



PG&E Corporation Pacific Gas and Electric Company Fixed-Income Presentation

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September 7, 2007
New York, NY



Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements regarding management's guidance for PG&E Corporation's 2007 and 2008 earnings per share from operations, targeted average annual growth rate for earnings per share from operations, as well as management's projections regarding Pacific Gas and Electric Company's (Utility) capital expenditures, rate base and rate base growth, future electricity resources, renewable energy resources, and financing activity. These statements are based on current expectations and various assumptions which management believes are reasonable, including that substantial capital investments are made in Utility business over the 2007-2011 period, Utility rate base averages \$17 billion in 2007 and \$18.7 billion in 2008, that the Utility earns at least its authorized rate of return on equity, and that the Utility's ratemaking capital structure is maintained at 52 percent equity. These statements and assumptions are necessarily subject to various risks and uncertainties, the realization or resolution of which are 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 timely recover costs through rates;
- the outcome of regulatory proceedings, including ratemaking proceedings pending at the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission;
- 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;
- the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards that could affect the Utility's facilities and operations, its customers, and third parties on which the Utility relies;
- the potential impacts of climate change on the Utility's electricity and natural gas business;
- 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 energy sources, or other reasons;
- operating performance of the Utility's Diablo Canyon nuclear generating facilities (Diablo Canyon), the occurrence of unplanned outages at Diablo Canyon, or the temporary or permanent cessation of operations at Diablo Canyon;
- the ability of the Utility to recognize benefits from its initiatives to improve its business processes and customer service;
- the ability of the Utility to timely complete its planned capital investment projects;
- the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
- the impact of changing wholesale electric or gas market rules, including the California Independent System Operator's new rules to restructure the California wholesale electricity market;
- 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 incur costs and liabilities in connection with pending litigation that are not recoverable through rates, from third parties, or through insurance recoveries;
- the ability of PG&E Corporation and/or the Utility to access capital markets and other sources of credit;
- 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, and
- other risks and factors disclosed in PG&E Corporation's and the Utility's SEC reports.

Pacific Gas and Electric Company (PG&E)



- \$12.5 B in Revenues
- \$34.8 B in Assets
- 5.1 MM Electric/4.2 MM Gas Customers
- \$16 B Market Capitalization

Business Unit	2006 Rate Base (\$B)	Regulation
Electric and gas distribution	\$10.3	CPUC
Electric generation	\$1.8	CPUC
Gas transmission	\$1.5	CPUC
Electric transmission	\$2.3	FERC
PCG Total Business	\$15.9	85% CPUC/15% FERC

PG&E Vision



Our Business Strategy

- Competitive customer focus
- Operational excellence
- Regulatory alignment
- Environmental leadership
- Community involvement

Regulated Business Drivers

- Statewide Energy Strategy
 - California Energy Action Plan
 - Renewable Portfolio Standard
 - Greenhouse Gas Legislation
- Constructive Regulatory Environment
 - Decoupling/Balancing Account Treatment
 - Purchased Power and Fuel Costs Pass-Through
 - Pre-Approved CapEx

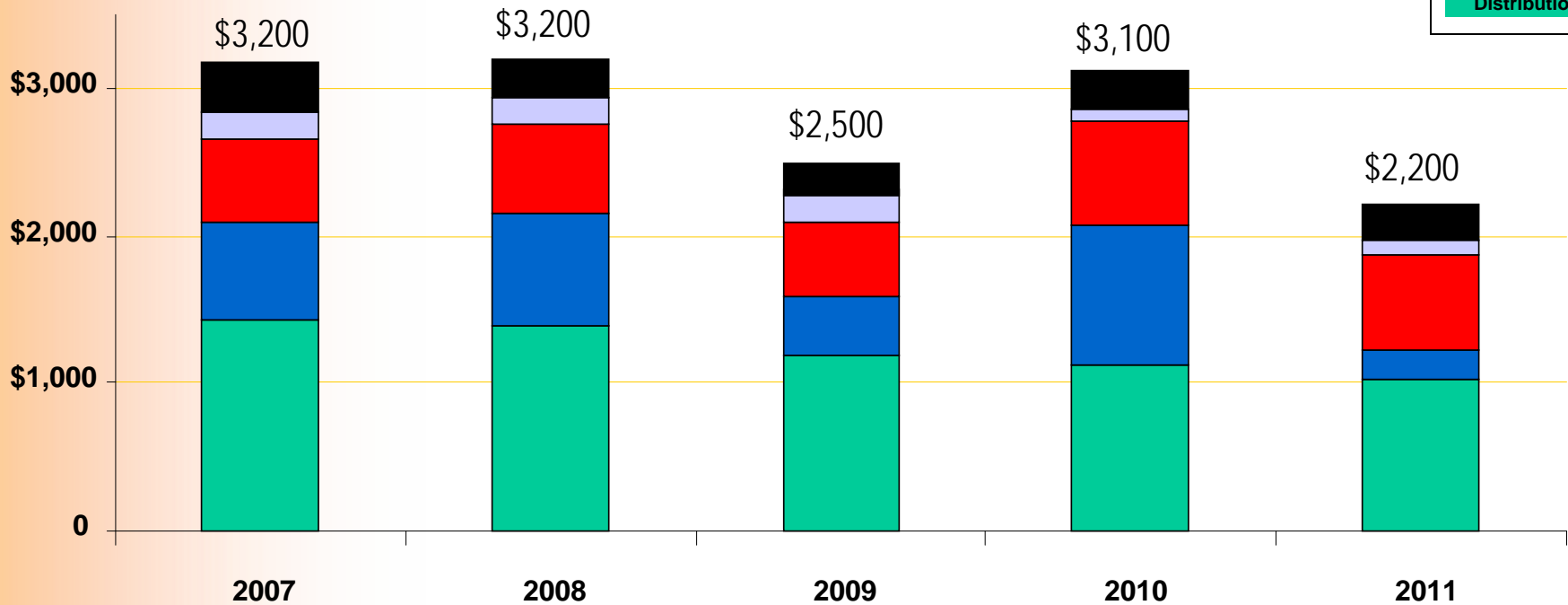
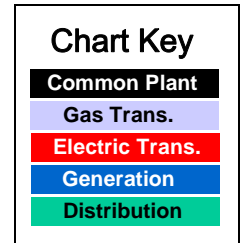
Capital Expenditures Drive Core Growth

