

## Annual Shareholders Meeting - Chris Johns Remarks

As you can tell from Tony's remarks, we've made substantial changes at PG&E since our last Annual Shareholders Meeting.

Thanks to those changes and the dedication of our 20,000 employees, we are making significant progress in key areas across our company.

Today, I'd like to share three areas where we are making a difference as we look to position the company for long-term success: safety, reliability, and affordability.

### **Safety**

Starting with safety. Our goal is to have the safest operations in the country. Our customers won't accept anything less, and neither will we.

Nowhere is that commitment more visible than in the work we're doing to upgrade our gas system.

We've now strength-tested more than 250 miles of our transmission pipeline, the majority through a technique called hydrotesting.

In each hydrotest, we take the pipe out of service, remove the gas, clean the line, fill it with water and then pressurize it beyond normal operating pressure so we can identify and repair any potential weaknesses.

Through 2014, we're going to hydrotest more than 780 miles of pipe.

We expect to be the first utility in the country to complete such an extensive amount of hydrotesting on vintage pipe.

In addition, our engineers are re-confirming the calculations for the safe operating pressures for all of our lines.

We've now validated the maximum allowable operating pressure for more than 3,000 miles of pipe, including 100% of the pipe located in densely populated neighborhoods.

As a result, we now have a state-of-the-art electronic database for these records that is the most advanced in our industry.

We're making similar progress when it comes to the safety of our electric system.

For example, utilities across the country face the challenge of equipment failures that dislodge manhole covers – creating a potentially unsafe situation.

Last year, we became one of the first utilities in the nation to install new locking manhole covers designed to keep the public safe.

By the end of 2012 we will have installed almost 1,500 of these safety devices.

Finally, safety is a cornerstone of our operations at the Diablo Canyon Power Plant.

In 2011, we completed another strong year, with a refueling outage that was in the first decile for safety.

In addition, we're making progress in our seismic studies of the area surrounding Diablo Canyon. And we continue to incorporate lessons learned from the events in Fukushima.

Our pledge is that we will continue to operate Diablo Canyon as one of the safest nuclear plants in the United States.

Something like that is easy enough to say. But our commitment to safety goes beyond words.

This year, PG&E has introduced a set of public safety measures, with specific targets so that we and others can track our performance.

We are one of the only companies in the country with a public safety dashboard that we report on externally.

We've also updated our emergency response plans, introduced new mobile command vehicles and hosted trainings with local fire and police departments and other members of the first responder community.

By including metrics for public and employee safety in the goals we measure, upgrading our gas and electric systems, and strengthening our partnership with emergency responders, we are sending a powerful message to our customers, employees, regulators and shareholders: safety comes first at PG&E.

## Reliability

Turning now to reliability. In 2011, we continued to make progress toward delivering first-quartile electric service for our customers. In fact, 2011 was the third consecutive year that we've set all-time records at PG&E for the fewest number of outages and the shortest average duration of those outages.

A number of programs drove these improvements, in particular our work to upgrade the worst-performing electric circuits on our system.

We prioritize circuits that cause a disproportionate number of outages and significantly reduce those outages by upgrading our infrastructure through everything from installing overhead line reclosers to adding bird guards.

I know that there are four peregrine falcon hatchlings right here on the roof our 77 Beale building that will be happy to hear that.

And for our customers, this work has led to a 50 percent improvement in reliability on each of these circuits, and we expect to see similar results again this year.

Thanks to these and many other investments in our electric system, we expect to deliver record-setting reliability for the fourth straight year in 2012.

## **Affordability**

Reliability is one of the two things that customers tell us is the most important to them. The other one is affordability.

In this difficult economy, with high unemployment in much of our customer base, it's important that we do what we can to help our customers manage their energy costs.

So, in addition to the points Tony mentioned earlier, we continue to offer rate relief to our customers through the CARE and REACH programs. We work with businesses and residents on energy efficiency options. And, we offer rebates and discounts to customers who switch to efficient appliances and use less gas during the winter.

But we also realize that when it comes to managing energy usage, information is power. For more of our customers than ever before, that information is now provided by SmartMeter devices.

We've installed more than 9 million SmartMeters throughout our service area, giving customers the ability to view and manage their energy usage in a timely manner and reduce their bills accordingly.

We also recognize that our customers want choice. So for our customers who don't want a SmartMeter, we're now also pleased to be able to offer an opt-out option.

So far, with over 9 million SmartMeters installed, about 27,000 customers have taken advantage of this choice and opted to retain their traditional analog meter.

Finally, we know that renewable energy and the environment are important to many of our customers.

Right now, about 20 percent of the power we deliver to customers comes from renewables – and if you include our entire hydroelectric system, it's about 40 percent. Add in the power supplied by Diablo Canyon and nearly 60 percent of the energy we deliver to our customers – today – is carbon-free.

Continuing our environmental leadership, just a few weeks ago, we proposed a new program that would offer our customers a way to support 100 percent renewable energy through our Green Option, which we hope to begin offering as soon as the CPUC gives us the green light, no pun intended.

## **Conclusion**

I'd like to close my remarks this year, as I did at our last meeting, with a word about trust.

Serving our customers and providing gas and electric service is a privilege – one that comes with enormous responsibility. Our job is to prove to our customers that they can count on us to provide safe, reliable and affordable gas and electric service.

That's the only way we'll earn back their trust.

Thanks to the work of our 20,000 men and women, we are making progress.

- Our systems today are safer.
- They're more reliable.
- And we're able to offer our customers more options and a better overall experience.



Our commitment – to our customers, our employees and our shareholders – is that we won't stop until we're the safest and most reliable utility in the country – and even then we still won't stop.

We're not going to become the utility we aspire to be overnight. But we are on the right path. We are positioning our Company for long-term success. We are building a better PG&E.

Thank you.