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MEMBERS OF THE PG&E CORPORATION
NOMINATING, COMPENSATION,
AND GOVERNANCE COMMITTEE:

Subject: Chief Executive Officer 2005 Objectives

My proposed objectives for the year 2005 are to complete the financial restructuring of the Corporation; deliver strong 2005 financial results; facilitate and advance the transformation at the Utility to deliver service to customers faster, better, and more cost-effectively; develop a workable power procurement model in partnership with the State; enhance the Corporation's reputation with its key constituents through a world-class communications strategy; initiate and guide a leadership and culture change throughout the company; and continue our strong governance practices.

1. Complete the Financial Restructuring of the Corporation

- Complete the refinancing of the regulatory assets through the issuance of the Energy Recovery Bonds.
- Complete steps to restructure the Utility's debt and achieve the Utility's target equity ratio.
- Restore the dividend.

2. 2005 Financial Performance

- Position the Corporation in 2005 to maximize long-term total shareholder return.
- Deliver Total Shareholder Return in the top quartile of the Corporation's comparator group.
- Deliver earnings from operations that meet or exceed the target in this year's budget.

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3. **Operational Performance**

- Facilitate and advance the transformation at the Utility to deliver service to customers faster, better, and more cost-effectively.
- Maintain the Corporation's focus on safe, reliable customer service in all of its operations.
- Restore the Institute of Nuclear Power Operations' (INPO) "I" rating for the Diablo Canyon Nuclear Power Plant at INPO's next evaluation.

4. **Develop a Workable Power Procurement Plan in Partnership with the State**

- Lay the foundation for meeting the Utility's future power requirements through long-term power purchase agreements as well as investment in new or existing generation facilities.
- Work cooperatively with the State to develop the framework for meeting the State's energy needs.

5. **Enhance the Corporation's and the Utility's Reputation with their Key Constituents Through a World-Class Communications Program.**

- Execute a world-class communications program with our employees, the media, the financial community, and other key constituents through a multi-pronged strategy that includes: advertising and focus groups, voter opinion polls, customer opinion data, and the efforts of our public affairs community outreach programs and charitable contributions program.
- Continue to improve relationships with state regulators.
- Continue to grow and effectively communicate the existence and value of PG&E Corporation's charitable contributions.

6. **Initiate and Guide a Leadership and Culture Change throughout the Corporation.**

- Continue to develop our senior management team.

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- Starting at the senior management level, initiate and implement a leadership development and culture change initiative consistent with, and supportive of, the Utility's transformation effort.

7. Governance

- Continue to identify, evaluate, and adopt corporate governance and disclosure practices to fully embrace and comply with requirements and, where appropriate, to lead in good corporate governance and disclosure.
- Work with the Nominating, Compensation, and Governance Committee to identify and recruit qualified candidates for future vacancies on the Boards of Directors.

Sincerely,

