

PG&E Corporation

2008 Corporate Responsibility Report

How we are creating a smarter
foundation for a sustainable future

A Summary



Full report online: www.pgecorp.com

Letter From the Chairman and CEO

PG&E's commitment to corporate responsibility has never been more tightly interwoven with our near- and long-term prospects for success.

More than ever, our many stakeholders are counting on PG&E, not just to deliver essential services, but also to be a force for progress on challenges like clean energy and climate change, a steady source of support in our communities and a provider of that most valuable of all commodities today, opportunity. We embrace this call to action, because our vision and values tell us it is the right thing to do, and because we believe it is the best way for us to ensure PG&E's long-term ability to create value for all of its stakeholders.



This Summary Corporate Responsibility Report provides some examples of the many ways in which PG&E and its employees are working to meet our responsibilities and make positive contributions to the quality of life in the areas where we live and work.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Peter A. Darbee". The signature is fluid and cursive.

Peter A. Darbee

Chairman of the Board, CEO and President
PG&E Corporation

Company Overview

PG&E Corporation is the parent corporation for Pacific Gas and Electric Company, which provides safe, reliable and environmentally responsible gas and electric service to approximately 15 million people throughout northern and central California. PG&E had approximately \$40.86 billion in assets as of December 31, 2008, and generated revenues of approximately \$14.63 billion in 2008.

Headquarters Location

San Francisco, CA

Service Area

70,000 square miles in northern and central California

Service Area Population

15 million people

Electric Distribution Customer Accounts

5.1 million

Natural Gas Distribution

Customer Accounts

4.3 million

Employees

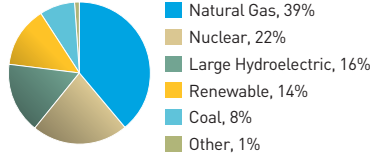
Approximately 21,670, including about 14,650 employees covered by collective bargaining agreements with three labor unions:

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

System

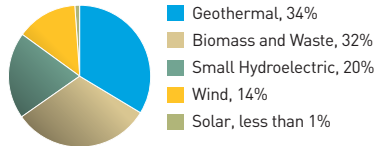
159,686 circuit miles of electric transmission and distribution lines and 48,435 miles of natural gas transmission and distribution pipelines; approximately 6,800 megawatts (MW) of generation, including the Diablo Canyon nuclear power plant and one of the largest hydroelectric systems in the country.

PG&E's 2008 Electric Power Mix Delivered to Retail Customers*



* PG&E purchased more electricity than usual from the wholesale market in 2008. California regulators require us to assume that a certain portion of these market purchases comes from coal-fired generation and renewable resources. As a result, the chart shows an increase in coal-fired generation, although PG&E's direct purchases of coal remain minimal at 1.7%. Additionally, 12 percent of PG&E's delivered energy came from Renewable Portfolio Standard (RPS)-eligible resources; the chart shows 14 percent, reflecting an additional 2 percent from open-market purchases that do not count toward the state's RPS target.

PG&E's 2008 Total Eligible Renewable Resources**



** As defined in Senate Bill 1078, which created California's RPS, an eligible renewable resource includes geothermal facilities, hydroelectric facilities with a capacity rating of 30 MW or less, biomass, selected municipal solid waste facilities, solar facilities and wind facilities.

Industry-Wide Challenges

Achieving our vision depends on managing our business sustainably amid a multitude of ever-evolving, real-world challenges:

- Helping customers weather the nation's economic crisis
- Fostering the transition to a low-carbon economy
- Expanding supplies of renewable energy
- Finding solutions to state and regional water shortages
- Expanding and modernizing our nation's energy infrastructure
- Satisfying growing demands for natural gas
- Recruiting and training the next generation of skilled workers our industry needs

Our Business

PG&E is at the forefront of the thinking and the early steps to usher in a new energy economy. We are making investments with our eye on the emergence of a smarter grid that is more capable of facilitating sustainable energy solutions—from increased efficiency to better integration of renewable energy and enhanced demand management approaches. We also believe more than ever that operational excellence and focus on customer service will always be the bedrock for our success. In 2008, we made the following progress:



- Invested approximately \$3.7 billion to improve the reliability of our system and meet customer needs, part of one of the industry's largest infrastructure investment initiatives.
- Signed new contracts for almost 1,800 MW of additional renewable energy supplies. PG&E now holds commitments that will enable us to provide more than 20 percent of our future power deliveries from renewables.
- Ranked in the top 25 percent in the industry in all four annual customer satisfaction surveys by J.D. Power and Associates.

Demonstrating our customer focus, PG&E is helping the IKEA store in West Sacramento stay at the forefront by partnering on a suite of energy efficiency and demand response programs, as well as PG&E's innovative ClimateSmart™ program.



- Earned a spot on the Dow Jones Sustainability North America Index, a respected benchmark for corporate responsibility.



Through our SmartMeter™ program for automated meter reading, PG&E is laying the foundation for a smarter grid to better serve our customers. We are on pace to install nearly 10 million high-tech gas and electric meters by early 2012—the nation's largest deployment of advanced metering infrastructure to date.

Our Employees

As we embark on a new energy future for the 21st century, we are drawing on the diversity of our communities for the next generation of PG&E workers. We are creating new strategies to attract the best talent and prepare people for careers in our industry. And we are building a workforce of energized employees who are committed to delivering rock-solid performance on fundamentals like operational reliability, safety and great customer service—and who embody the spirit of service that has defined our people for more than 100 years. We achieved several important milestones last year:

- Adopted what we believe are the most exacting safety policies and practices in PG&E's history, recognizing that employee and public safety must be the foundation for everything we do.
- Created a new Chief Diversity Officer position to better coordinate our workforce, community and supplier diversity initiatives.
- Strengthened training and development initiatives, such as establishing the PG&E Academy, a centralized learning organization designed to enhance the skills and qualifications of our employees.
- Continued to distinguish PG&E as an innovator in the field of workforce development through our PowerPathway™ program—using a collaborative approach to help PG&E tap into its diverse communities and build capacity in California to produce the

skilled workers needed by our company and the industry.

