Manzana Wind Project

February 8, 2010

Pacific Gas and Electric Company

Manzana Project Overview

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Size	• Range 189 - 246 megawatts (MW), depending upon permitting, land rights acquisition, and turbine supply
Location	• Near Tehachapi region, Delivery to SP-15
Timing	• Expected to become operational as early as December 2011
Technology	• Will use proven GE 1.5 SLE wind turbines
History	• Initially offered to PG&E in the 2005 RPS RFO as a PPA and the project was shortlisted • Transmission issues resulting in Project delays and the economic downturn created financing difficulties for renewables projects • In early 2009, Iberdrola Renewables approached PG&E and offered to sell the Project
Application	• Seeks CPCN to construct project and Gen-tie and authority to recover project costs in rates

Manzana Location

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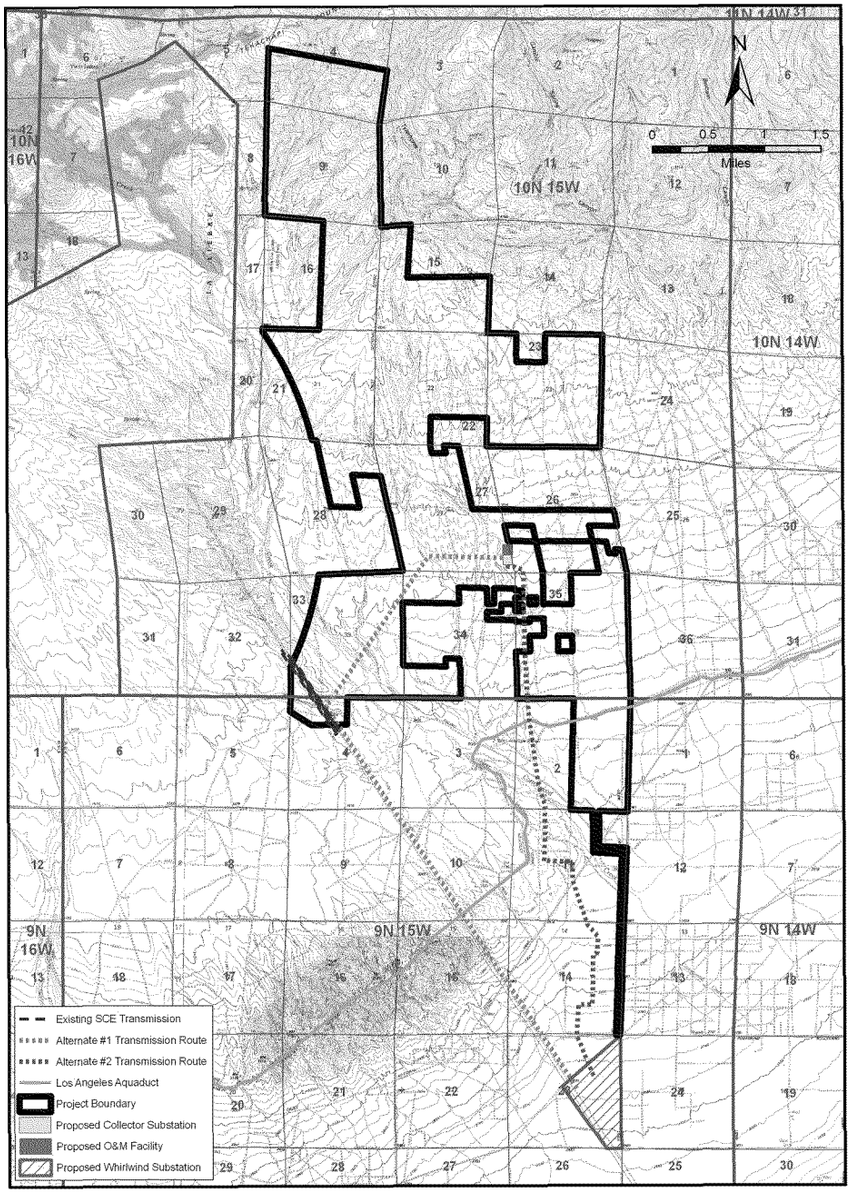

- Known wind resource area
- Approximately 7,000 acres

Transaction Summary

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Purchase & Sale Agreement (PSA)	• PG&E acquires Manzana Wind, LLC, a special purpose company that holds all of the Project's assets (with the exception of its turbines) • Assets include real estate interests in the site, including lease obligations, permits, and rights for transmission as reflected in the CAISO queue
Project Completion Agreement (PCA)	• Under the terms of the PCA, PPM Technical Services, Inc. (an Iberdrola Renewables subsidiary) will construct the Project, subject to guarantees & security interests from the Iberdrola family of companies • PG&E is responsible for permitting and construction of the Gen-tie from the Project to the proposed SCE Whirlwind Substation

Cost Competitive Source of Renewable Energy

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- The estimated cost to complete and commission the Project is $911 million
- The net market value of the Project is competitive with both:
  - RPS contracts that PG&E has filed in the past 12 months
  - The shortlisted contracts in the 2009 RPS RFO
- The Independent Evaluator, Sedway Consulting, Inc., compared the Project economics to all of the long-term RPS PPAs that PG&E has filed within the last twelve months
  - Found that the Project compares favorably to these contracts.
- The Manzana Wind Project represents a good value for PG&E's customers

Strong Project Viability

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- Advanced Permitting Status
  - 189 MWs already permitted at County
  - Permit addendum for additional 57 MW on Kern County Planning Commission January 14 calendar
- Site Control
  - Leases secured for 189 MW
  - Finalizing leases for remaining 57 MW
- Low Technology Risk
  - Proven General Electric 1.5 SLE turbines already secured by Iberdrola Renewables for 189 MW
- Strong Developer Experience
  - Iberdrola Renewables operates nearly 3,500 MWs of wind in U.S.
  - PG&E has three existing PPAs with Iberdrola Renewables for wind
    - Each project commenced operation ahead of schedule and is delivering electricity
- Known Tehachapi Resource Area
  - Extensive meteorlogical data for the Project site
- Transmission Upgrades Underway
  - Leverages the CPUC-prioritized Tehachapi Renewable Transmission Project (TRTP)
  - Large Generator Interconnect Agreement in draft form with expected completion in 1Q 2010

Manzana Application

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- CPCN authorizing PG&E to construct the Project and Gen-tie
- Approve initial cost estimate of $911 million, including estimated first-year annual revenue requirement and three-year O&M forecast with updates for certain events and the associated ratemaking
- Adopt a non-bypassable charge to recover stranded costs over a ten-year or, alternatively, for the period adopted by the Commission for utility owned generation following implementation of SB 695
- Authorizing PG&E pursuant to Public Utilities Code Section 851 to sell the Project back to Iberdrola Renewables under certain circumstances
- Decision requested by September 3, 2010 to accommodate project schedule and contract term requiring final and non-appealable within 365 days

Manzana Application Should Be Approved

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- Provides a competitive source of in-state renewable power as compared to other current and recent RPS alternatives
- Will contribute up to 0.8% toward 20 percent RPS goal in near-term and beyond
- Highly viable due to:
  - advanced permit status
  - site control
  - counterparty strength
  - proven equipment
- Leverages the CPUC-prioritized Tehachapi Renewable Transmission Project