

Bakersfield / Fresno Employee Meetings

Helen Burt, Senior Vice President and Chief Customer Officer
Al Torres, Vice President – Customer Operations
Felecia Lokey, Senior Director – Customer Engagement
Bill Devereaux, Senior Director – SmartMeter™

- **Customer Have Concerns**
 - Bill Increases Driving Complaints and Calls
 - Customers Connecting Bill Size with SmartMeter™ Program

- **Actual Drivers of Bill Increases**
 - Warmer Weather Led to Increased Usage
 - Recent Top-Tier Rate Increases

- **Resolving Concerns is our Top Priority**
 - Mobilized employee team of over 100 to research 4,000 accounts and reach out to customers
 - Sent letters and fact sheets to 7,000 customers and called over 600 directly
 - Over 300 meters tested at the request of customers in Bakersfield
 - Established Answer Center in Bakersfield
 - Fresno Answer Center Opened Friday

- **Responding to Our Customers**
 - SmartRate™ Program
 - Balanced Payment Plan
 - Other Programs and Services

Warmer Weather in Summer 2009

| July | | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| S | M | T | W | T | F | S |
| 2008 | | | 94 | 96 | 93 | 90 |
| 2009 | | | 100 ¹ | 103 ² | 102 ³ | 104 ⁴ |
| 92 | 96 | 99 | 107 | 107 | 111 | 100 |
| 98 ⁵ | 93 ⁶ | 95 ⁷ | 93 ⁸ | 93 ⁹ | 93 ¹⁰ | 96 ¹¹ |
| 96 | 94 | 99 | 96 | 96 | 96 | 96 |
| 95 ¹² | 94 ¹³ | 100 ¹⁴ | 105 ¹⁵ | 105 ¹⁶ | 105 ¹⁷ | 106 ¹⁸ |
| 100 | 96 | 90 | 92 | 97 | 99 | 98 |
| 111 ¹⁹ | 108 ²⁰ | 103 ²¹ | 98 ²² | 104 ²³ | 99 ²⁴ | 97 ²⁵ |
| 100 | 98 | 95 | 95 | 97 | 98 | |
| 100 ²⁶ | 104 ²⁷ | 107 ²⁸ | 100 ²⁹ | 99 ³⁰ | 99 ³¹ | |

This July, Bakersfield experienced 17 days with a high temperature at or above 100 degrees. It also suffered a streak of 18 days where the daily high was over 97 degrees.

