



**PG&E Corporation**  
**UBS Natural Gas,**  
**Electric Power and Coal**  
**Conference**  
**March 5, 2009**





# Cautionary Language Regarding Forward-Looking Statements

This presentation contains management's guidance for PG&E Corporation's 2009, 2010 and 2011 earnings per share from operations, projections of Pacific Gas and Electric Company's (Utility) capital expenditures, 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;
- the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on 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 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 energy sources, or other reasons;
- operating performance of Diablo Canyon, the availability of nuclear fuel, the occurrence of unplanned outages at Diablo Canyon or the temporary or permanent cessation of 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 incurs substantial expense to improve the safety and reliability of its electric and natural gas systems;
- whether the Utility achieves the California Public Utilities Commission's (CPUC) energy efficiency targets and recognizes any incentives the Utility may earn in a timely manner;
- 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 new rules of the California Independent System Operator (CAISO) 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 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, especially given the recent deteriorating conditions in the economy and financial markets;
- 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 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.

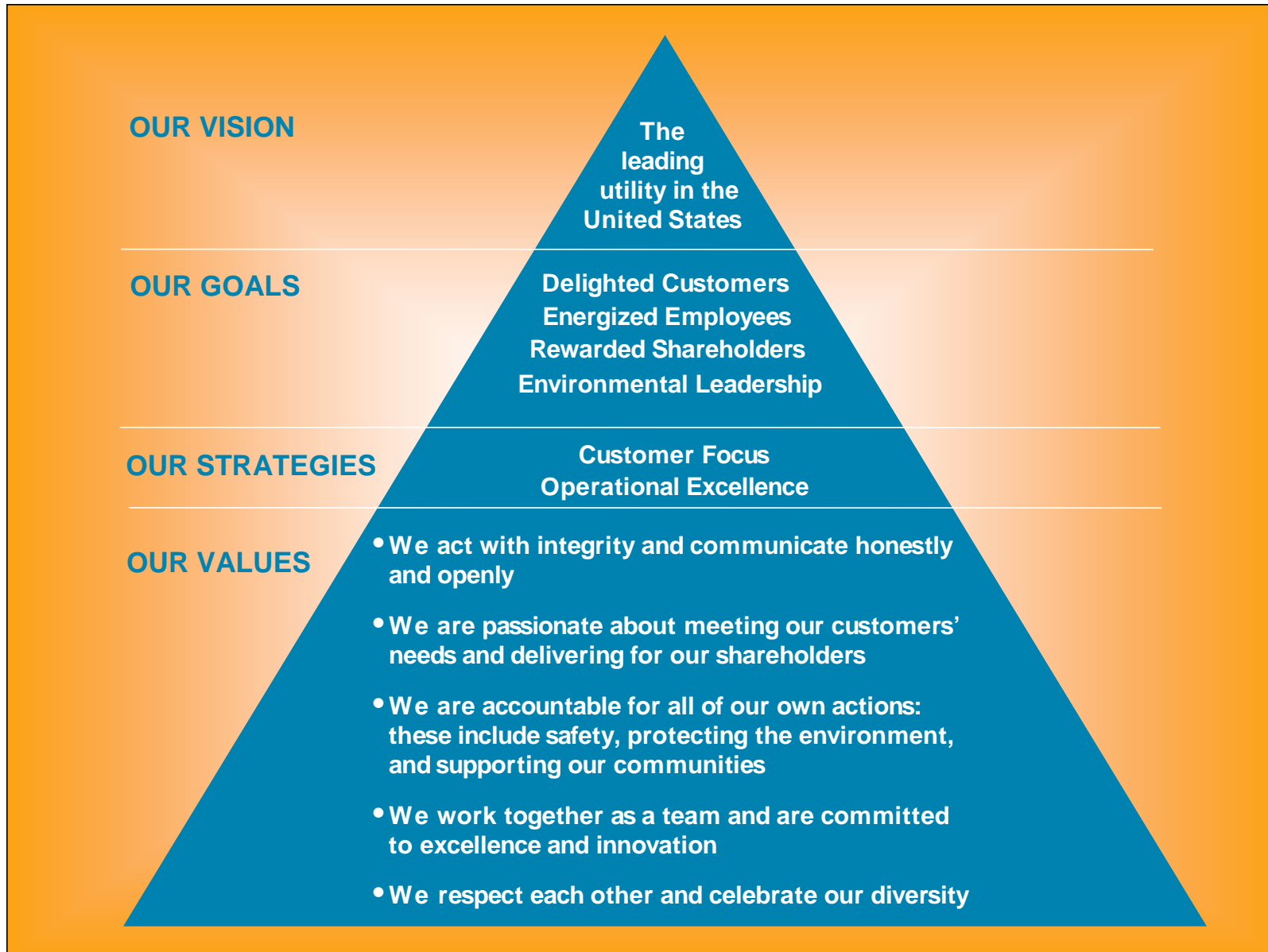


## PCG Investment Case

- **PCG is focused on better service to our customers, which is the foundation of our growth:**
  - **Substantial CapEx Program**
  - **Manageable financing requirements**
  - **Decoupled revenues**
  - **Pass-through of procurement costs**
  - **11.45% weighted ROE on 52% equity**
  - **Low carbon footprint**



# Vision and Values





## 2009 Business Priorities

- **Improve reliability**
- **Improve safety and human performance**
- **Deliver on budget, on plan, and on purpose**
- **Drive customer satisfaction**
- **Champion effective regulatory and legislative policies**