2007-2011 CapEx totals more than \$14 B (\$2.8 B/yr.)

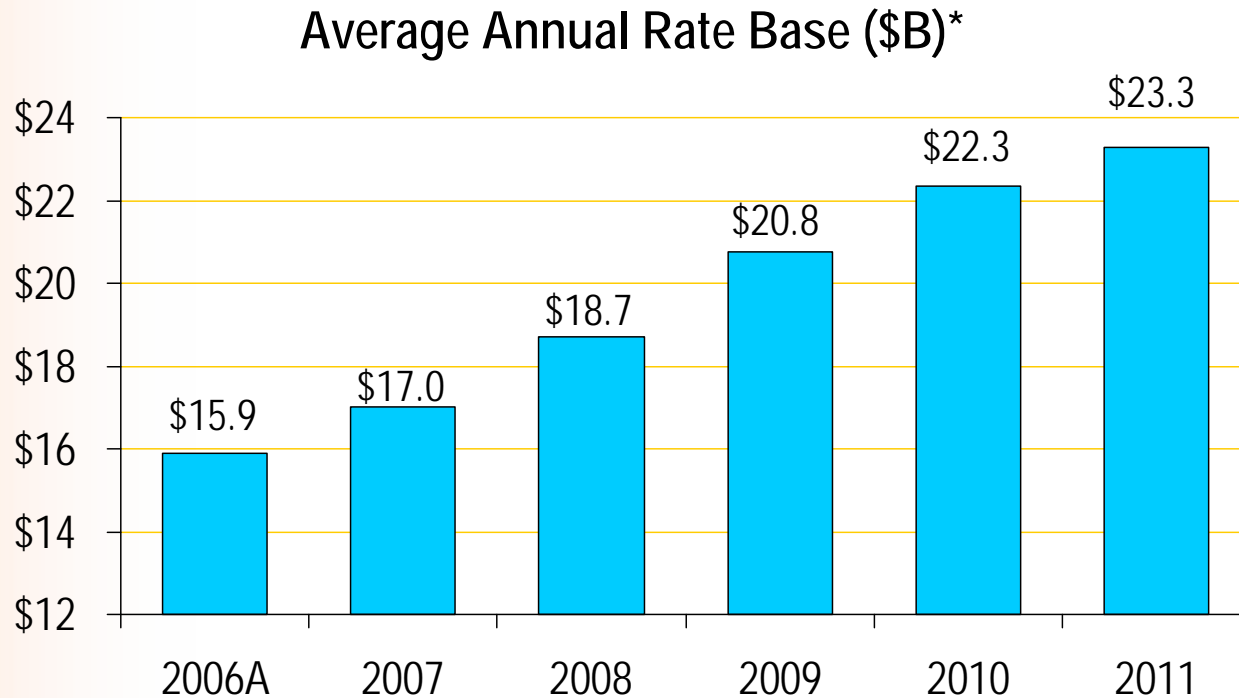
Investment Driver	Cap Ex	Example Projects
Electric Generation Resources	~\$1.3 Billion	<ul style="list-style-type: none">• Gateway Generation Station• Humboldt• Colusa
Electric and Gas Delivery System	~\$7 Billion	<ul style="list-style-type: none">• Distribution Maintenance and Upgrades• McDonald Island Gas Storage Pipeline• New Customer Connections• AMI
Electric Transmission	> \$3 Billion	<ul style="list-style-type: none">• Central California Clean Energy Transmission (Midway – Gregg)• System Automation• Line Upgrades for Renewables

Capital Expenditure Outlook

Capital Expenditures (\$MM)