- Recognized five employees through the annual Mielke Awards for their exemplary community and volunteer service—from assisting cancer victims to supporting underserved youth.



Results of Annual Employee Survey* (percentage of favorable responses)

84%

PG&E is accountable for protecting the environment.

80%

PG&E provides volunteer opportunities for employees to become more involved in the community.

75%

PG&E is committed to having a positive impact on the communities where it does business.

* 2008 was the first year for these survey questions.

Recognition for Diversity

- *Black Enterprise* magazine – one of “40 Best Companies for Diversity”
- *Hispanic Business* magazine – among top 60 companies for Hispanics
- Human Rights Campaign – received perfect score of 100 on Corporate Equality Index for sixth year in a row

Our Communities

The privilege of being our customers' sole energy provider also comes with a unique responsibility to give back to our communities, helping to keep them healthy and vibrant—economically, environmentally and culturally. This responsibility has never been greater than it is today. As our customers and communities confront tremendous economic challenges, we are focusing our efforts to help customers in need throughout northern and central California. In 2008, we took a number of steps to make a difference:

- Made the largest shareholder-funded charitable commitment in PG&E's history, donating \$18.7 million to various organizations, representing 1.2 percent of our pre-tax earnings from operations. More than 70 percent of our contributions addressed the needs of low-income, minority and other underserved communities.
- Held more than 500 company-sponsored events at which our employees volunteered approximately 21,750 hours—providing food to our neediest populations, cleaning up neighborhood parks and helping out in the classroom.
- Raised a record \$4.18 million in employee and retiree pledges through our 2009 Campaign for the Community, which benefits more than 4,000 schools and non-profit organizations.
- Achieved the highest-ever level of spending on diverse suppliers, totaling 23.9 percent of our total spending, or more than \$754 million.
- Continued to fulfill our commitments under PG&E's environmental justice policy, including hiring local workers to help dismantle the retired Hunters Point Power Plant in partnership with CityBuild, a San Francisco workforce training initiative.

In this difficult economy, PG&E is increasing its energy efficiency assistance, offering customers more flexibility and extending financial help to those in need. Through long-standing financial assistance programs, such as CARE, REACH and Energy Partners, PG&E is providing income-qualified customers with a variety of services to help them meet their energy needs. We are also planning a major expansion of our low-income programs over the next three years.



PG&E is awarding a \$1.5 million grant over four years to the California Academy of Sciences—the largest grant ever made by the company to a single San Francisco institution. As the Academy's lead corporate sponsor, PG&E is supporting innovative sustainability exhibits and programs to help engage Californians in the effort to address climate change.

Our Environment

Today's sustainability challenges are inextricably woven together—from global warming to water conservation, forest and land management, energy conservation, waste minimization, air quality and habitat and species protection. Job number one in all of these areas will always continue to be excellence in environmental compliance—just as basic reliability is the foundation for meeting our customer commitments. But the best opportunities we have to grow and prosper are those that contribute smart, holistic solutions to the big challenges we all face. We worked to meet our environmental leadership goals in many ways last year:



Photo courtesy of Semptra Generation.

The new renewable energy agreements PG&E signed last year included some of the largest-ever commitments for utility-scale solar energy.

- Enabled our customers to achieve record energy savings through our 2006 to 2008 energy efficiency programs—completing the largest effort of its kind by a U.S. utility company.
- Worked with policymakers to advocate a national, economy-wide cap-and-trade program to address climate change, working with the U.S. Climate Action Partnership, Clean Energy Group and other coalitions.
- Interconnected more than 6,500 customer-owned solar power systems to the electric grid—bringing our current total to more than 30,000 interconnected solar systems, more than any other utility in the country.

PG&E's pioneering ClimateSmart™ program is a voluntary, tax-deductible option that



allows customers to balance out the greenhouse gas emissions produced by the energy they use. PG&E expects to achieve 1.5 million tons of greenhouse gas emission reductions to make participating customers carbon neutral.

- Began implementing our San Joaquin Valley operations and maintenance habitat conservation plan, which uses innovative approaches to ensure protection of endangered plants and animals.



PG&E is testing new and emerging clean vehicle technologies in our fleet, including Mitsubishi's i-MiEV, a dedicated electric vehicle.

Examples of Environmental Recognition in 2008

- **Audubon California** – Corporate Achievement Award
- **California Department of Toxic Substances Control** – California Take-It-Back 2008 Volunteer Steward
- **Corporate Responsibility Officer Magazine** – Rank of 10th Overall in Annual List
- **John Muir Conservation Award** – Business Conservation Award
- **Planning and Conservation League** – Environmental Business of the Year
- **Solar Power Electric Association** – 2008 Solar Portfolio Leadership Award
- **U.S. Environmental Protection Agency** – Partner of the Year: ENERGY STAR® Excellence in Energy Efficiency Program Delivery and Excellence in ENERGY STAR Promotion Award

- Implemented a major lighting retrofit and targeted water conservation effort at our facilities, saving 2.8 million kilowatt-hours of electricity and 1.7 million gallons of water.
- Collaborated with our suppliers to integrate sustainability more fully into our supply chain. We continue to pilot our Green Supply Chain Program with more than 30 suppliers and founded the Electric Utility Industry Sustainable Supply Chain Alliance with nine other electric utilities.



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On the cover: Leaders of PG&E's Employees Associations, who play an active role in promoting a culture of diversity and inclusion within the company.