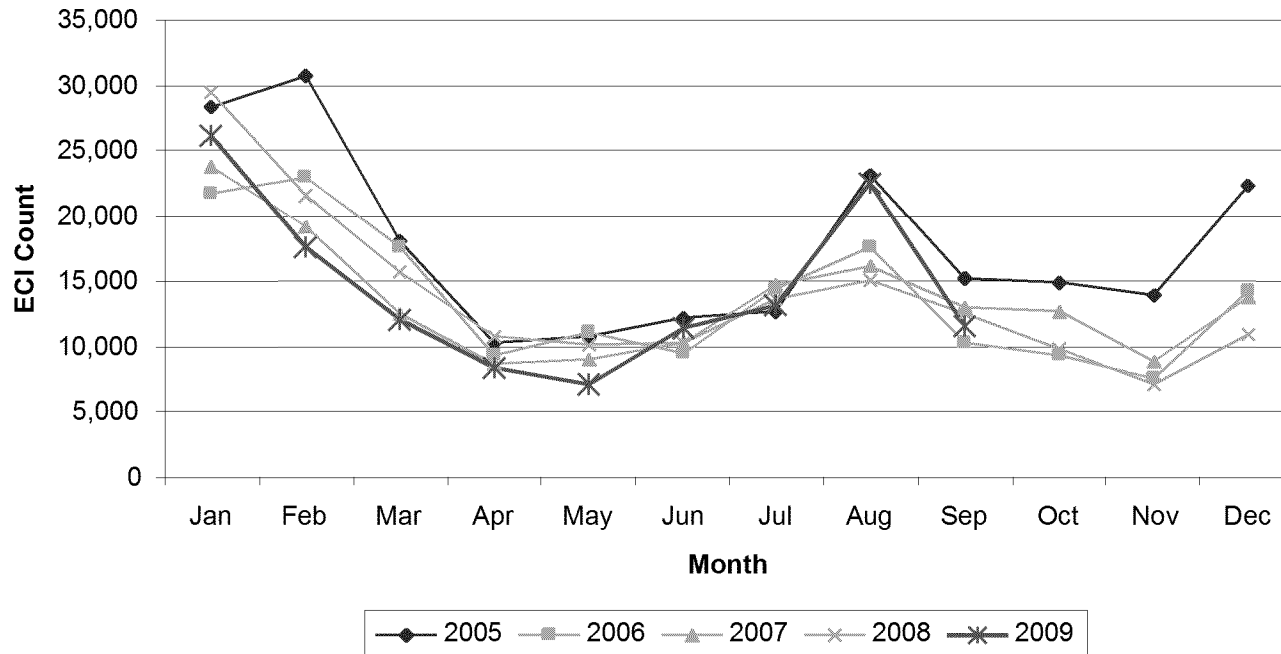
Warmer Weather in Summer 2009

| July | | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| S | M | T | W | T | F | S |
| 2008 2009 | | | 97 | 98 | 96 | 90 |
| | | | 101 ₁ | 101 ₂ | 104 ₃ | 101 ₄ |
| 95 | 98 | 105 | 109 | 108 | 112 | 100 |
| 96 ₅ | 93 ₆ | 94 ₇ | 92 ₈ | 94 ₉ | 96 ₁₀ | 99 ₁₁ |
| 99 | 99 | 100 | 98 | 97 | 100 | 99 |
| 97 ₁₂ | 96 ₁₃ | 103 ₁₄ | 107 ₁₅ | 107 ₁₆ | 109 ₁₇ | 110 ₁₈ |
| 102 | 89 | 91 | 95 | 99 | 101 | 102 |
| 112 ₁₉ | 108 ₂₀ | 104 ₂₁ | 101 ₂₂ | 102 ₂₃ | 99 ₂₄ | 98 ₂₅ |
| 102 | 99 | 95 | 96 | 97 | 99 | |
| 104 ₂₆ | 105 ₂₇ | 104 ₂₈ | 100 ₂₉ | 99 ₃₀ | 98 ₃₁ | |

This July, Fresno experienced 18 days with a high temperature over 100 degrees. It also suffered a streak of 18 days where the daily high was over 97 degrees.