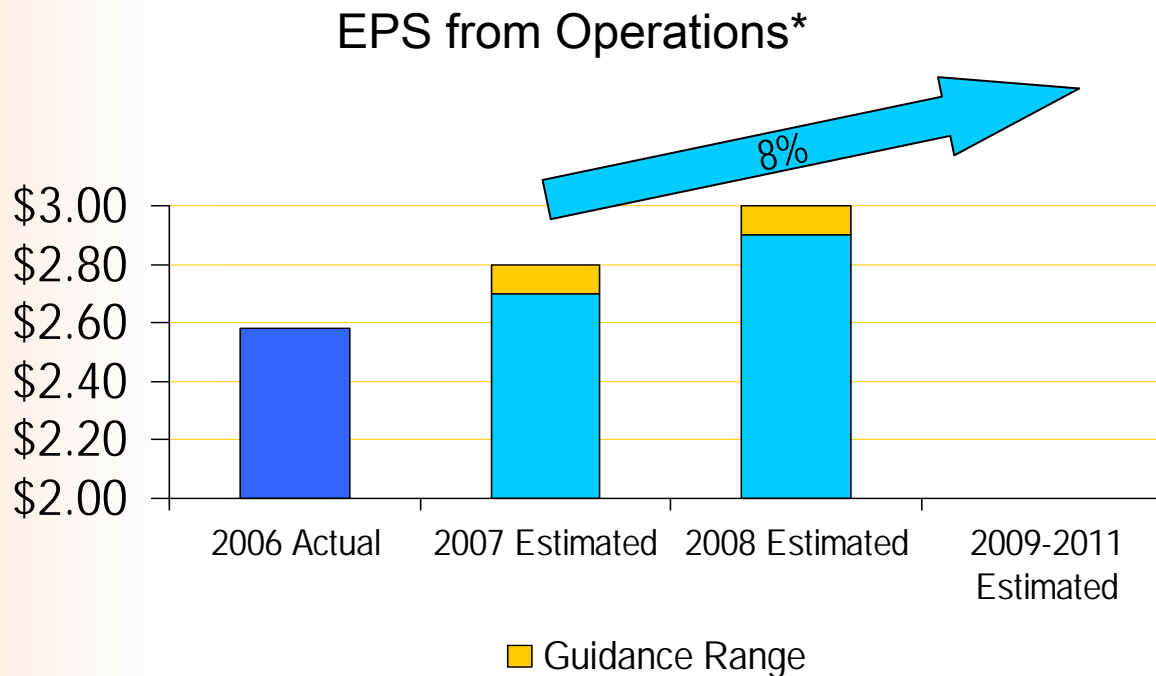
Rate Base Growth



* Projected 2007-2011 rate base is not adjusted for the impact of the carrying cost credit that primarily results from the second series of the Energy Recovery Bonds. 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. The carrying cost credit declines to zero when the taxes are fully paid in 2012.

EPS Guidance

EPS from Operations*: 2007 guidance of \$2.70-\$2.80 per share
2008 guidance of \$2.90-\$3.00 per share



* Reg G reconciliation to GAAP for 2006 EPS from Operations and 2007 and 2008 EPS Guidance available in Appendix and at www.pge-corp.com

