

2006 STIP Plan Measures and Results

FINANCIAL MEASURE

Earnings from Operations – measures earning power from ongoing core operations.

11 KEY BUSINESS MEASURES DEFINED

1) J.D. Power Surveys (Residential & Business)

This measure is based on two annual industry-wide surveys conducted by J. D. Power and Associates: J.D. Power Residential Survey and the J. D. Power Business Survey. The residential survey is conducted between March and May, whereas the business survey is conducted from November through January. For this overall customer satisfaction measure, the four residential scores will be averaged into one score and, similarly, the four business scores will be averaged and then the two averages will be combined with equal weighting.

2) Timely Bills (% issued within 35 days)

Customers expect timely bills. This metric measures the percentage of bills that have been issued timely to customers, i.e., within 35 days of the last scheduled meter read.

3) Estimate of Outage Restoration Accuracy (ETOR)

The ETOR measures how accurately PG&E provides outage information to customers during the early stages of an outage. The metric calculates if the first restoration estimate given to customers (the estimate is provided as a two hour window) is accurate for the majority of the initial customers interrupted.

4) System Average Interruption Duration Index (SAIDI)

SAIDI represents the average outage time that each PG&E customer experiences over a one year period due to sustained outages.

5) System Average Interruption Frequency Index (SAIFI)

SAIFI represents the average number of sustained outages that each PG&E customer experiences over a one year period.

6) Energy Availability (Generation & Procurement)

This measure combines two separate reliability measures, each equally weighted: Generation Availability (GA) and Energy Procurement (EP). GA is the annual average percentage of PG&E's total hydro, fossil (excluding Hunter's Point) and nuclear generation capacity that is physically capable of producing power. GA captures losses of capacity attributed to equipment failures or planned maintenance, including transmission-related events which constrain generation output. EP measures whether sufficient

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resources are in place to meet load requirements and to maximize the availability of ancillary services to the California Independent System Operator (CAISO), in order for the CAISO to maintain system reliability and to minimize the frequency of CAISO stage alerts in PG&E's service area.

7) Telephone Service Level (TSL)

The percent of customer calls to the contact centers that are answered within a specified number of seconds and is a measure of the responsiveness to customer calls. The 2005 results of 75/20 means that 75% of calls were answered within 20 seconds.

8) Expense Per Customer

This measure of operational efficiency is the average annual cost of operations per customer. It is based on the approved budget for 2006 and includes all budget expense items, including business unit and corporate service department expenses, casualty, bene fits, severance and insurance. This measurement excludes capital-related costs such as depreciation and interest, and the commodity costs of gas and electricity. The denominator is defined as the total average number of gas and electric customer accounts for the year.

9) Diablo Canyon Composite Performance Index

This index provides a quantitative indication of plant performance in the areas of nuclear plant safety, reliability and plant efficiency. The target is based on the calculation methodology for the index that the Institute of Nuclear Power Operations (INPO) recently revised. Previous results have been recalculated using the revised methodology.

10) Employee Survey (Premier) Index

This index measures the overall change in employee satisfaction and engagement across the enterprise and is derived by using the overall score from the Premier survey, which is distributed to all employees on an annual basis.

11) Lost Workday Case Rate

This measures the number of non-fatal injury and illness cases that (1) satisfy certain federal requirements for recordability, (2) occur in the current year, and (3) result in at least one day away from work. The rate measures how frequently new lost workday cases occur for every 200,000 hours worked, or for approximately every 100 employees.

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2006 STIP	STIP Weight*	Target	Result	STIP Score
Earnings from Operations (in millions)	30%	\$875.0	\$921.3	1.651
J. D. Power Surveys	All equally weighted	94.0	100	2.00
Timely Bills (% issued within 35 days)		99.51%	99.56%	1.63
Estimate of Outage Restoration Accuracy (ETOR)		50%	68%	2.00
System Average Interruption Duration Index (SAIDI)		166	231.3	0.00
System Average Interruption Frequency Index (SAIFI)		1.31	1.53	0.00
Energy Availability (Generation & Procurement)		--	91.4% / 2.00	2.00
Telephone Service Level (TSL)		76/20	80%	2.00
Expense Per Customer		\$283	\$283	1.00
Diablo Canyon Composite Performance Index		94.0	96.8	2.00
Employee Survey (Premier) Index		68.0%	64.0%	0.00
Lost Workday Case Rate		0.878	0.894	0.86
Total 11 Key Business Measures	70%			1.226
Total STIP Score				1.354

*Note: Weighting for officers was 70% financial and 30% for 11 key business metrics.