4 billion of rate base (2009 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Cost of service ratemaking: General Rate Case [1]

[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

- $3.1 billion of rate base (2009 wtd. avg.)

Regulation

- Federal regulation (FERC)
- Cost of service ratemaking: Transmission Owner Rate Case
- 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 (2009 wtd. avg.)

Regulation

- California state regulation (CPUC)
- Incentive ratemaking framework: Gas Transmission & Storage Rate Case
- Revenues vary with throughput

Electric Procurement & Owned Generation

Business Scope

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

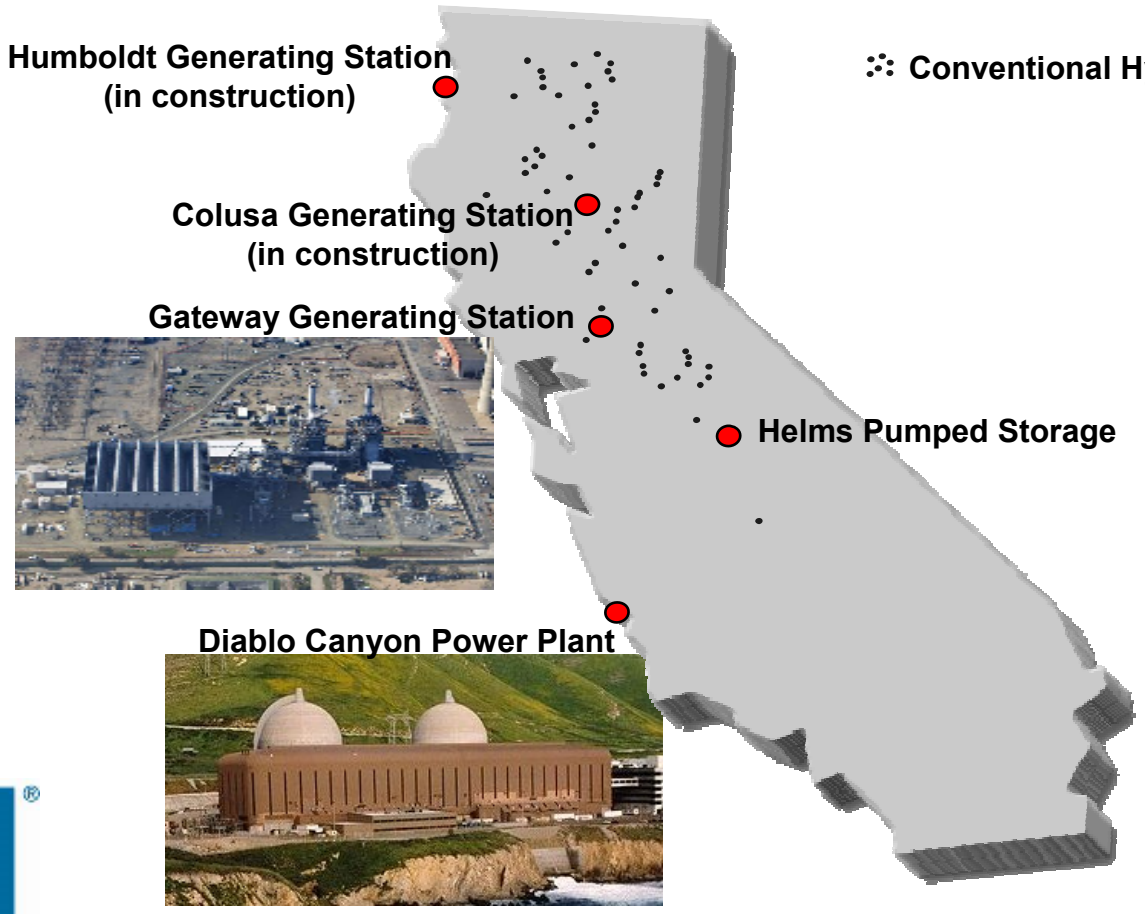
Primary Assets

- $2.8 billion of rate base (2009 wtd. avg.)
- Diablo Canyon Nuclear Power Plant (2,240 MW)
- Gateway Generating Station (530 MW)
- Largest privately owned hydro system (3,896 MW)
- Funded nuclear plant decommissioning trusts of $2.0 billion

Regulation

- California state regulation (CPUC)
- Cost of service ratemaking for utility-owned generation: General Rate Case
- Pass through of power procurement costs