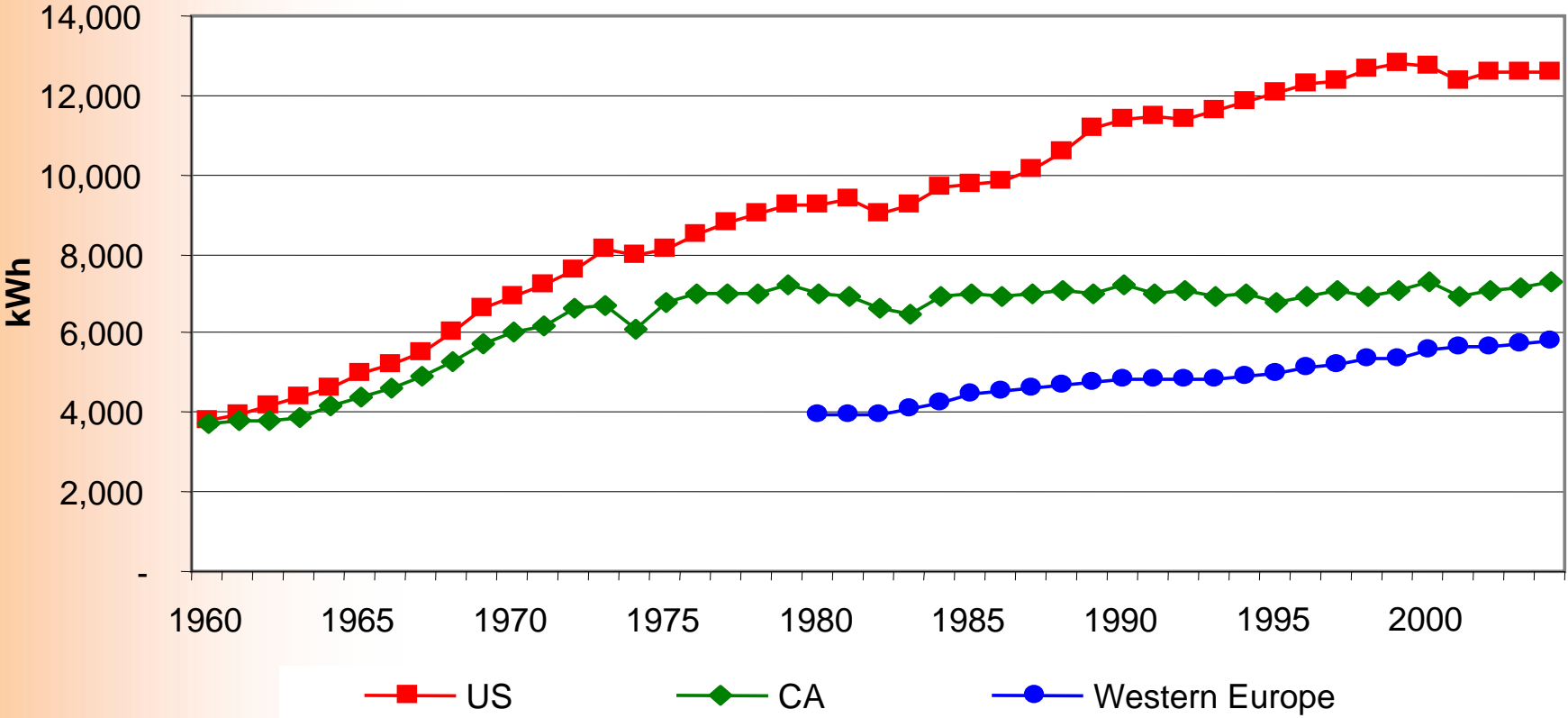
California Energy Policy

PG&E's resource investment strategy is aligned with California's Energy Action Plan "preferred loading order":

1. Energy Efficiency
2. Demand Response
3. Renewable Resources
4. Distributed Generation
5. Conventional Resources

California's Success With Energy Efficiency

Over the past 30 years, California per capita energy use has remained relatively flat compared to the 50% increase in U.S. per capita energy use.



Source: California Energy Commission



Changing Legislative Environment for GHG

Recent greenhouse gas legislation:

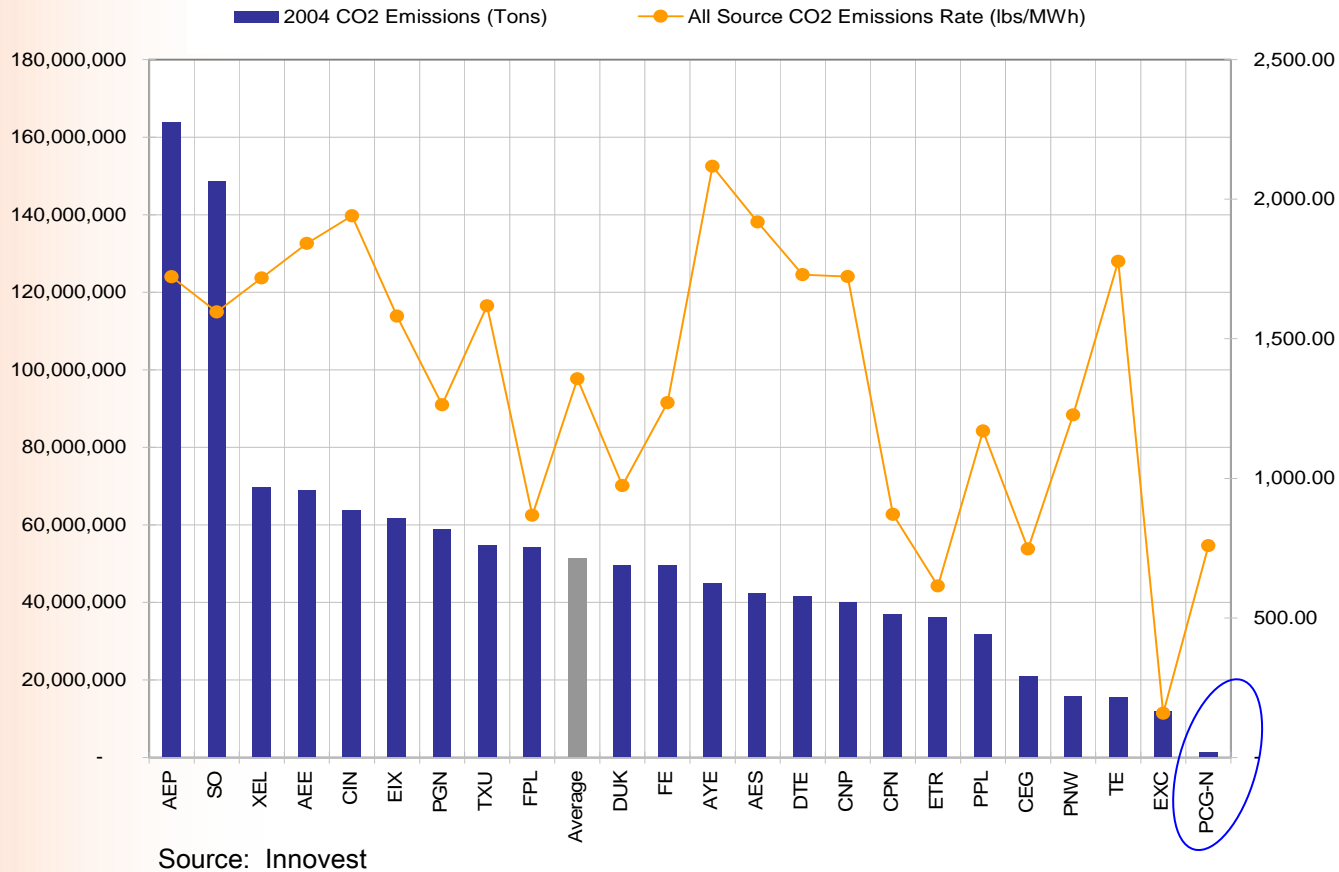
- California global warming legislation enacted in 2006
- Federal legislation expected in 2 to 4 years