Weather Drives Customer Billing Concerns

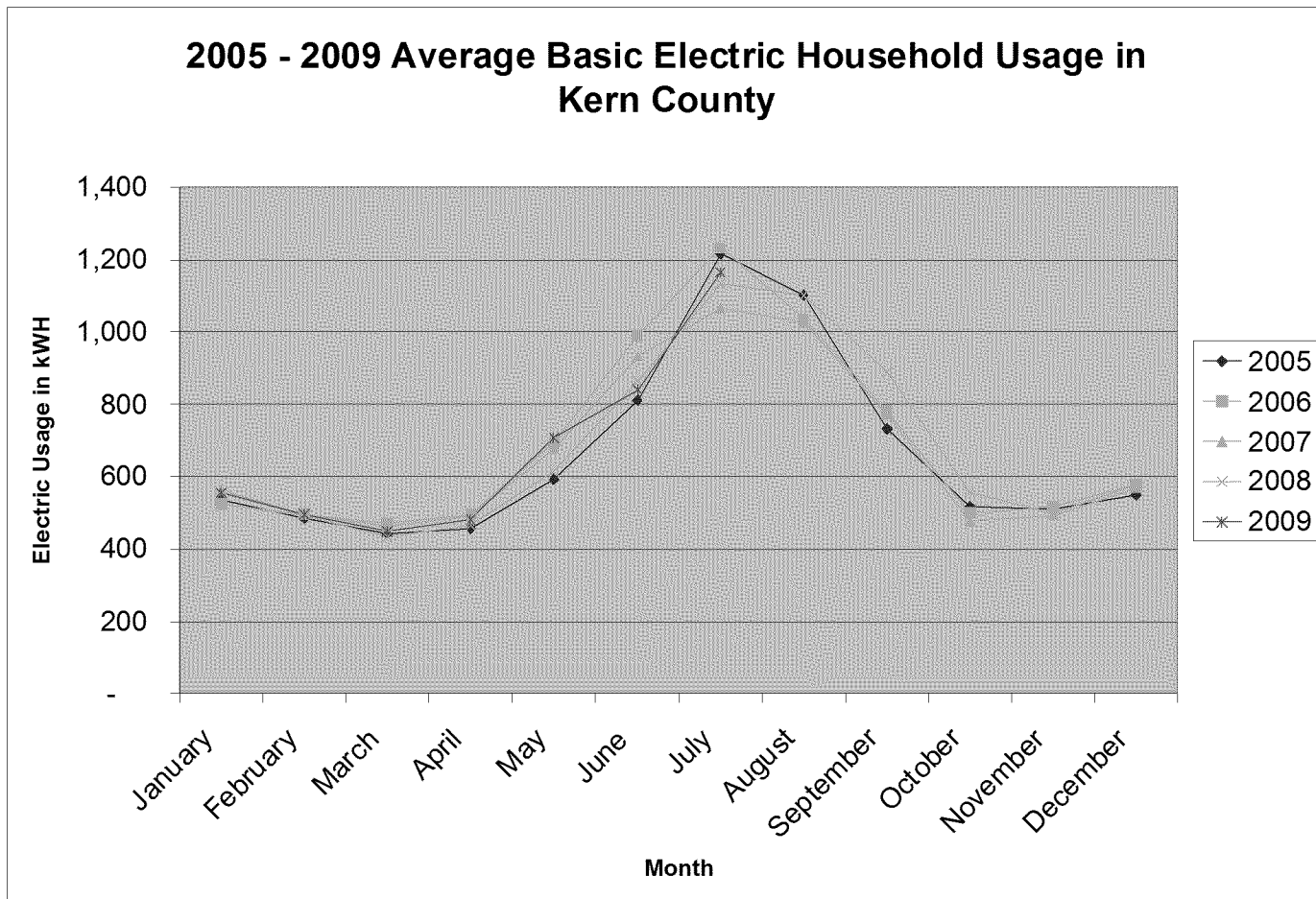
High Bill Inquiries



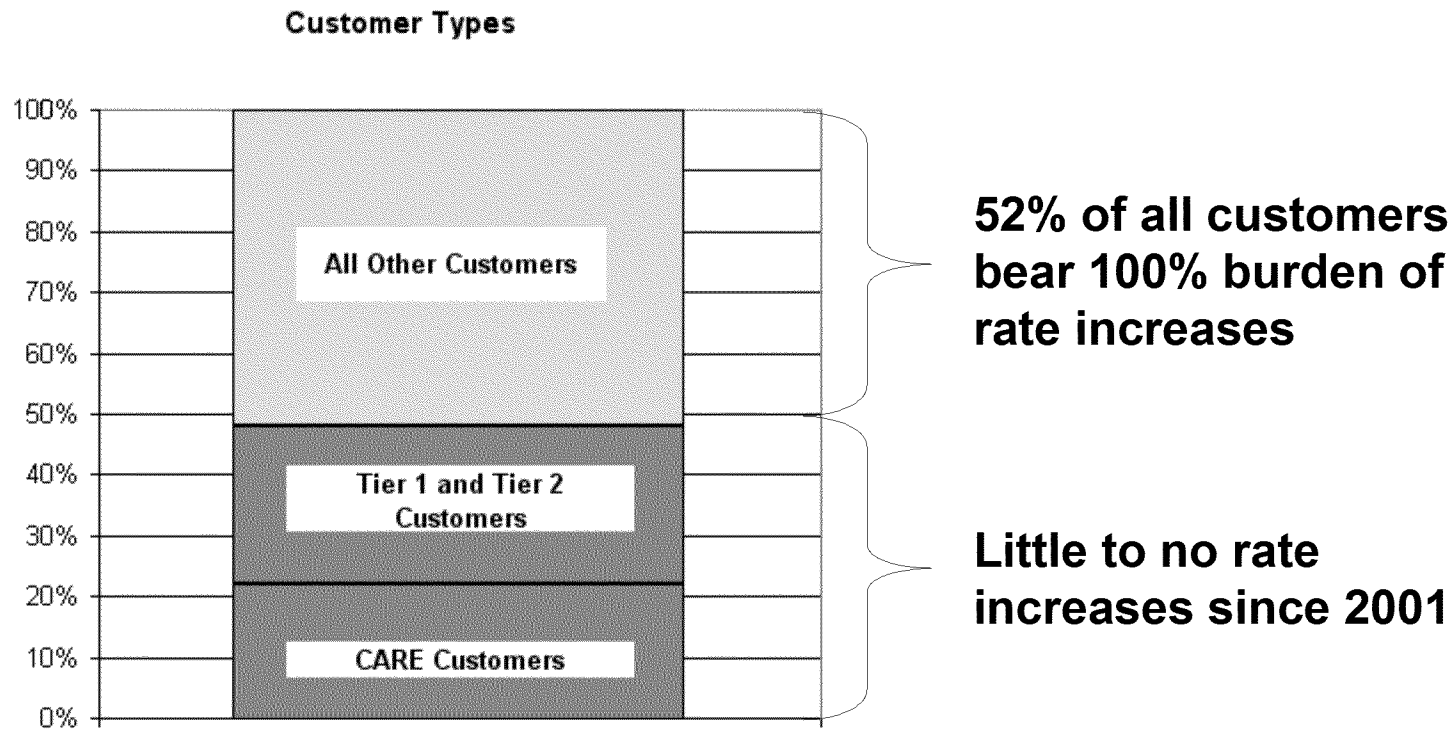
Extreme weather drives questions from customers about their bills. During the heat storms of 2005, we experienced 40 days at or above 100 degrees throughout our service area. In 2009 during the same months, we experienced 34 days.