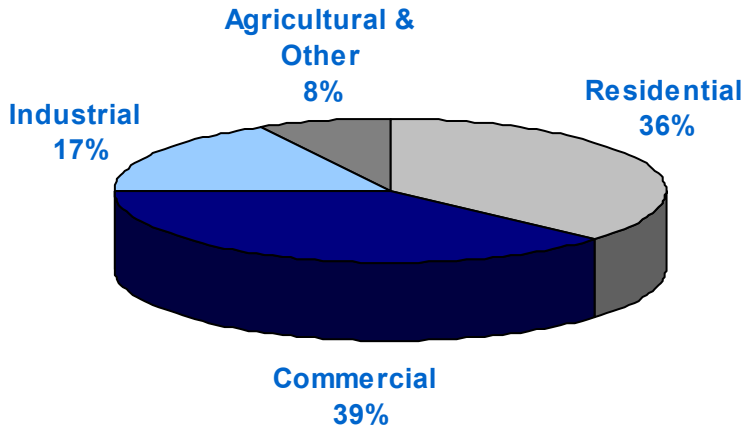
PG&E Generation in California



2009 Customer Profiles - % of Sales

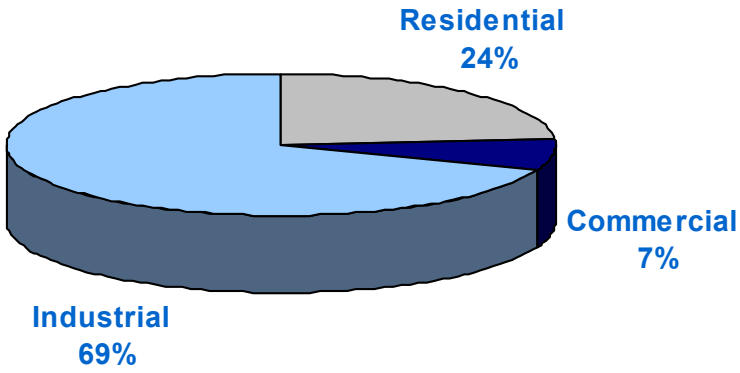
Electric Customers

(85,629 GWh delivered)



Gas Customers

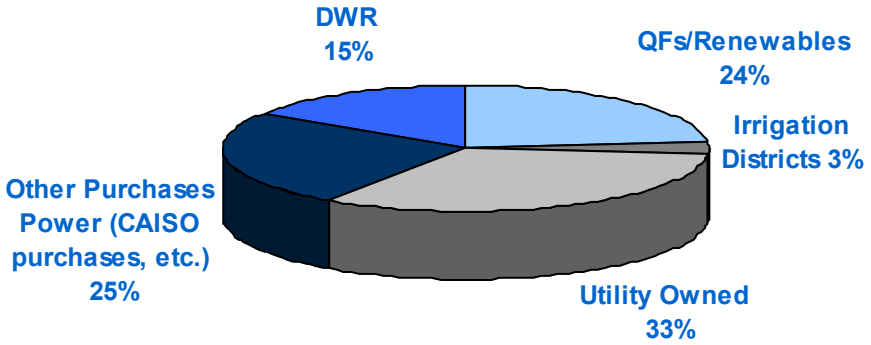
(822 Bcf delivered)