PG&E supports:

- Mandatory market-based approach
- Encouraging early action toward goals before full regulatory implementation
- Recognition of prior actions
- Pursuit of all cost-effective reductions in greenhouse gases
- International cooperation

Relative CO₂ Emissions Rates - Generation

2004 CO₂ Emissions and Emission Rates*



* Comparison companies selected by Innovest. Data include emissions of regulated and unregulated plants. 2004 is the most recent data available.

Industry Leadership and Emerging Growth

PG&E is looking ahead to the future of utility services

- Clean/renewable fuel technologies
- Smart Energy Web
- Plug-in anywhere technologies
- Sustainable Energy Communities

Rating Agency Outlook

- Current Ratings
 - Utility issuer rating: BBB⁺⁽¹⁾ / Baa1⁽²⁾
 - Utility unsecured debt: BBB⁺⁽¹⁾ / Baa1⁽²⁾
 - Utility short-term rating: A2 / P2
- Average Utility Metrics (2007-2011)⁽³⁾
 - S&P Business Profile Rating: 5
 - Total Debt to Capitalization (EOY): 53.6%
 - Funds from Operations Cash Interest Coverage: 5.1x
 - Funds from Operations to Average Total Debt: 22%

(1) S&P upgraded the Utility to BBB+ from BBB on May 31, 2007

(2) Moody's placed the Utility's rating under review for possible upgrade on April 9, 2007

(3) Metrics include debt equivalents for long-term power purchase contracts

Recent and Projected Financing Activity

2007:

- Utility issued \$700 million senior unsecured bonds due 2037 in March
- Utility bank revolver extended to 2012 and upsized by \$650 million to \$2 billion (replaced asset-backed CP program)
- Extended \$200 million Holding Company bank revolver to 2012

Projected:

- Utility plans to issue approximately \$250-350 million of senior unsecured debt in the fourth quarter of 2007
- Additional long-term debt necessary to fund CapEx plans
 - Annual issuance of approximately \$1 billion in 2008-2011

Liquidity Profile

As of June 30, 2007

Pacific Gas and Electric Company

Bank revolver	\$2,000,000,000
– Borrowings outstanding ⁽¹⁾	(0)
– Letters of credit outstanding	(174,000,000)
– Commercial paper outstanding ⁽¹⁾⁽²⁾	(577,000,000)
+ <u>Cash (unrestricted)⁽¹⁾</u>	<u>78,000,000</u>
Liquidity	\$1,327,000,000

PG&E Corporation

Bank revolver	\$200,000,000
– Borrowings outstanding	(0)
– Letters of credit outstanding	(0)
+ <u>Cash (unrestricted)</u>	<u>288,000,000</u>
Liquidity	\$488,000,000

(1) The amounts shown for borrowings outstanding, commercial paper outstanding, and cash have fluctuated since June 30, 2007 in light of recent changes in the credit and commercial paper markets, although the current overall liquidity remains consistent with the June 30, 2007 level.

(2) Borrowing capacity under the commercial paper program is \$1.75 billion.





Appendix

September 7, 2007
New York, NY



Pacific Gas and Electric Company

Long-Term Debt Portfolio (\$7.4 Bn)

Issue	Size (MM)	Coupon	Issue Date	Maturity Date	Tax Status
Senior Note	\$600	3.60%	3/23/2004	3/01/2009	Taxable
Senior Note	\$500	4.20%	3/23/2004	3/01/2011	Taxable
Senior Note	\$1,000	4.80%	3/23/2004	3/01/2014	Taxable
Senior Note	\$3,000	6.05%	3/23/2004	3/01/2034	Taxable
Senior Note	\$700	5.80%	3/13/2007	3/01/2037	Taxable
PC1996 A	\$200	5.35%	5/23/1996	12/01/2016	Tax-exempt (AMT)
PC1996 C	\$200	Variable rate	5/23/1996	11/01/2026	Tax-exempt
PC1996 E	\$165	Variable rate	5/23/1996	11/01/2026	Tax-exempt
PC1996 F	\$100	Variable rate	5/23/1996	11/01/2026	Tax-exempt
PC1997 B	\$149	Variable rate	9/16/1997	11/01/2026	Tax-exempt (AMT)
PC2004 A-D	\$345	4.75%	6/29/2004	12/01/2023	Tax-exempt (AMT)
PC2005 A-B	\$149	Auction-rate	5/24/2005	11/01/2026	Tax-exempt (AMT)
PC2005 C-D	\$160	Auction-rate	5/24/2005	12/01/2016	Tax-exempt (AMT)
PC2005 E-F	\$100	Auction-rate	5/24/2005	11/01/2026	Tax-exempt
PC2005 G	\$45	Auction-rate	5/24/2005	12/01/2018	Tax-exempt