Consistent Usage Patterns Year Over Year



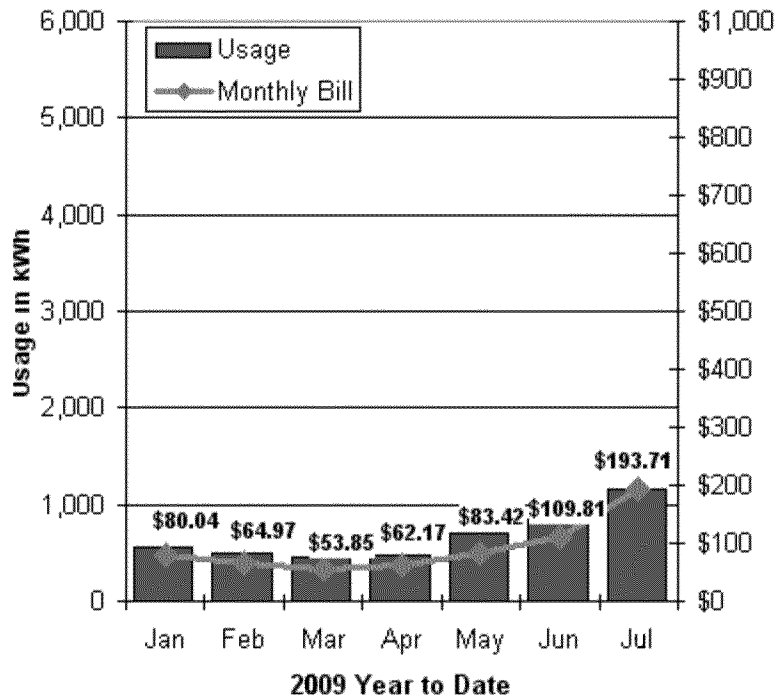
Legislation Protects Some Customers



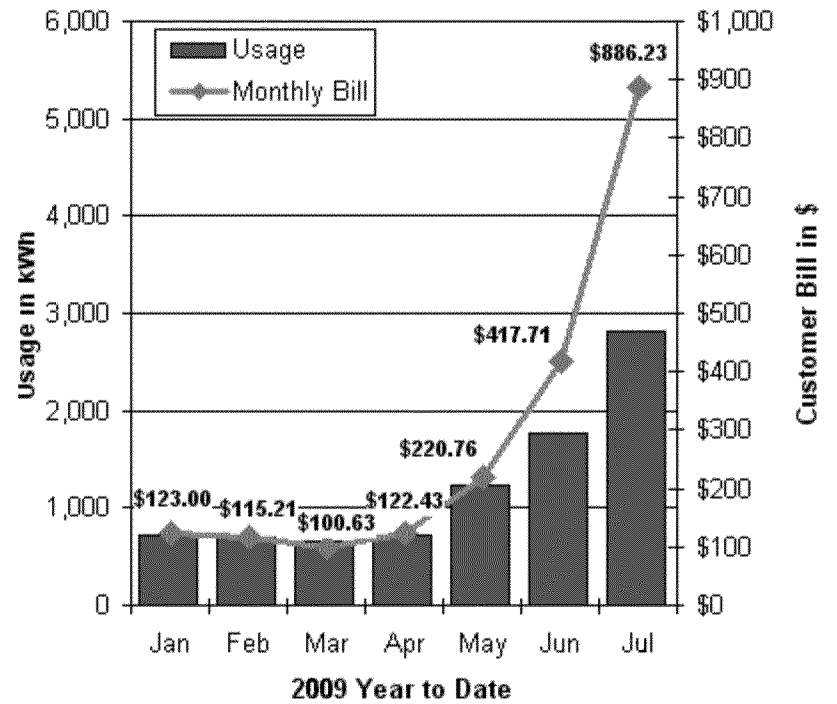
Nearly half of all PG&E electric customers have had little or no increase to rates since 2001. Governor recently signed legislation to begin to address tier differentials.

Impact of Tiers on High-Use Bill

Average Kern Customer Usage and Bill



High-Use Kern Customer Usage and Bill



Increased use has an outsized impact on a customer's bill.

Top Tier Rate Increase

| | 2008 Rate | 2009 Rate |
|---|-----------|-----------|
| Tier 1 – Baseline Approx. 600 KWH/mo in climate zone W | 11.5 ¢ | 11.5 ¢ |
| Tier 2 – 101-130% of Baseline Approx. 780 KWH/mo in climate zone W | 13.1 ¢ | 13.1 ¢ |
| Tier 3 – 131-200% of Baseline Approx. 1,200 KWH/mo in climate zone W | 22.6 ¢ | 26.0 ¢ |
| Tier 4 – 201-300% of Baseline Approx. 1,800 KWH/mo in climate zone W | 31.3 ¢ | 37.9 ¢ |
| Tier 5 – Over 300% of Baseline Over 1,800 KWH/mo in climate zone W | 35.9 ¢ | 44.1 ¢ |

If your air conditioner uses 5,000 watts of electricity, it costs about 58 ¢ per hour at the Tier 1 rate. If you use it often throughout the month, you use more electricity, which may move you to a higher tier. At the Tier 5 rate, that same hour of air conditioner use can cost about \$2.20 per hour. A similar analysis applies for your other appliances.

Robust Meter Quality Assurance

Vendor Assembly

All Meters

- 1.8 M meters shipped - 100% tested and passed
- Comply with industry standards
- Use certified testing equipment
- PG&E additional onsite QA testing
- Long history of solid quality performance

Shipping and Loading Dock

Systematic Sampling of All Meters

- Samples re-tested at shipping dock
- PG&E receiving dock tests included 6,068 meters YTD 10/13/2009 - 100% pass rate

Field

As Requested by Customer and PG&E

- Kern Area Tests YTD 10/13/2009:
 - 115 at customer request
 - 184 PG&E initiated

SmartMeter™ Program Benefits

Customer Service

Provide our customers more convenience and better, faster service

- Convenient meter reading
- Faster power restoration
- Remote connect / disconnect
- Faster problem resolution
- Better billing
- Power Status Ping
 - Part Out
 - Storms

Customer Options

Provide our customers greater choice and more control over their energy bills

- Energy use data
- New pricing plans
- New service offerings
- Lab tests now
- Home Pilot early next year
 - Res/Sm Com

Enable the Future

Put in place a platform for innovation

- In-premise networks – Customer energy management / automation
- Distributed generation / storage
- Dual fuel vehicles (PHEV, BEV)

