

## **TONY EARLEY**

We'd like to now spend a few minutes giving you an overview of the state of the company. But first, let me share a few of my personal reflections at my first PG&E Annual Shareholder meeting. This is the 27<sup>th</sup> consecutive year that I have been on the podium at a utility shareholder meeting and so you might think this is pretty routine for me. You would be absolutely wrong. I can't tell you how honored I am to lead such a storied company and how determined I am to help lead it back to where you, our shareholders want it to be. And I say "help" because I am just one part of a very talented team that will make this company an organization you will be proud of and our customers will be pleased to be served by.

So let me start by sharing our high-level goals for this year, and then Chris is going to provide some more specific updates on our operations.

We need to do three things this year.

First, resolve the gas-related regulatory and legal issues resulting from the San Bruno tragedy.

Second, position PG&E for long-term success.

And third, rebuild our relationships with customers, regulators and other stakeholders.

Let me address each of these areas, starting with the gas pipeline issues.

The past couple years have been some of the most difficult in PG&E's long history, as a result of the San Bruno accident and its aftermath.

In response, we've initiated sweeping changes across the company – starting with a clear commitment to safety as our absolute highest priority.

And to be explicit, we mean not just employee safety, but also public safety. I believe we are one of the first utilities to include both employee and public safety measures in its incentive plans.

To deliver on our commitment to safety, we've brought new leadership and expertise into the company, at all levels.

We've restructured our operations, most significantly separating our gas and electric operating units, creating clear accountability for each of our business units.

We've conducted extensive safety testing and validation work on our gas system, which continues today.

We're in the process now of completely revamping our approach to safety processes and our culture.

And we've committed hundreds of millions of dollars in new resources over this year and next, so that we can accelerate work that's needed to bring our operations in line with what we expect, what our regulators expect, and what our customers expect.

In the legal and regulatory arenas, we're continuing to work through a number of pipeline-related proceedings.

Our desire is to resolve as many of the regulatory proceedings as possible this year at the CPUC.

And on the legal front, our goal is to settle the various individual claims related to the tragedy in San Bruno.

This accident had a terrible impact on many families, and no one can replace what the victims lost.

What we can do – and what we’re committed to – is follow through on our pledge to do the right thing and get the victims the fair compensation they’re entitled to.

We understand how important this is to the healing process for these families, and we’re making progress toward that goal, having reached resolution with some of the victims who suffered very serious injuries. Our hope is that we can arrive at resolutions with all of the victims, and we’re pursuing every opportunity to do that.

Along those same lines, we also recognize the impact on the community as a whole. Recently, we reached a critical agreement with the City of San Bruno, which provides for a very substantial financial contribution that will be used to benefit the citizens of the community.

This was an important milestone, in that it helps the city move forward – and for us, it was another step on the road to resolution.

Let me shift now to the steps we're taking to position the company for long-term success.

We've now essentially completed the restructuring of the gas business, which has significantly improved accountability and expertise in that organization. We have also made plans to consolidate multiple parts of our gas organization in a single location to provide better opportunities for collaboration.

With a mix of industry veterans and PG&E talent, the team is maintaining the momentum we established last year with safety and improvement efforts in gas operations.

The extensive testing we're conducting on our pipeline system is continuing at an unprecedented pace.

We're continuing to refine and strengthen our operating processes.

And we're also significantly upgrading the technology we use to monitor and manage the system.

For example, earlier this year, we became the first utility to start using a new ultra-sensitive gas leak detection technology, which should allow us to dramatically increase the frequency and accuracy of our gas leak surveys.

This is a technology that could be a game changer for the industry – and we're pioneering it here at PG&E.

We've upgraded the information technology used by our field employees to improve efficiency and accuracy.

We've also proposed a comprehensive, multiyear plan to upgrade our system – known as our Pipeline Safety Enhancement Plan.

We're also moving forward with other actions – and, as I mentioned, we've committed to spend an additional \$200 million this year – and again next year – to accelerate gas, electric and customer service improvements that we know are critical.

The other major area in which we've been working to position PG&E for long-term success is building our team.

I've already mentioned the changes in our gas leadership, headed by Nick Stavropoulos who has decades of gas operations experience.

We've also brought in a number of veteran leaders across the company, all of whom bring impressive credentials.

Karen Austin, our new CIO, is significantly improving our use of technology to drive better operations and service.