AMT: Subject to alternative minimum tax



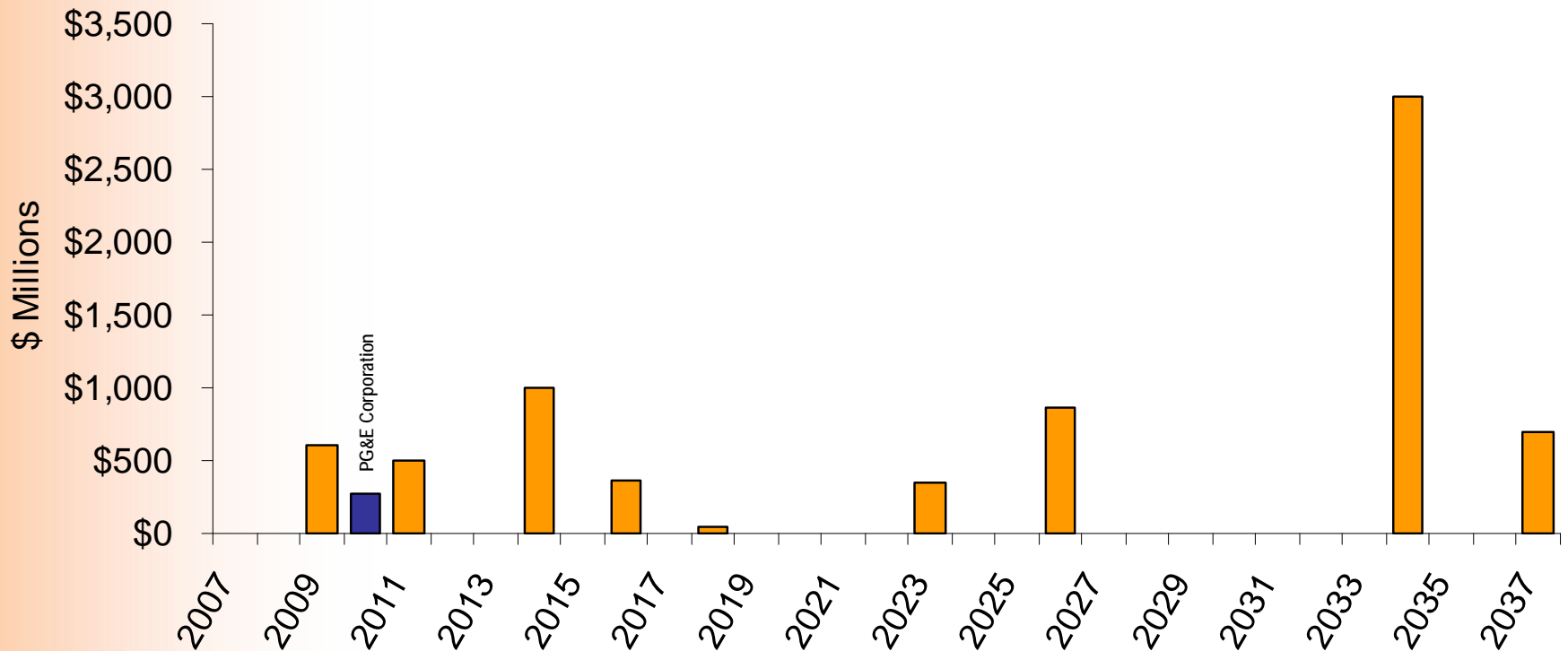
PG&E Corporation

Long-Term Debt Portfolio

Issue	Size (MM)	Coupon	Issue Date	Maturity Date	Conversion Price	Shares
Convertible Subordinated Note	\$280	9.50%	06/25/2002	06/30/2010	\$15.0873	18,558,059

- The convertible notes can be converted into PG&E Corporation common shares at the conversion price of \$15.0873 per share at any time prior to the close of business on June 29, 2010
- Based upon the current stock price, PG&E Corporation expects full conversion of the notes to common shares prior to the maturity date

