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Sent: 2/19/2010 3:09:43 PM
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Bcc:
Subject: PG&E Trust Investment Activities

Commissioner Simon,

I wanted to share some recent developments in PG&E's trust asset management program with you.

Today, PG&E filed an advice letter seeking approval for a new investment manager in the CPUC Qualified Nuclear Facilities Decommissioning Master Trust. RhumbLine Advisors is a Boston-based WMDVBE firm specializing in passively managed products. RhumbLine will manage a \$60 million account, representing the trust's entire small capitalization US equity exposure. The RhumbLine decision was made following a request for proposal process that included eight diversity-owned investment managers. In addition to the RhumbLine decision, two high potential fixed income managers were identified for mentoring on the specifics of nuclear decommissioning bond management with the objective of expanding the universe of qualified firms. PG&E's investment team met with both of these firms in February and plans to do further due diligence in their offices by mid-year.

On February 1, 2009, Pacific Alternative Asset Management Company (PAAMCO) was retained to manage accounts totaling \$115 million in the Retirement Plan and Postretirement Medical trusts. PAAMCO is a Newport Beach-based WMDVBE firm specializing in managing hedge fund of funds strategies. This funding brings total diversity-managed assets to 4 percent of the pension fund.

I look forward to sharing more success stories with you in the future.

Peter

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