Existing Resource Mix

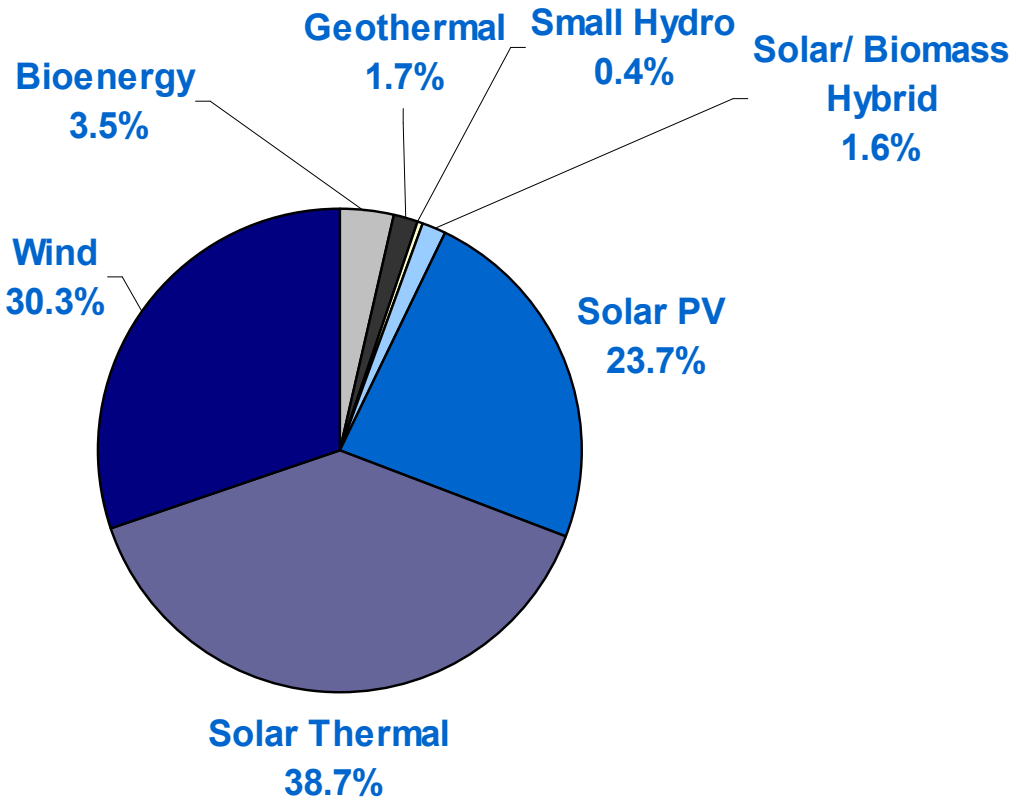
Owned Generation	Type	Status	Net Capacity (MW)
Hydroelectric Facilities (total)	Hydroelectric Power Houses	On-line	3,896
Diablo Canyon	Nuclear Reactors	On-line	2,240
Gateway Generating Station	Gas Combined Cycle Generators	On-line	530
Humboldt Bay Power Plant	Fossil Fired Steam Boilers	On-line until 2H 2010	135
Humboldt Bay Generating Station	Gas Reciprocating Engines	Operational 2H 2010	163
Colusa Generating Station	Gas Combined Cycle Generators	Operational 2H 2010	657
		Current Total On-line	**6,801**
		Total On-line 2H 2010	**7,486**