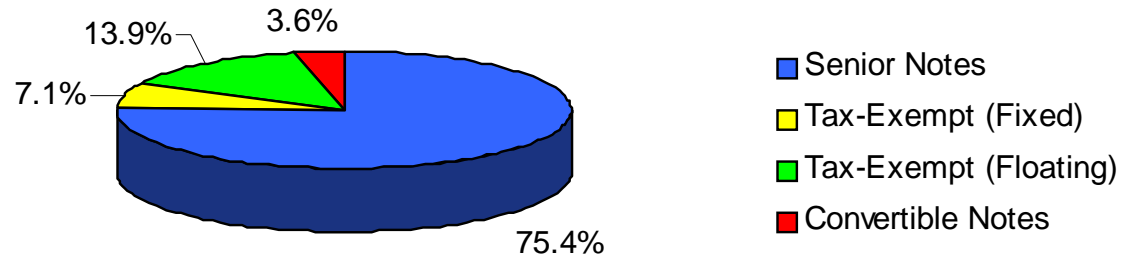
Long-Term Debt Maturity Schedule



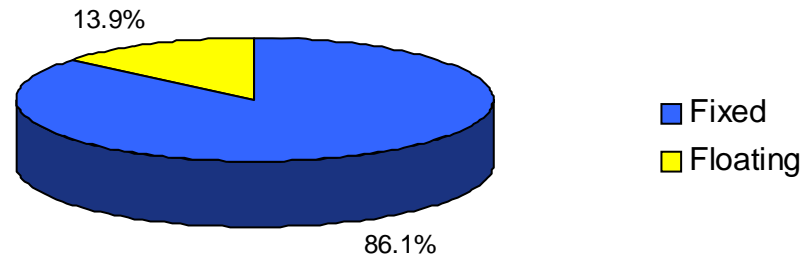
Debt Profile⁽¹⁾

As of June 30, 2007

Long-Term Debt Mix



Fixed-Floating Mix⁽²⁾



(1) PG&E Corporation and Pacific Gas and Electric Company

(2) Fixed-floating mix is 80.1% / 19.9% if \$577 million of commercial paper outstanding on June 30, 2007 is included.

Ratemaking Summary

Ratemaking = Projected Test Year
w/ Attrition adjustments

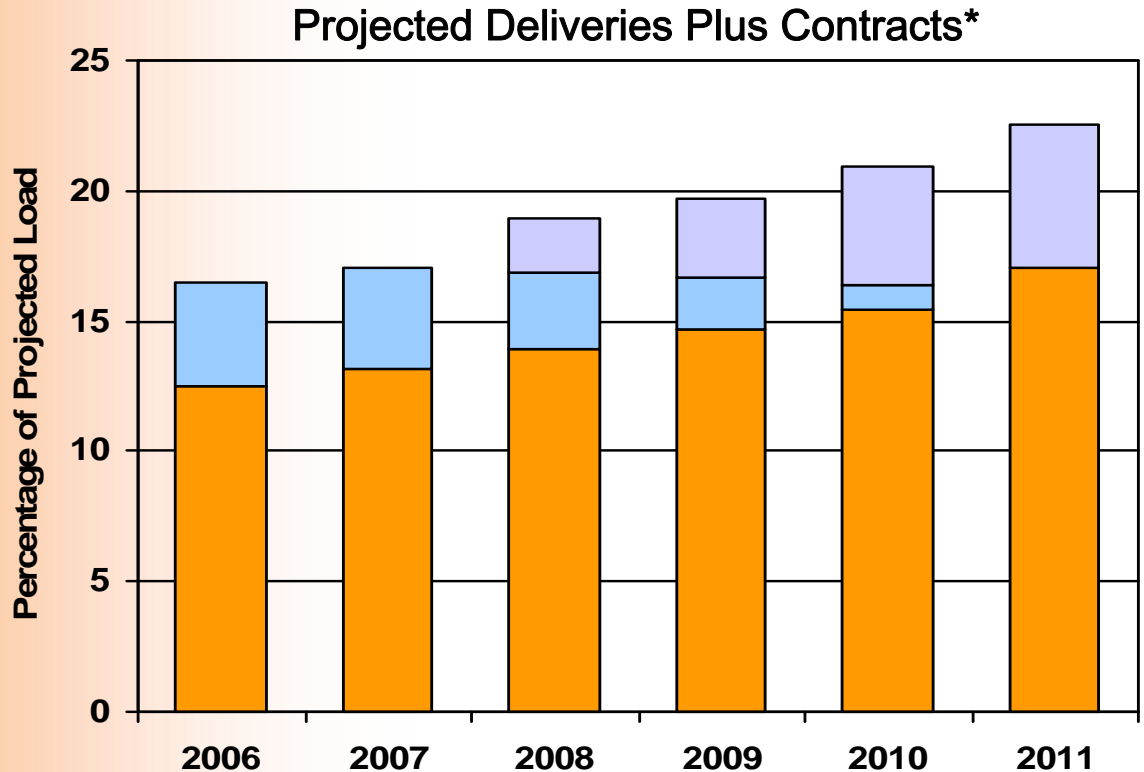
Rate Base = Net Plant (in service)
- deferred taxes from accelerated depreciation
+/- net working capital
(may exclude many balance sheet assets or liabilities)

Balancing
Accounts =

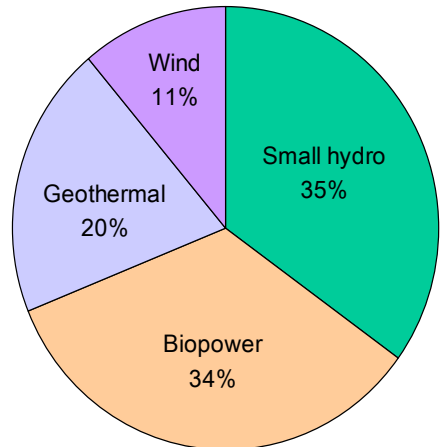
- Cost of procuring energy
- Sales volume
- Selected other elements of operating costs such as energy conservation programs