# PG&E Financial Strategy

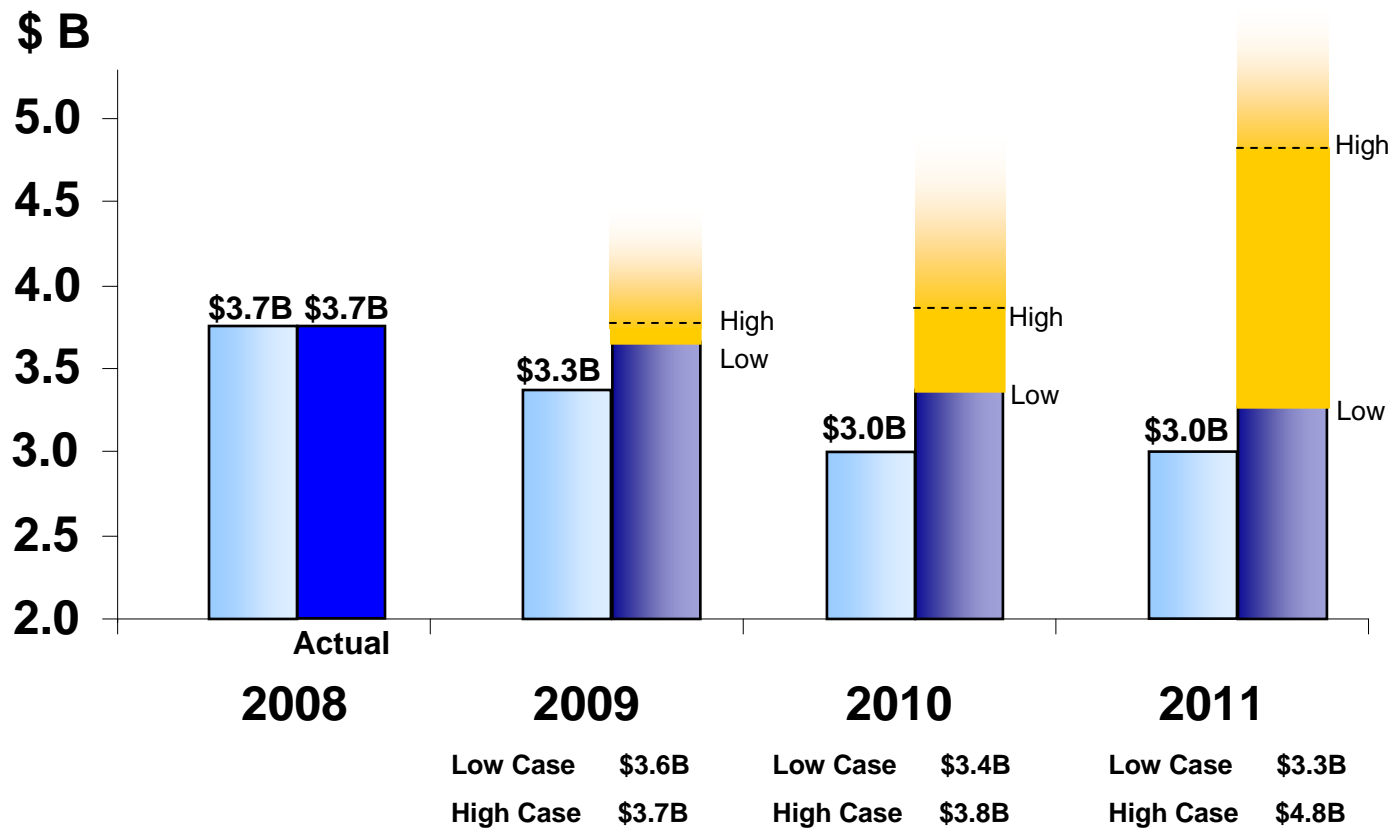
- **Achieve solid, sustained EPS growth**
- **Actively manage cash flow**
- **Maintain opportunistic financing approach**



# Capital Expenditure Outlook

□ Prior Forecast

## CapEx Outlook Prior vs. Current Forecast





# Capital Expenditure Outlook

## Spending Included in Low Case and High Case

	2009	2010	2011
<b>Low Case</b>	<p><b>Total CapEx of \$3.6B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$3.0B</li> <li>• Elec. Trans. CapEx of \$600MM</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>	<p><b>Total CapEx of \$3.4B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$2.6B</li> <li>• Elec. Trans. CapEx of \$800MM</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>	<p><b>Total CapEx of \$3.3B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$2.45B</li> <li>• Elec. Trans. CapEx of \$850MM</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>
<b>High Case</b>	<p><b>Total CapEx of \$3.7B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$3.0B</li> <li>• Elec. Trans. CapEx of \$600MM</li> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>	<p><b>Total CapEx of \$3.8B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$2.6B</li> <li>• Elec. Trans. CapEx of \$800MM</li> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>	<p><b>Total CapEx of \$4.8B</b></p> <p>• <b>Includes:</b></p> <ul style="list-style-type: none"> <li>• CPUC Basic CapEx of \$3.1B</li> <li>• Elec. Trans. CapEx of \$1.0B</li> <li>• SmartMeter Program Upgrade</li> <li>• Cornerstone Program</li> <li>• Renewable Generation</li> </ul> <p>• <b>Does not include:</b></p> <ul style="list-style-type: none"> <li>• BC Transmission / Pacific Connector Gas Pipeline</li> </ul>



# CapEx Low and High Cases

**Capital Expenditure Forecast (\$MM)**

	2009		2010		2011	
					Low	High
Common Plant	250*		150*		\$300	\$400
Gas Transmission	250*		200*		\$150	\$250
Electric Transmission	600*		800		\$850	\$1,050
Conventional Generation	800*		550*		\$350	\$400
SmartMeter Program	450*		350*		150*	
Distribution	1250*		1350*		\$1,500	\$1,900
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
SmartMeter Program Upgrade	\$0	\$130	\$0	\$70	\$0	\$50
Cornerstone Program	\$0	\$5	\$0	\$150	\$0	\$300
Renewable Generation	\$0	\$5	\$0	\$180	\$0	\$300
<b>Total</b>	\$3,600	\$3,740	\$3,400	\$3,800	\$3,300	\$4,800

\* Already included in rates

 - 2011 GRC Category Capital Expenditures



# Additional Capital Opportunities

## Generation

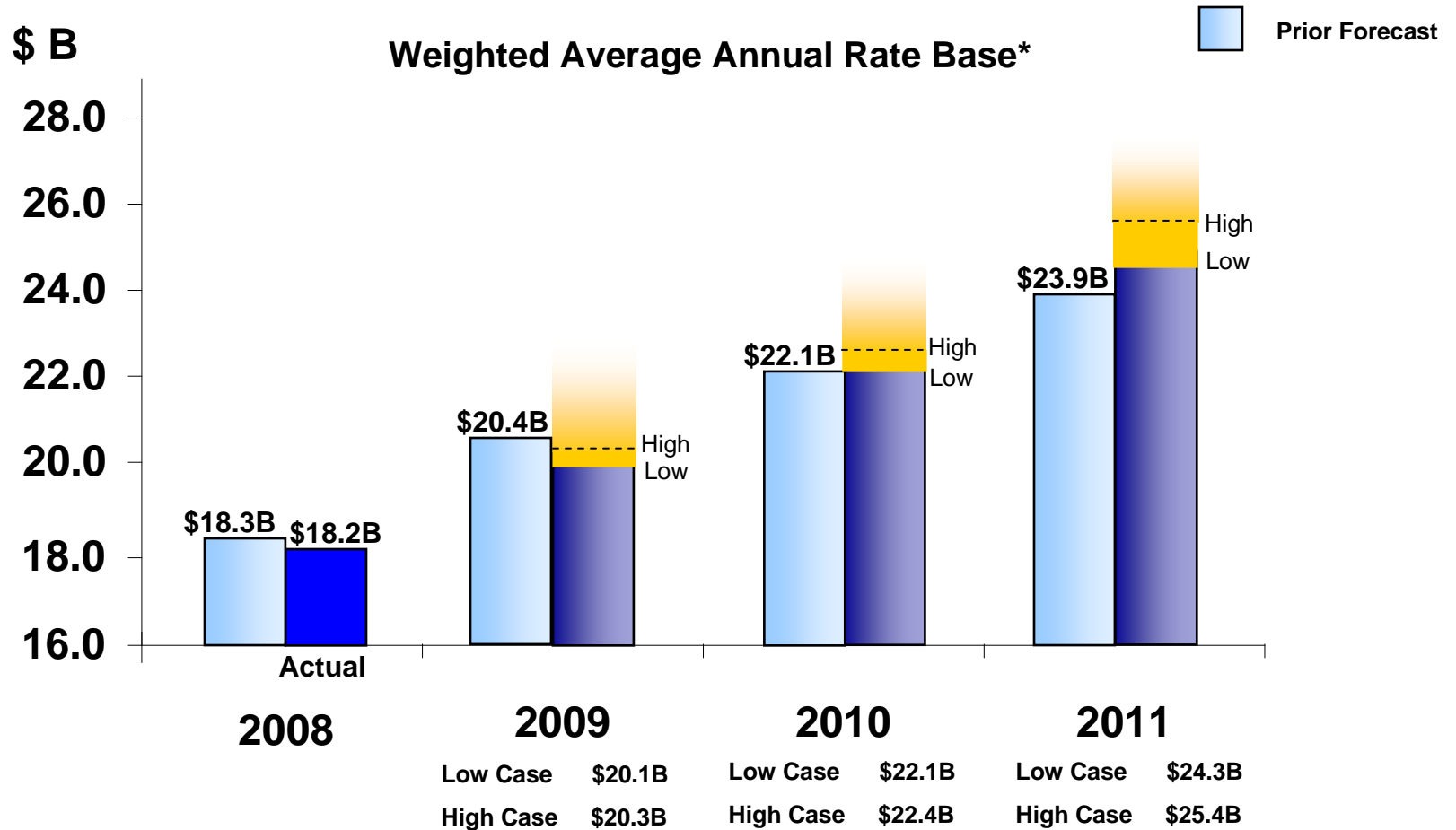
- **Prior RFO Shortfalls**
- **RFO for 2006-2016 issued April 2008 for 800-1200 MW**
- **Additional renewable generation investment opportunities**