SmartMeter™ Deployment by Division



| Area # | Division | Total Meters | Total Installed | Total Percent | Start Date | Stop Date |
|--------|---------------|------------------|------------------|---------------|------------|-----------|
| Area 1 | Peninsula | 543,398 | 374,390 | 69% | Aug-08 | Apr-10 |
| Area 1 | San Francisco | 680,988 | 23,578 | 3% | Sep-10 | Mar-12 |
| Area 2 | Diablo | 574,151 | 321,344 | 56% | Feb-08 | May-10 |
| Area 2 | East Bay | 689,373 | 13,616 | 2% | Jan-10 | May-11 |
| Area 2 | Mission | 704,959 | 409,974 | 58% | Aug-08 | Jul-10 |
| Area 3 | Central Coast | 502,390 | 7,315 | 1% | Jul-10 | Feb-12 |
| Area 3 | DeAnza | 380,356 | 3,995 | 1% | Dec-09 | Feb-11 |
| Area 3 | San Jose | 745,647 | 7,945 | 1% | Jul-10 | Mar-12 |
| Area 4 | Fresno | 675,090 | 517,945 | 77% | Jul-08 | Jul-10 |
| Area 4 | Kern | 390,181 | 364,026 | 93% | Nov-06 | Mar-10 |
| Area 4 | Los Padres | 199,261 | 56 | 0% | Mar-11 | Mar-12 |
| Area 5 | Stockton | 515,082 | 396,295 | 77% | May-08 | Aug-10 |
| Area 5 | Yosemite | 509,655 | 284,621 | 56% | Mar-08 | Aug-10 |
| Area 6 | North Valley | 348,833 | 5,599 | 2% | May-10 | Feb-12 |
| Area 6 | Sacramento | 854,080 | 698,911 | 82% | Jun-07 | Jun-11 |
| Area 6 | Sierra | 475,105 | 207,335 | 44% | Sep-08 | Apr-11 |
| Area 7 | North Bay | 447,191 | 5,225 | 1% | Feb-10 | Mar-12 |
| Area 7 | North Coast | 592,261 | 8,964 | 2% | May-10 | Feb-12 |
| | | 9,828,001 | 3,651,134 | 37% | | |

* - Installed counts as of 10/13/09. Start/Stop dates represent Mass Deployment

- \$400+Million bill credit for customers announced last week
- Customers eligible for credit will be receiving a letter in their home
- Fresno Answer Center Opened last week
- Small Group meetings with employees and retirees in Bakersfield and Fresno
- Florez Town Hall in Fresno Wed, October 21
- Senator Ashburn Town Hall in Bakersfield Wed, Nov 4
- Customer Advisory Panel being established in Bakersfield and Fresno
- Community Opinion Leader panel being established in Bakersfield and Fresno
- Process to establish an independent 3rd part test of meters is underway and will integrate perspectives of the CPUC and the Customer Advisory Panel
- Customer Satisfaction Survey of SmartMeter™ customers will begin next week

Tools for Our Customers

- **Focus on energy efficiency.** PG&E offers more than 82 energy efficiency programs to help customers reduce their energy use.
- **Become a SmartRate™ customer.** The SmartRate™ program encourages customers to use less electricity from 2 – 7 p.m. on no more than 15 of the hottest summer days. Customers are charged more during those hours, but less for all other hours of the summer months.
 - Enabled by SmartMeter™ technology
 - 8,000 Bakersfield customers enrolled in 2009
 - 76% saved on summer bills; residential customers saved up to \$327, with average savings of \$35
 - 86% highly satisfied with the program
- **Sign up for CARE.** The CARE Program provides a monthly discount on energy bills for income qualified households and housing facilities. Qualifications are based on the number of persons living in your home and your total annual household income.
- **Sign up for medical baseline.** Residential customers with special energy needs due to qualifying medical conditions may be eligible to receive additional quantities of gas and/or electricity each month in addition to regular baseline quantities.
- **Balanced payment plan:** Sets your monthly payment amount based on average energy use to eliminate big swings in your home or business payments and maintains consistent monthly payments during extreme-weather months.