Renewable Resource Procurement

Renewable Portfolio Standard target is 20% by 2010



2006 deliveries comprised of:



* 2008 to 2011 estimates are based on forecasted construction schedules and additional contracted resources



New Generation Resources: Utility-Owned & Conventional Power Purchase Agreements

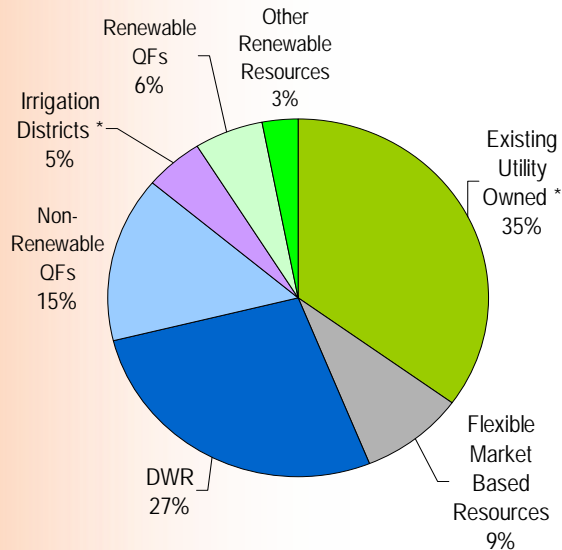
Facility	Size (MW)	Status	Target Operational Date
Gateway	530	broken ground	2009
Humboldt Bay	163	permitting	2009
Colusa	657	permitting	2010
Total	1,350		

PPAs Counterparty/Facility	Size (MW)	Target Operational Date	Contract Term (years)
Calpine Hayward	601	2010	10
EIF Firebaugh	399	2009	20
Starwood Firebaugh	118	2009	15
EIF Fresno	196	2009	20
Tierra Energy Hayward	116	2009	20
Total	1,430		

Long-Term Electric Resources

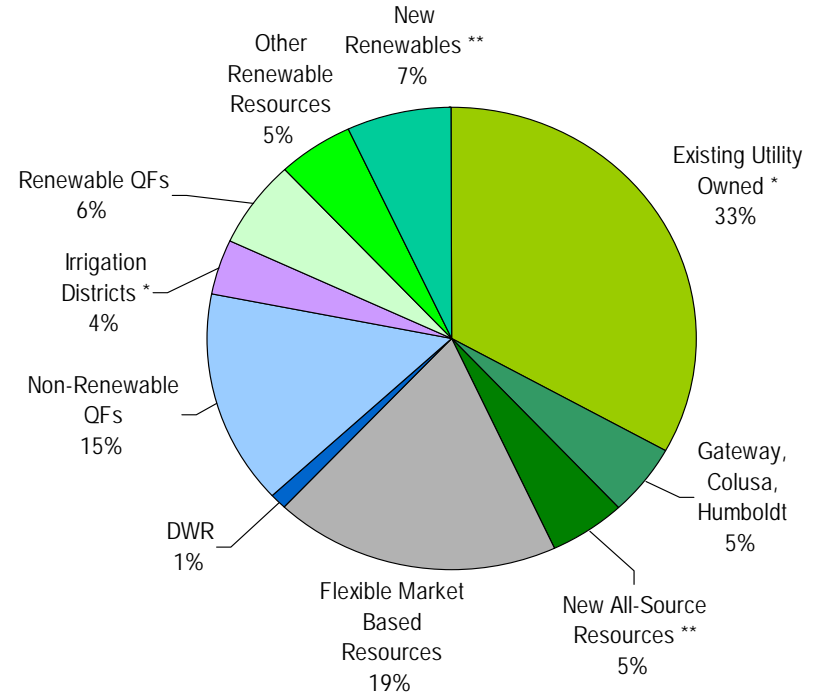
- Energy efficiency expected to meet half of future load growth
- Growth in renewable resources and resources with operating flexibility
- Growth in utility ownership

2007 Projected Sources of Energy
85,500 GWh



* Approximately 13% of total retail sales expected to be eligible renewable resources coming from utility-owned, QFs, Irrigation Districts and other sources.

2012 Projected Sources of Energy
89,900 GWh



* Over 20% of total retail sales expected to be eligible renewable resources coming from utility-owned, QFs, Irrigation Districts, and other sources.

** May include utility-owned resources.

2006 EPS - Reg G Reconciliation

2006

EPS on an Earnings from Operations Basis*	\$2.57
Items Impacting Comparability:	
Scheduling Coordinator Cost Recovery	0.21
Environmental Remediation Liability	(0.05)
Recovery of Interest on PX Liability	0.08
Severance Costs	<u>(0.05)</u>
EPS on a GAAP Basis	\$2.76

* 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

2007

	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis*	\$2.70	\$2.80
Estimated Items Impacting Comparability	0.00	0.00
EPS Guidance on a GAAP Basis	\$2.70	\$2.80

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

* 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.