## Electric Transmission & Gas Pipelines

- **Additional transmission to reach renewable generation**
- **B.C. Transmission Line**
- **Pacific Connector Gas Pipeline**



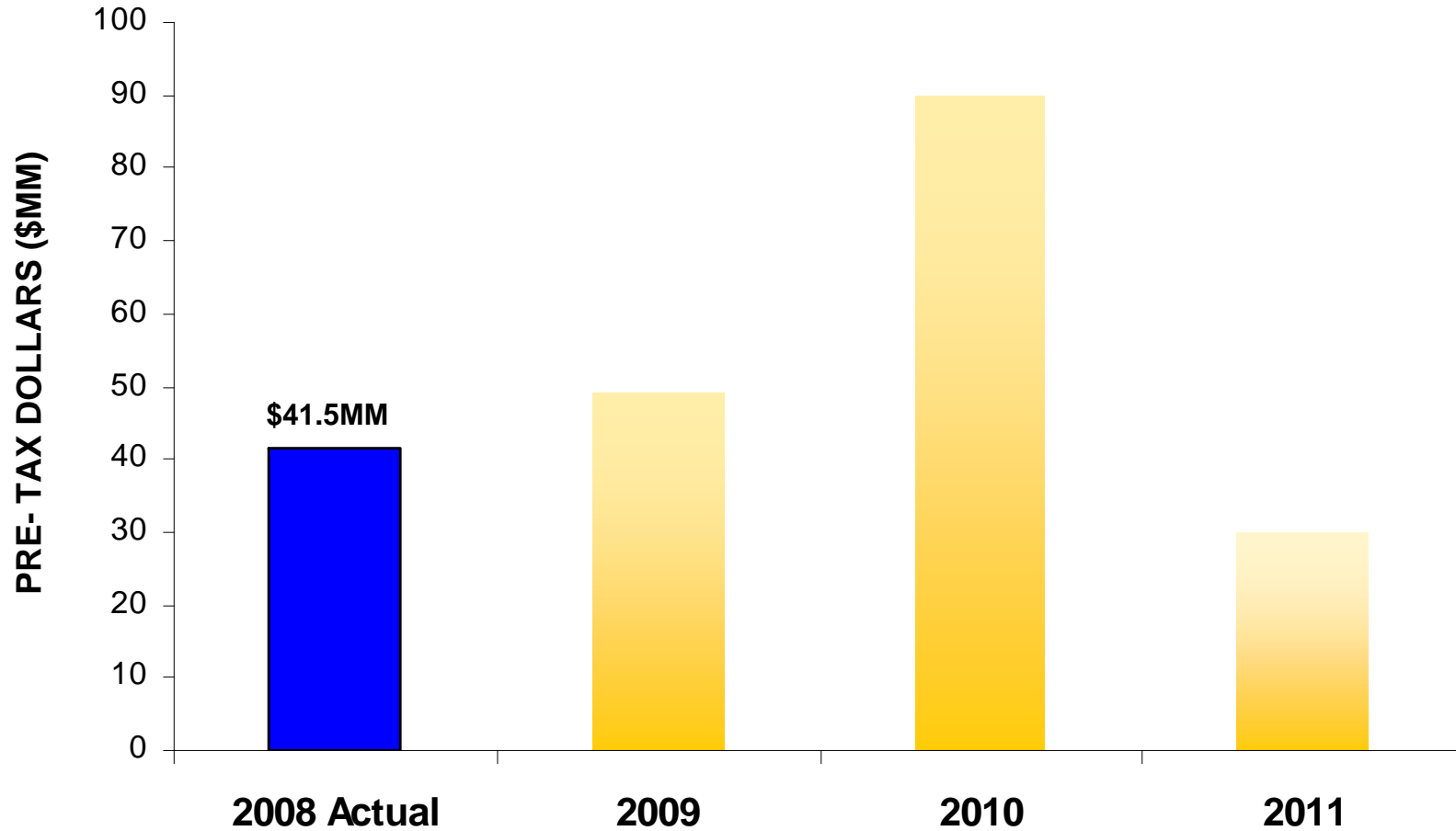
# Rate Base Growth



\* Projected 2008-2011 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. This rate base offset carrying cost declines to zero when the taxes are fully paid in 2012.