Roger Frizzell, our new Vice President of Communications, is helping us reach out more effectively with customers and the public.

Ed Halpin, our new Chief Nuclear Officer, is ensuring that Diablo Canyon maintains its outstanding operational and safety record as we work to relicense that facility for the future.

These are just a few of the new team members who are working now with our veteran PG&E talent to move the company forward and achieve a new level of performance.

Our goal is to make PG&E the best operated utility in the country, but that will take time and lots of hard work.

To understand where we are now, we're benchmarking our performance compared with the best in the industry. We are identifying the gaps in our performance.

And we're implementing improvement plans to close the gaps between where we are today, and where we need to be to deliver outstanding results for customers.

Finally, let me touch on rebuilding relationships.

Chris and I and many other senior leaders continue to meet as often as possible with customers, policy makers, business partners and others.

It's clear from our conversations that stakeholders want us to be successful – and, we are starting to get positive feedback on our



direction. Stakeholders appreciate what our employees do for them, but our corporate reputation still has a long way to go. Our objective is to win back our customers' trust one step at a time.

In that vein, we're trying to do a better job of listening to customers and reconnecting with our communities.

For example... we now have an opt-out alternative for customers who do not want to participate in our SmartMeter program.

We have proposed an economic development rate as a way to bring electric rate relief to businesses that need it to preserve or create jobs in our service area.

And we're working to further streamline and simplify the current multi-tiered rate structure, in a way that helps improve the affordability of our service.

And finally, in our communities, we're working to step up our volunteer work and our philanthropic giving to support local economic development and community vitality.

A great example is our new Bright Minds Scholarships. This is a program to help students who have been active in giving back to their communities go on to higher education.

We've gotten an incredible response from all around our service area, and in the next couple weeks, we'll be announcing our first winners.

These are the kind of steps that are moving us in the right direction.

Ultimately, though, rebuilding relationships is a long-term effort.

The most important thing for us to do is stay true to our word, and simply continue delivering what we say we're going to deliver.

That's what our entire team is focused on. And now, Chris is going to talk about some of the progress we're making on delivering those results.

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AT THE BEGINNING OF THE Q&A SESSION

Thank you, Chris.

Now we'll turn to your questions and comments.

*[NOTE: BEFORE HYUN CONCLUDES THE BUSINESS PORTION OF THE MEETING, HE WILL DESCRIBE THE Q&A PROCEDURES AND PROVIDE AN OPPORTUNITY FOR SHAREHOLDERS TO OBTAIN Q&A CARDS FROM THE USHERS. AT THE BEGINNING OF THE Q&A SESSION, TONY WILL REMIND SHAREHOLDERS OF THESE PROCEDURES AND PROVIDE ANOTHER OPPORTUNITY TO OBTAIN Q&A CARDS.]*

As a reminder, if you have a question or comment, please write your name, your city or town, and the topic of your question or comment on a Q&A card, and then go to the nearest aisle.

For those of you seated on the main floor, please line up behind the microphone stand located in your aisle. For those of you in the balcony, please stay in your aisle and wait for a microphone to be brought to you.

The microphone monitor in your aisle will collect your completed Q&A card before you are called on. When it is your turn to speak, please wait for the microphone monitor to announce your name, where you're from, and the topic of your question.

If you would like a Q&A card, please raise your hand, and an usher will bring one to you.

In order to leave time for other shareholders who wish to speak, we ask that you limit your questions or comments to three minutes.

We also ask that you focus your questions and comments on issues of general interest to shareholders. If you have a question that requires an individualized answer, company officers will be available after the meeting to talk with you one-to-one.

If you're a PG&E employee, please hold your question until non-employee shareholders have had a chance to speak.

And now for the first question.

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AT THE END OF THE Q&A SESSION

We have time for one more question.

Thank you for your questions and comments this morning. We've come to the end of our meeting, but if you still have questions, please come to the front of the room near the stage after the meeting and talk with one of our officers.

Now I'd like to ask Chuck Roberts from Corporate Election Services, the independent Inspector of Election, to present the preliminary voting results based on proxies that have been counted as of 6:00 a.m. this morning.

The final results will include the votes cast here this morning. They will be posted on our website and reported in an upcoming SEC filing.

Chuck, would you please give the preliminary report?

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*AFTER VOTING RESULTS*

Thank you for joining us today. We appreciate your questions and comments.