2009 Total Sources of Electric Energy



RPS Contracts Signed Since 2002

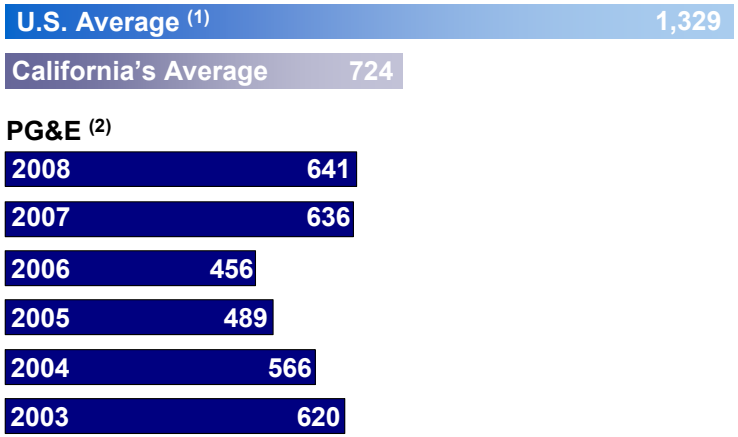
Over 6,000 MW in RPS Contracts



Greenhouse Gas Emissions

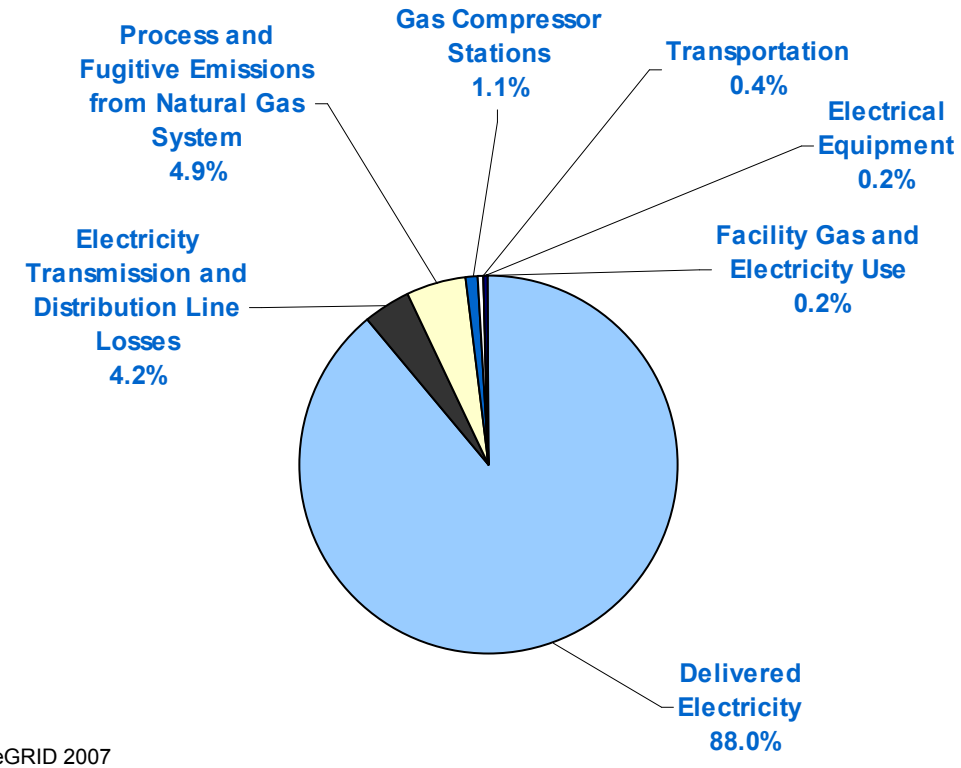
Benchmarking Greenhouse Gas Emissions for Delivered Electricity

(Pounds of CO_2 per MWh)



Total 2008 Greenhouse Gas Emissions by Source Category

(Total 27.1 million metric tons CO_2-e (2))



(1) Source: U.S. Environmental Protection Agency eGRID 2007 Version 1.1 (updated December 2008 and based on 2005 data).

(2) PG&E's emissions rates for delivered electricity were independently verified and registered with the California Climate Action Registry. Given that a portion of the electricity that PG&E delivers comes from unspecified generation sources, the company's total emissions, and associated emissions rates may vary from registered figures.

Key Regulatory Proceedings

Regulatory Case	Docket #	Expected Decision Date
Nuclear Relicensing	A.10-01-022	TBD
2011 General Rate Case ("GRC")	A.09-12-020	Final decision is requested in Q4 2010
SmartGrid Compressed Energy Storage Demonstration Project	A.09-09-019 D.10-01-025	Final decision approving PG&E's request received on January 21, 2010
Manzana Wind Project	A.09-12-002	Final decision is requested by the end of Q4 2010
Request for New Generation Offers and Potential New Utility-Owned Generation	R.06-02-013 A.09-04-001 A.09-09-021	TBD
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 is requested in Q3 2010
Photovoltaic Program	A.09-02-019	Final decision is requested by Q2 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.09-12-046	Initial policy decision issued in December 2009, timing of subsequent rulemaking proceedings in 2010 and 2011 TBD
Cornerstone Improvement Program	A.08-05-023	Final decision is requested by Q2 2010

Cost of Capital

52% Equity Level · 11.35% ROE · Adjustment Mechanism

- Decided separately from General Rate Case
- Current terms in place until **2013**

Mechanism

- **Triggers change to ROE if average Moody's Utility (A or Baa) bond yield index over a 12 month period moves up or down by 100 basis points over benchmarks.**
- **12 month period is October through the following September (i.e. October 2009 through September 2010).**

Monthly Values for 2011 Test Year	A	Baa
Oct-09	5.55	6.14
Nov-09	5.64	6.18
Dec-09	5.79	6.26
Jan-10	5.77	6.16
Oct-Jan '10 Average	5.69	6.19
Benchmark (Dec. 08-05-035)	6.02	6.26

2011 General Rate Case

Docket # A. 09-12-020

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

Revenue Requirement Request: $6.7B

$1.048 billion 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

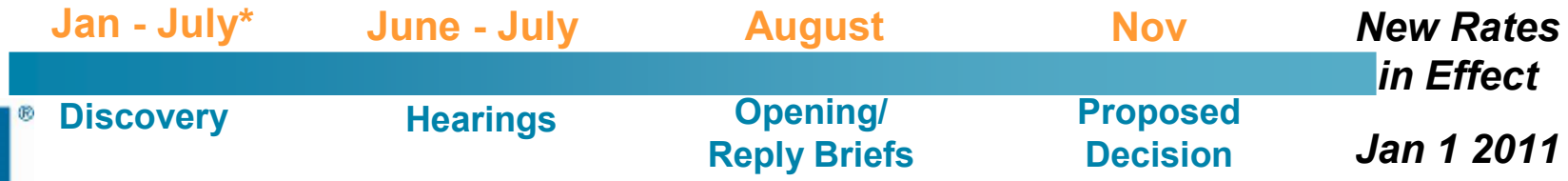
Filing includes a flexible attrition mechanism adjusting for:

- labor cost adjustments
- materials and services adjustments
- capital related adjustments
- other adjustments, such as changes in franchise, payroll or other taxes

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
- Cornerstone, PV Filing and Manzana



** Dates are approximate and subject to approval by ALJ*

FERC TO12 Filing

Docket # ER09-1521-000

Sets revenue requirements for PG&E's Electric Transmission business in 2010-2011

Revenue Requirement Request: $946 million
$800M Capital Expenditures

Adds additional transmission capacity and performance of maintenance and replacement work on our substations improving overall reliability of our system

	Request	Settlement
TO 10	$760.5M	$718M
TO 11	$846M	$776M

Final decision expected in Q3 2010

2011 Gas Transmission and Storage Rate Case

Docket # A. 09-09-013

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**
- **$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

Attrition revenues are currently forecasted to be $32.4M, $30.7M, and 22.6M for 2012, 2013 and 2014

Final decision requested by Q4 2010

Cornerstone Improvement Program

Docket # A. 08-05-023

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

Request: $2.0 billion capital spend

Enables installation of new substation transformers, feeders, conductors and other equipment to add capacity and relieve points of strain

Focuses on improving reliability, while 2011 GRC maintains current reliability levels

Hearings completed in 2Q 2009 – Next Step Proposed Decision

Solar PV Program

Docket # A. 09-02-019

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

Request: $1.45 billion (all capital) for the Utility-owned 250MW

PD issued on 01/26/2010 proposes:

- development and installation of up to 250MW Utility owned PV facilities, ranging in capacity from 1MW to 20MW, up to 50MW per year
- recovery of project costs through performance based pricing resulting from the PPA portion of the program, rather than ratebase
- approval of the 2MW PV pilot constructed at the Vaca-Dixon substation in 2010

Alternate PD on 03/02/2010 proposes:

- recovery of project costs in rate base with opportunity to earn traditional cost-of-service return

Next Step: Final Decision

Manzana Wind Project

Docket # A. 09-12-002

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

Request: $900 million (all capital) at 246MW capacity

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

- **PG&E will make progress payments throughout construction and will take full ownership at completion**
- **final size of the project will 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 Q4 2010

Dynamic Pricing

Docket # A. 09-02-022

Sets revenue requirements to implement peak-day pricing and time-of-use pricing

Request: $160 million spend in 2008-2010, approximately $110 in capital

In February, CPUC issued revised PD approving $123 million of our request and approving default Peak Day Pricing rates beginning:

May 1, 2010: large commercial and industrial customers
February 1, 2011: large agricultural customers
November 1, 2011: small and medium commercial and industrial
February 1, 2011: Small agriculture customers will default to Time-of-Use rates

Final decision is expected in Q1 2010

Phase II costs associated with real-time pricing will be filed under 2011 GRC Phase II filing

Carrying Cost Credit Impacts

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

($MM)	2010	2011	2012
Energy Recovery Bond Average Deferred Tax Balance	$396	$243	$82
Estimated After-tax Carrying Cost Credit*	$(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)	2010	2011	2012
Annual ERB Amortization	$386	$404	$423
End-of-year ERB balance	$827	$423	$0

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 (2010-2012)*

- S&P Business Profile Rating: Excellent
- Total Debt to capitalization (EOY): 55.1%
- Funds from Operations Cash Interest Coverage: 5.2x
- Funds from Operations to Average Total Debt: 21.4%

PG&E®

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

2008 EPS - Reg G Reconciliation

	2008
EPS on an Earnings from Operations Basis*	**$2.95**
Items Impacting Comparability**	**0.68**
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

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

[1] 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.

[2] Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP.

[3] 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.

[4] 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.

[5] 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.

[6] 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	Guidance Range High
EPS Guidance on an Earnings from Operations Basis[1]	$3.35	$3.50
Estimated Items Impacting Comparability[2]	(0.09)	($0.06)
Estimated EPS on a GAAP Basis	$3.26	$3.44

2011	Guidance Range Low	Guidance Range High
EPS Guidance on an Earnings from Operations Basis[1]	$3.65	$3.85
Estimated Items Impacting Comparability	0.00	0.00
Estimated EPS on a GAAP Basis	$3.65	$3.85

(1) 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.

(2) Expenses related to the California Taxpayers' Right to Vote Act.