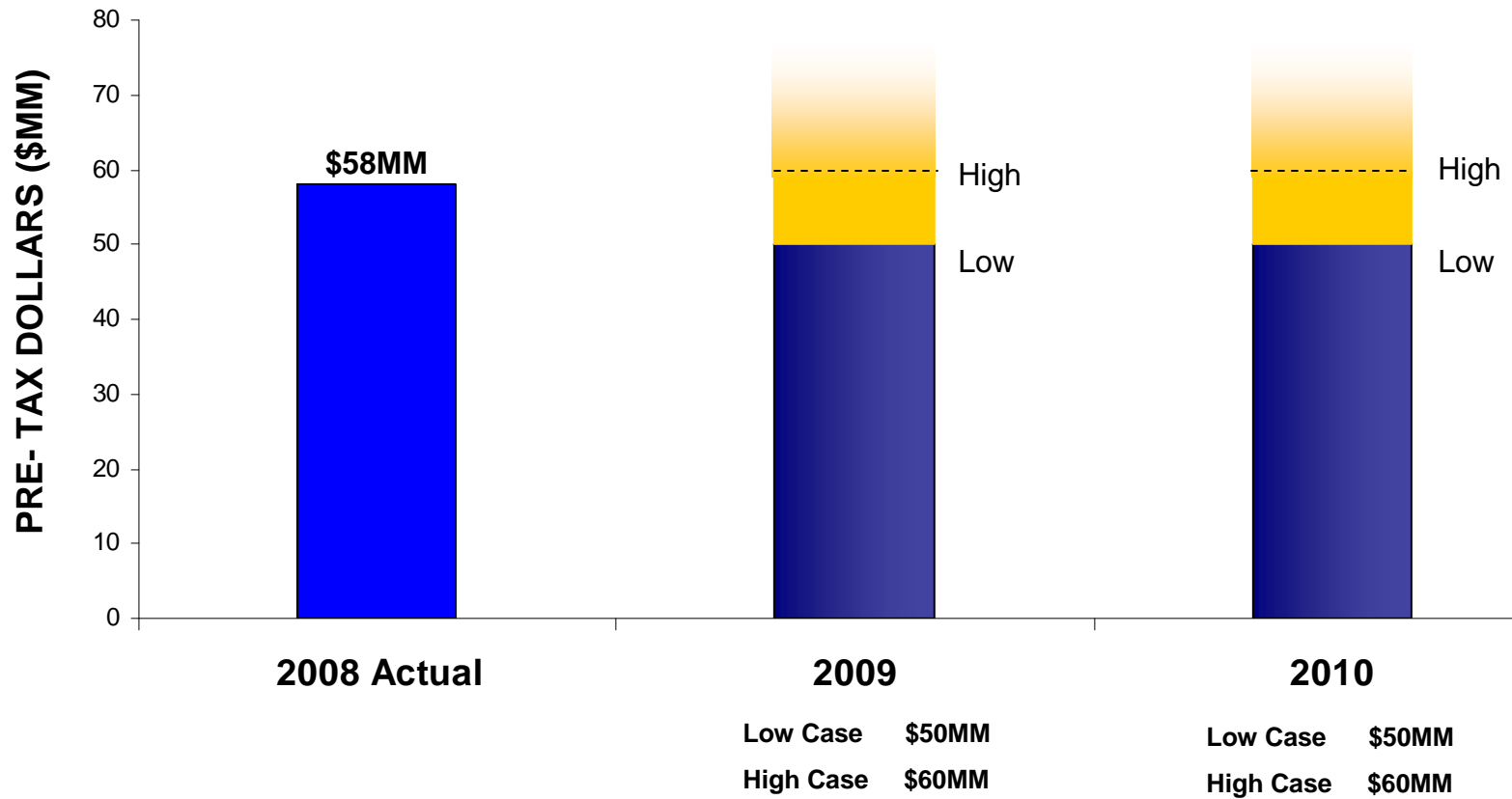


# Energy Efficiency Incentive Opportunities





# Operational Changes and Efficiencies





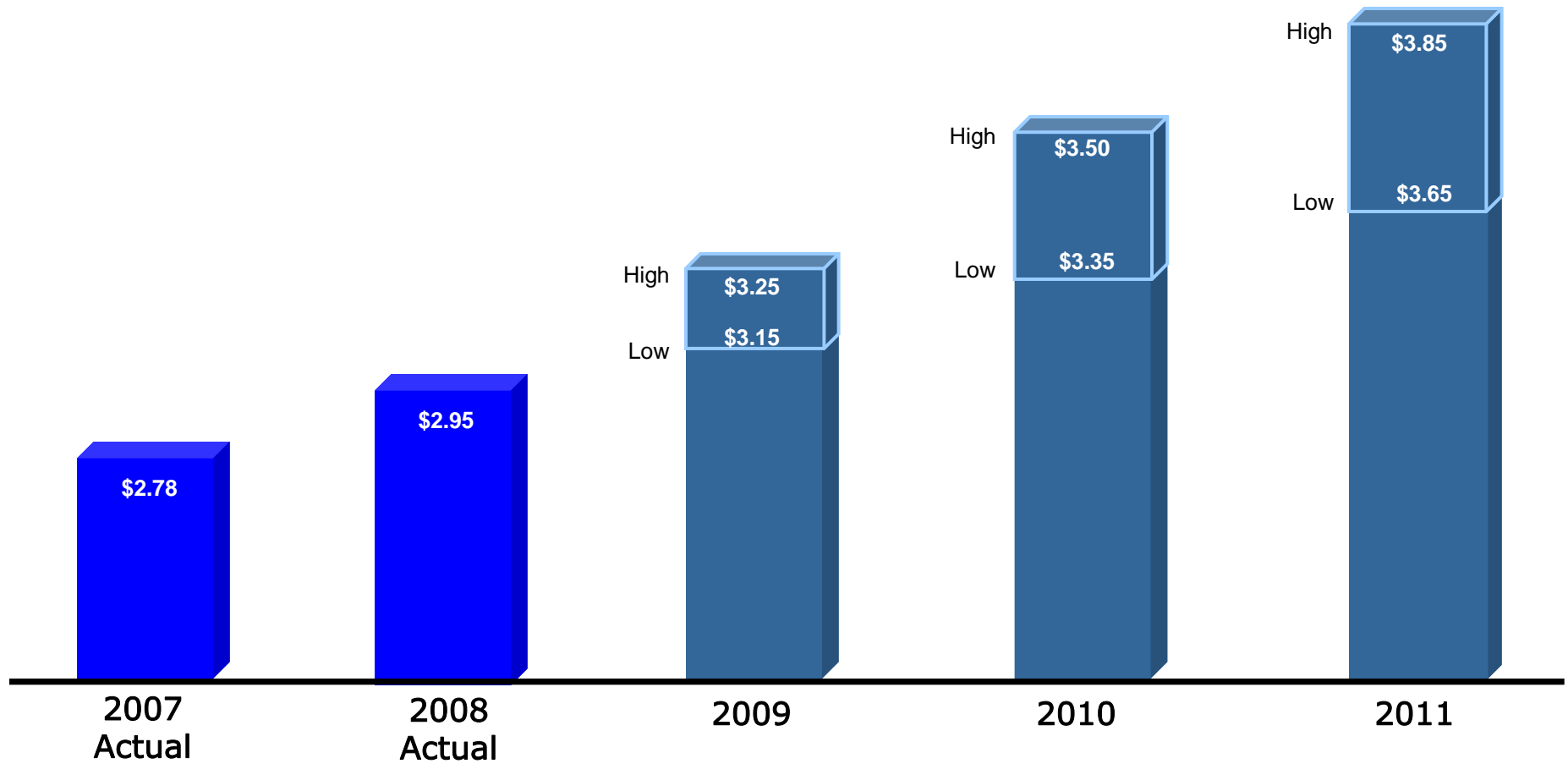
# Impact to Cash Flow from Tax





# EPS Guidance

## Earnings per Share from Operations





# Cash Flow and Equity Needs

## Financing Needs 2009 – 2011 (\$MM)

	2008	2009		2010		2011		2009 - 2011	
	Actual	Low	High	Low	High	Low	High	Low	High
Cash from operations*	2,431	2,889	3,439	2,639	2,739	2,914	3,189	8,442	9,367
Capital Expenditures	(3,628)	(3,600)	(3,750)	(3,400)	(3,775)	(3,325)	(4,825)	(10,325)	(12,350)
Long-term Debt Maturities	(454)	(600)	(600)	0	0	(500)	(500)	(1,100)	(1,100)
Utility Debt Financing	1,941	1,450	1,325	1,125	1,250	1,150	1,800	3,725	4,375
Preferred Stock Dividends	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(42)	(42)
Equity free cash flow	276	125	400	350	200	225	(350)	700	250
Less: Corporate common stock dividends paid	(546)	(575)	(600)	(650)	(700)	(750)	(800)	(1,975)	(2,100)
Net Utility Equity Requirements	(270)	(450)	(200)	(300)	(500)	(525)	(1,150)	(1,275)	(1,850)

