

PACIFIC GAS AND ELECTRIC COMPANY
CPUC COST OF CAPITAL APPLICATION FOR 2013

Currently-Authorized Cost of Capital:

| | 2008 - 2012 | | |
|---------------------|-------------|--------------------------|----------------------|
| | <u>Cost</u> | <u>Capital Structure</u> | <u>Weighted Cost</u> |
| Long-Term Debt | 6.05% | 46.0% | 2.78% |
| Preferred Stock | 5.68% | 2.0% | 0.11% |
| Common Equity | 11.35% | 52.0% | 5.90% |
| Return on Rate Base | | | 8.79% |

Proposed Cost of Capital:

| | 2013 | | |
|---------------------|-------------|--------------------------|----------------------|
| | <u>Cost</u> | <u>Capital Structure</u> | <u>Weighted Cost</u> |
| Long-Term Debt | 5.69% | 47.0% | 2.67% |
| Preferred Stock | 5.60% | 1.0% | 0.06% |
| Common Equity | 11.00% | 52.0% | 5.72% |
| Return on Rate Base | | | 8.45% |

- Change in annual revenue requirements: Approximately \$100 million decrease
- Proposed continuation of existing Annual Cost of Capital Adjustment Mechanism