

EMPLOYEE RELOCATION EXPENSE

1. Plan Description and Cost Control Efforts

Given the cost of moving to a new location and the high cost of living in the Bay Area, the employee relocation program is designed to assist employees with costs associated with being relocated. Lack of such assistance would restrict efforts to attract and place experienced workers into specialized vacancies that occur throughout PG&E's service territory. This program also allows PG&E to compete with other employers in attracting and retaining new employees. Relocation expenses include costs associated with household goods moving and storage, home sale, home purchase; and a move allowance designed to offset the costs of interim living, home search and travel costs.

PG&E employees participate in the Relocation Program. The relocation director located at PG&E is responsible for the overall relocation process for both Company and PG&E Corporation employees. As the program manager, the relocation director monitors all charges from service providers to ensure they are reasonable, and to ensure charges related to PG&E Corporation employees are separated from Company related costs.

PG&E estimates expenditures relative to the number of projected moves. This estimate is based on consultation with the staffing and recruiting functions. The cost projections are based on these staffing and recruiting estimates reflected in the 3 year Operating Plan.

2. Employee Relocation Expense Cost Estimates

PG&E estimates 2011 costs for the Relocation Program will be \$10.8 million, based on historical and 2008 experience and anticipated 2009 costs from the relocation program specialist. Expenses related to the relocation of Company employees are charged to A&G Account 926, while expenses related to PG&E Corporation relocations are charged to A&G Account 923.

EMPLOYEE RELOCATION EXPENSE (Utility)

A. Employee Relocation Expense Plan Description

Relocation assistance is designed to assist employees with the financial burden associated with company initiated relocations. Lack of such a program would severely restrict efforts to fill vacant jobs with qualified candidates. Relocation assistance supports the company's goal of attracting and retaining the most qualified candidates.

Relocation assistance includes a moving allowance, and the costs associated with: household goods moving and storage, home sale and purchase, mortgage interest differential allowance (when applicable per policy), area housing cost allowance, mortgage subsidy, and loss on sale of home. The move allowance is designed to cover items such as travel to the new location, home search costs and interim living.

B. Employee Relocation Expense Cost Estimates

Estimates are based on relocation costs recorded in 2008, at the time the 3 year operating plan was submitted in August 2008. All costs related to the program are monitored and forecasted based on actual average costs and the professional opinion of PG&E's Director of Relocation.

All costs attributed to the program include increases in salary as well as increases in the cost of transportation, lodging, residential real estate and mortgage interest rates, where appropriate.

Forecasts for the GRC (2009 – 2010) reflect the projections made for PG&E's 3 year Operating Plan.

When the 3 year Operating Plan was submitted, actual 2008 costs YTD along with the projected number of relocations were used to arrive at projections.

Major Drivers

- The state or the Real Estate Market

This factor is important as it relates to the costs associated with the sale and purchase of employee properties. Most parts of the Country are experiencing declining real estate markets with a great deal of inventory yet to be sold. Until the markets achieve balance, declining markets will impact the costs associated with the Home Sale Assistance Program. The more employee generated sales, the better the program will operate. The fewer homes the company buys, and holds until resale, the better will be the operating costs.

To drive this process of employee generated sales and to help employees understand the reality of the market place, listing limits have been imposed and are required for participation in the Program. In order to participate in the Program employees may not list their property any higher than the listing limits, which currently are:

Homes with a value of \$499,000 and below
must be listed no higher than 103% of the Appraised Value.

Homes valued at \$500,000 and above
must be listed within 102% of the Appraised Value.

Employees who do not follow these guidelines forfeit their eligibility to participate in the Home Sale Assistance Program.

- Credit Market

The availability of financing may influence costs associated with the Home Sale Program. If potential buyers are unable to obtain mortgage financing, the more difficult it will be for sellers to successfully market their properties. This could have a negative impact on costs associated with the Home Sale Assistance Program as they relate to the length of time a property is held before being resold.

PG&E's Director of Relocation is working with major lenders to have financing readily available to qualified buyers.

- Unemployment

As unemployment rises, the number of eligible buyers may be negatively impacted and increase the marketing time for real estate. Such conditions could negatively impact home sale costs because of longer marketing times.

- Interest Rates

A spike in rates could also negatively impact home sale costs.

- The mix of employees authorized for relocation

The greater the number of homeowners, the more costs are impacted. This is because there are more costs associated with moving a homeowner as they typically have a house to sell and purchase a home at the new location. This compares with a renter who will not have real estate related costs and will typically have fewer household goods to move.

- The cost of fuel

Increases in fuel costs have a negative impact on costs related to the move of household goods – as fuel surcharges can be imposed by the van lines. The Move Allowance is designed to cover home search costs, travel to the new location and temporary lodging. Increased fuel costs will negatively impact this part of relocation costs associated with home search and travel costs.