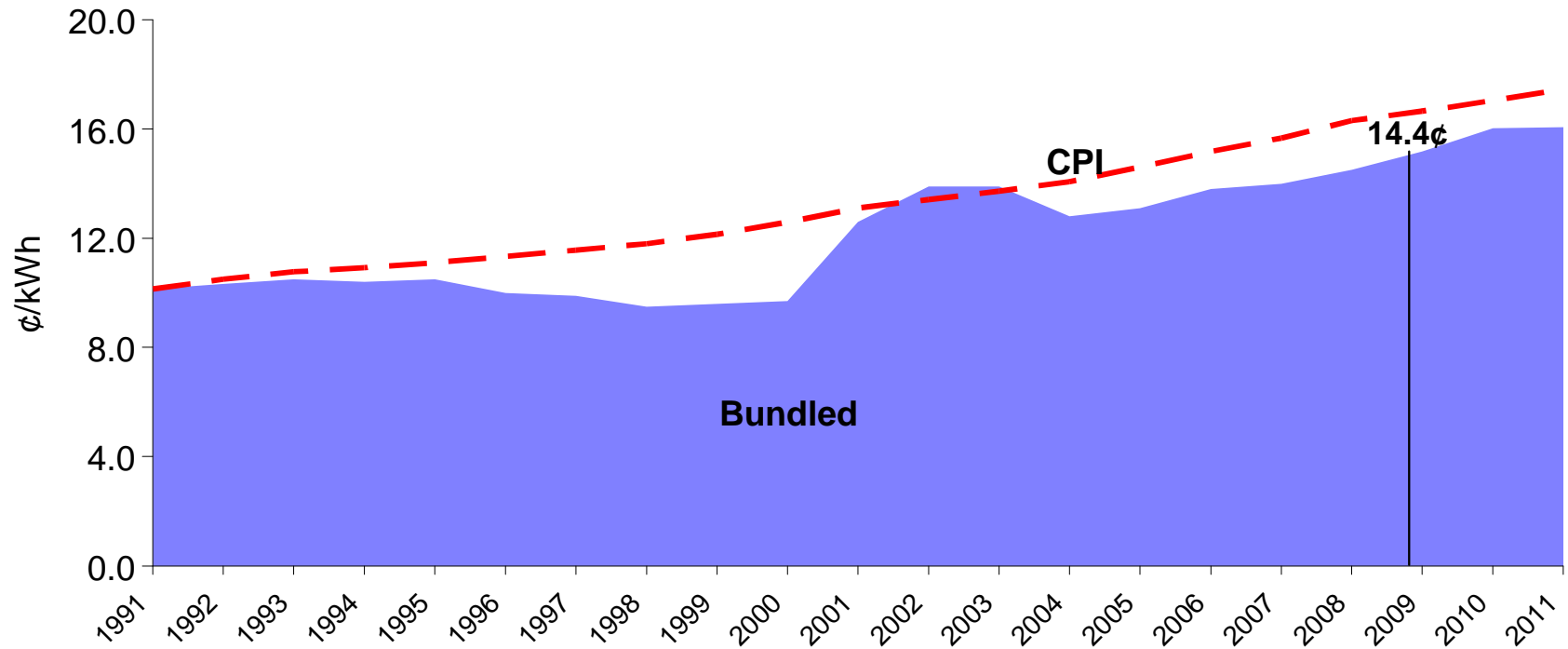
\* Excludes cash from Energy Recovery Bond revenues

Projected Sources of Equity		2009 - 2011	
401K /DRIP	\$100 - \$200 per year	300	600
Holding Company Debt	\$300 - \$500 total	300	500
New Equity		675	750
<b>Total</b>		<b>1,275</b>	<b>1,850</b>



# Electric Rate Forecast

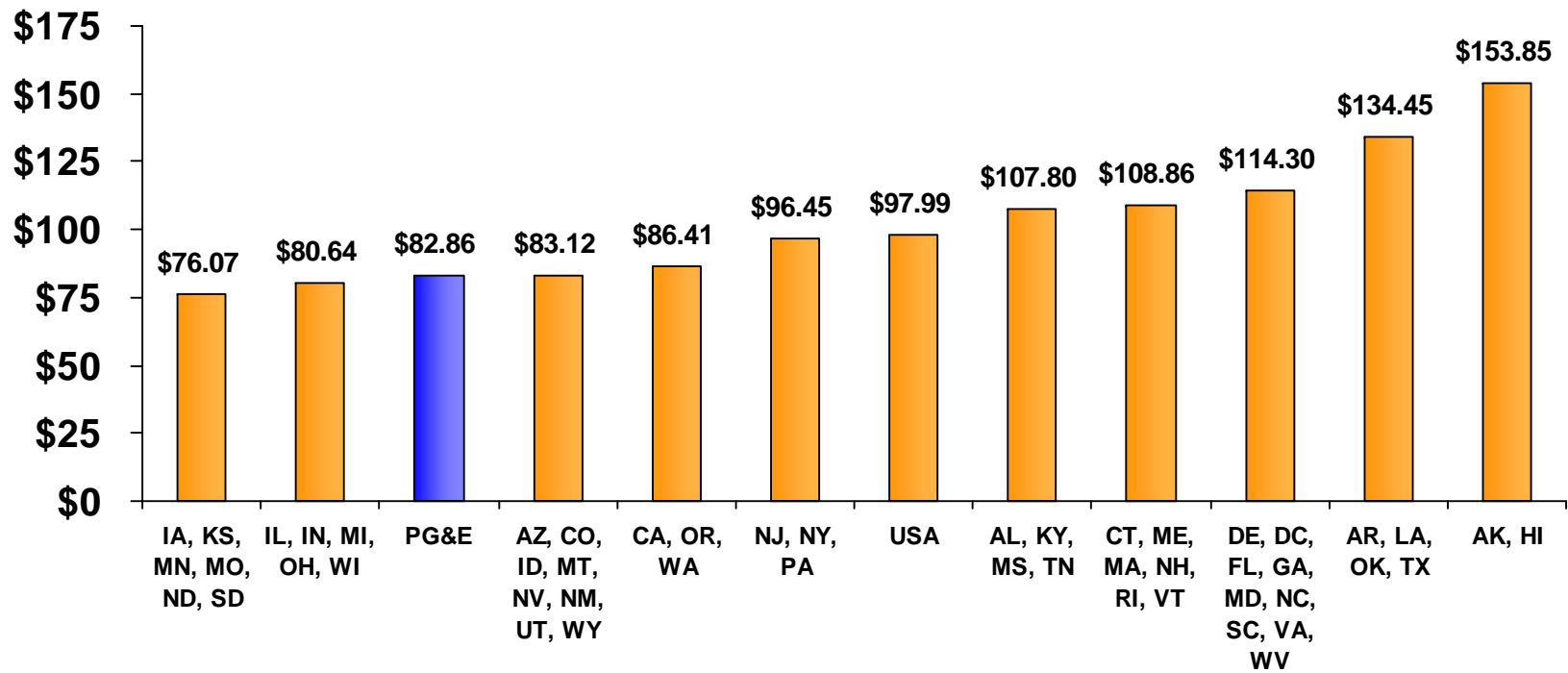
## Bundled System Average Electric Rate





# Residential Electric Bills

## Residential Average Monthly Bills by Region<sup>(1)</sup>



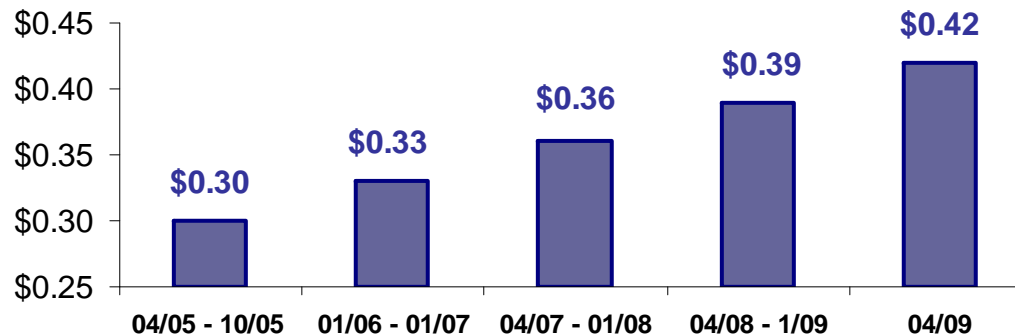
<sup>(1)</sup> Edison Electric Institute, Statistical Yearbook, Year 2007 (latest data available).



# Dividend Policy

- **Sustainable, comparable dividend**
- **Payout ratio range of 50% - 70%**
- **Dividend growth in line with EPS growth.**

**Historical Quarterly Dividends per Share**





# Financial Assumptions 2009-2011

## GUIDANCE REFLECTS:

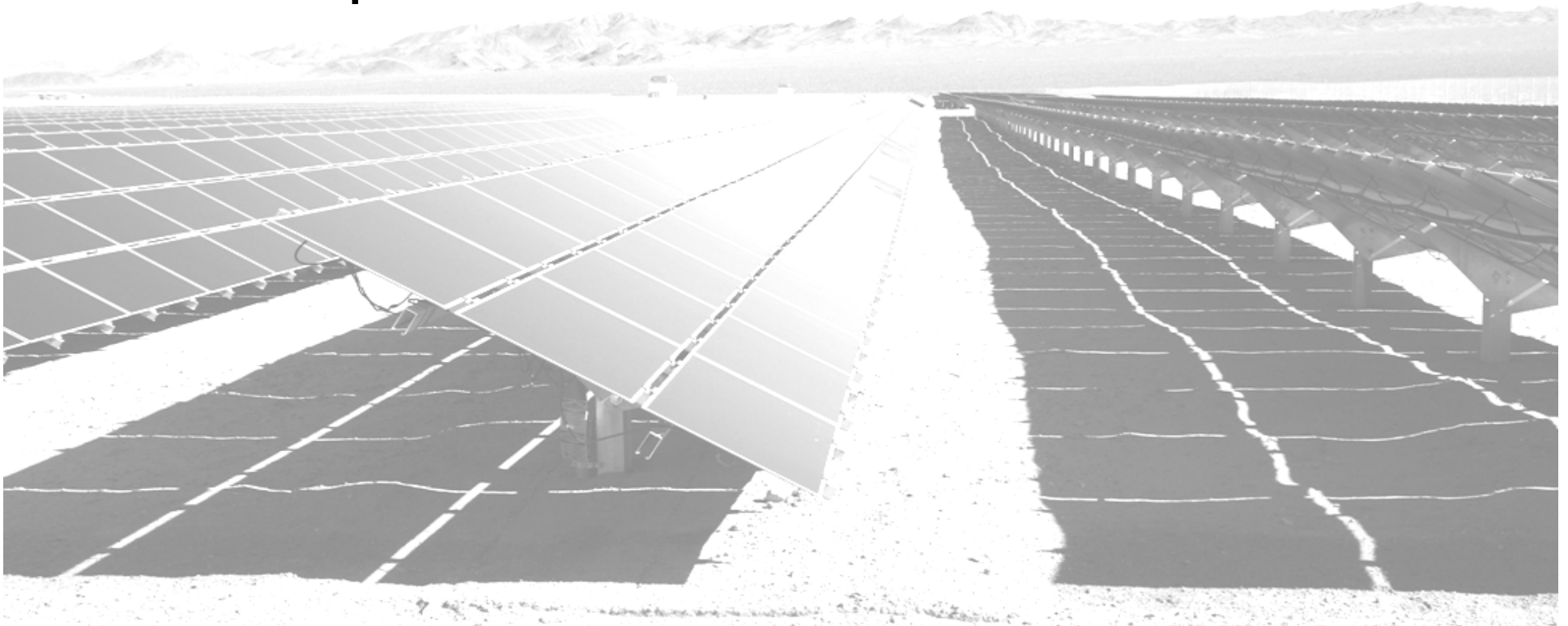
- **Capital expenditures consistent with low and high case ranges**
- **CPUC authorized ROE of at least 11.35% and Utility earns at least 12% on FERC projected rate base**
- **Ratemaking capital structure maintained at 52% equity**
- **CEE incentives, operational changes and efficiencies and tax cash flow consistent with low and high case ranges**
- **Current conditions for debt and equity markets**
- **Resolution of FERC generator claims in 2009-2011 results in financing needs**



# PG&E Ownership of Renewables

## Proposed Solar PV Program

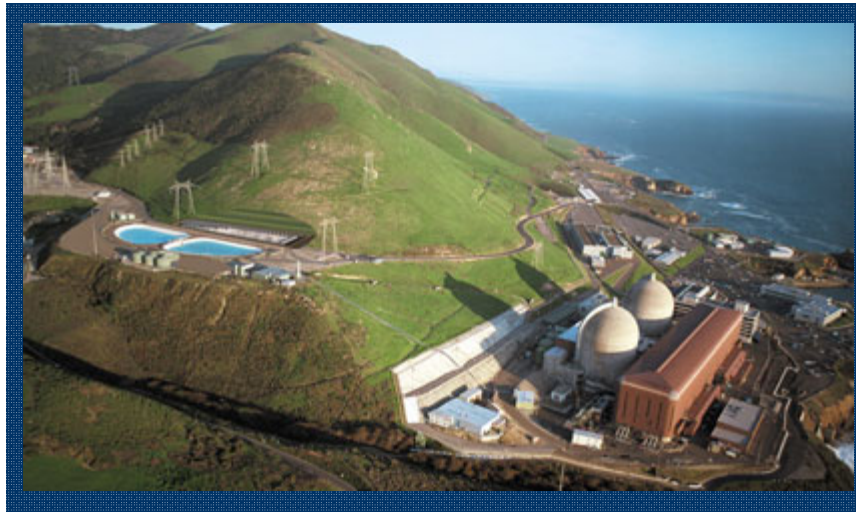
- **Up to 250 MW of Utility-owned PV generation**
- **Up to 250 MW of standard-offer PV PPAs**





# Diablo Canyon Steam Generator Replacement

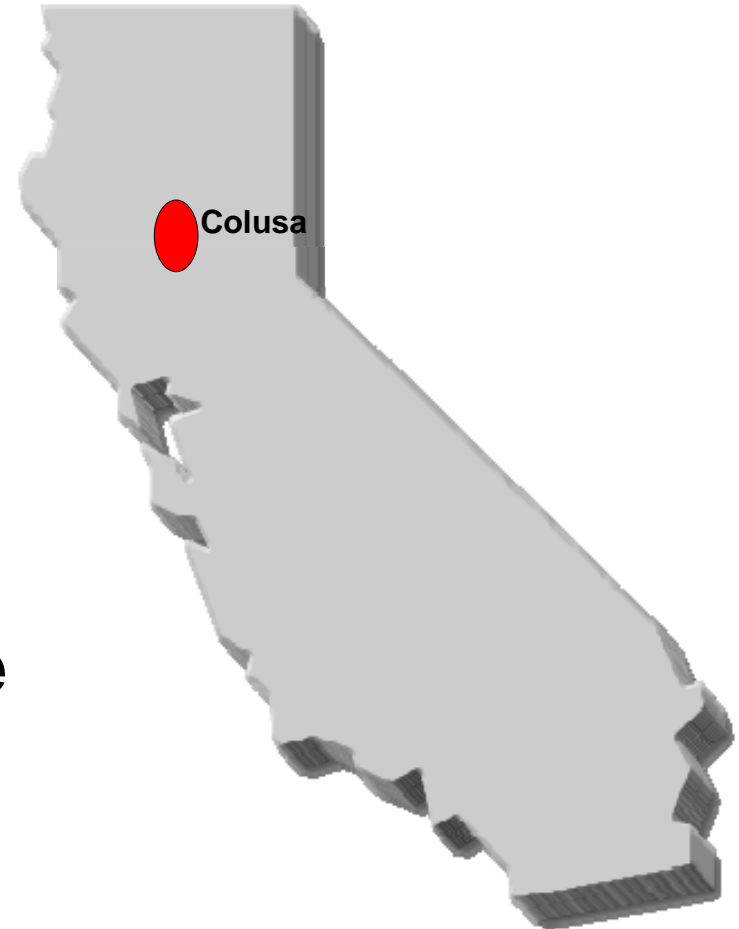
- **\$700 Million approved capital investment**
- **Unit 2 replacement completed in 69 days in 2008**
- **Unit 1 replacement began January 25, 2009**





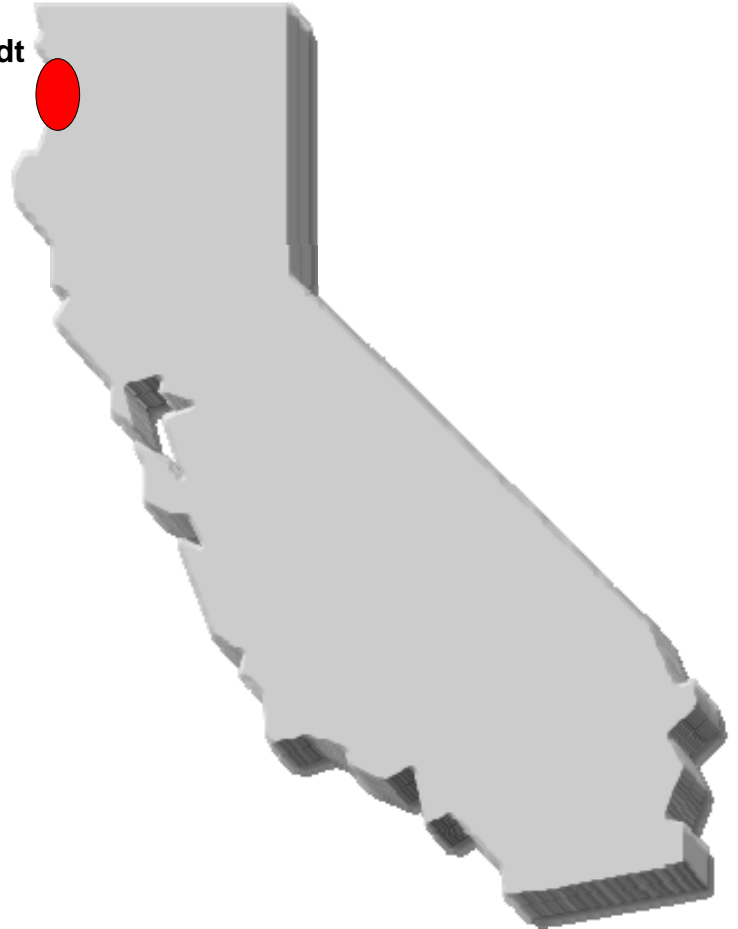
# Colusa Generating Station

- **Construction began in October 2008**
- **Generating capacity is 657 MW**
- **Cost cap is \$673 MM**
- **Targeting 2010 online date**



- **Construction began February 2009**
- **Generating capacity is 163 MW**
- **Cost cap is \$239 MM**
- **Targeting 2010 online date**

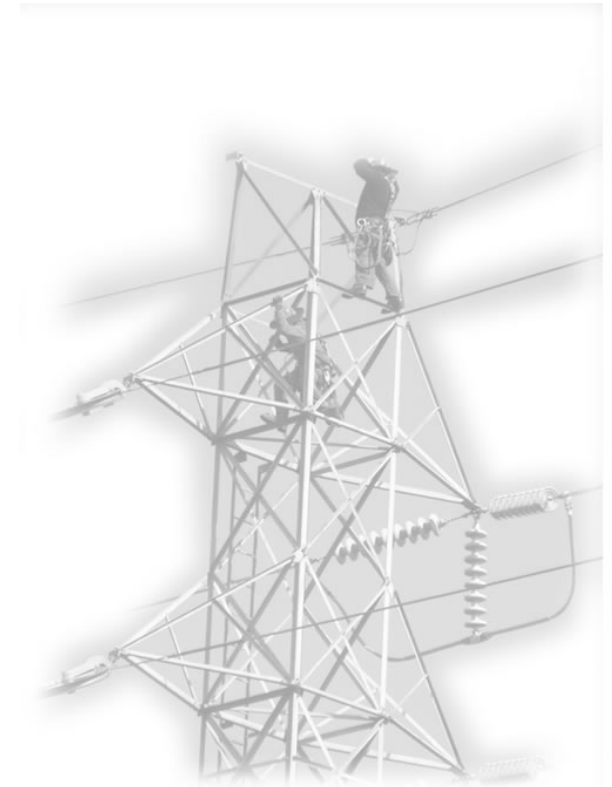
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# Transmission Investments

Category	2009	2010	2011
System Expansion/Congestion Relief	\$230M	\$400M	\$590M
Maintenance and Replacement	\$280M	\$290M	\$310M
Automation Technology Expansion	\$70M	\$90M	\$110M
New Generation Interconnection	\$20M	\$20M	\$40M
Total	\$600M	\$800M	\$1050M



\*All numbers are approximate



# Distribution Investments

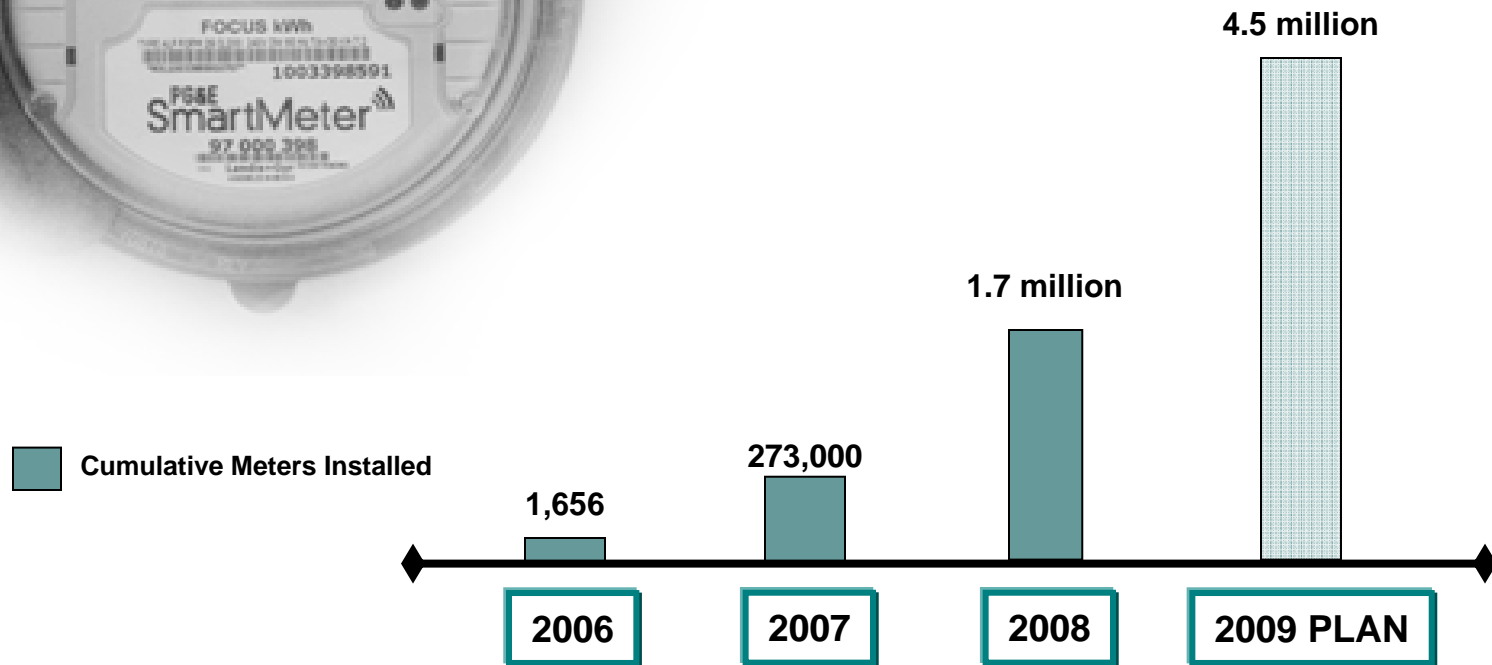
- **\$1.2 - \$1.5 Billion annual investment**
  - **Infrastructure main spend categories:**
    - **Substations**
    - **Poles and Maintenance**
    - **New Customer Connects**
    - **Capacity and Reliability**





# SmartMeter™

- Installation of meters continues
- Awaiting CPUC approval for Upgrade

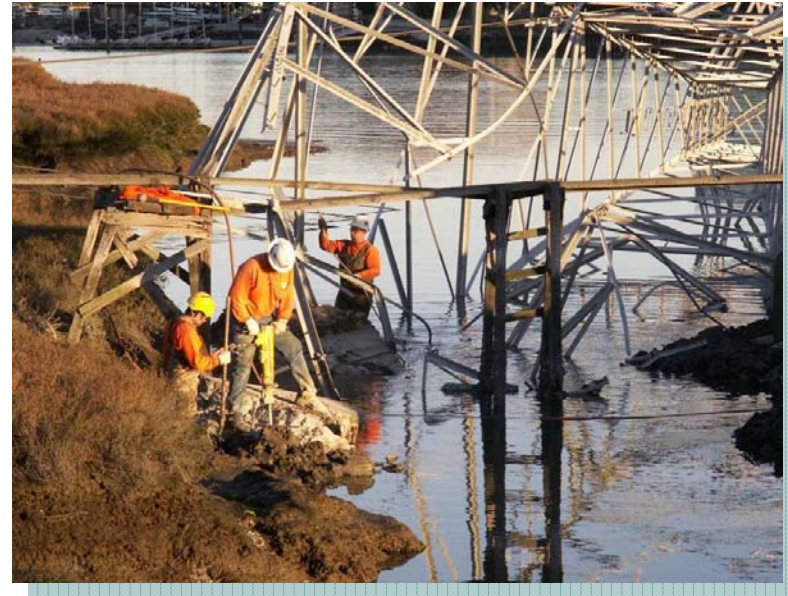




## PCG Investment Case

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  - **Substantial CapEx Program**
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  - **Pass-through of procurement costs**
  - **11.45% weighted ROE on 52% equity**
  - **Low carbon footprint**

# Appendix





## 2008 EPS - Reg G Reconciliation

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

\* 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



# EPS Guidance - Reg G Reconciliation

2009	<u>Guidance Range</u>	
	<b>Low</b>	<b>High</b>
EPS Guidance on an Earnings from Operations Basis <sup>(1)</sup>	<b>\$3.15</b>	<b>\$3.25</b>
Estimated Items Impacting Comparability		
Tax Refunds <sup>(2)</sup>	<b>\$0.13</b>	<b>\$0.16</b>
Recovery of hydro divestiture costs <sup>(3)</sup>	<b>\$0.07</b>	<b>\$0.07</b>
Accelerated work on gas system <sup>(4)</sup>	<b>(\$0.15)</b>	<b>(\$0.12)</b>
Estimated EPS on a GAAP Basis	<b>\$3.20</b>	<b>\$3.36</b>

2010	<u>Guidance Range</u>	
	<b>Low</b>	<b>High</b>
EPS Guidance on an Earnings from Operations Basis <sup>(1)</sup>	<b>\$3.35</b>	<b>\$3.50</b>
Estimated Items Impacting Comparability	<b>\$0.00</b>	<b>\$0.00</b>
Estimated EPS on a GAAP Basis	<b>\$3.35</b>	<b>\$3.50</b>

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

- (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) Tentative agreement to resolve federal tax refund claims related to tax years 1998 and 1999.
- (3) Anticipated recovery of costs incurred in connection with efforts to determine the market value of hydroelectric generation facilities.
- (4) Forecasted cost to accelerate the performance of system-wide gas integrity surveys and remedial work.