Pacific Gas and Electric Company

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November 30, 2012

Mr. Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102

Dear Mr. Randolph:

In accordance with Decision 06-12-029, Appendix A-3, Rule IX.A., Pacific Gas and Electric Company (PG&E) is providing the Commission's Energy Division with a report containing information on necessary capital. There is no service requirement.

PG&E is submitting the current report and incorporating by reference confidential attachments that were provided with the following:

- Its original November 30, 2005, response to Commission Rulemaking 05-10-030, "Order Instituting Rulemaking Concerning Relationship Between California Energy Utilities and Their Holding Companies and Non-regulated Affiliates."

- Its 2011 Affiliate Rules Financial Health Filing (Rule IX), dated November 30, 2011.

PG&E requests that the confidential attachments continue to be maintained on a confidential basis, as PG&E originally requested pursuant to Ordering Paragraph 6 of the Rulemaking Order and Public Utilities Code Section 583.

Sincerely,

Brian K. Cherry
VP, Regulatory Relations

Attachment

Pacific Gas and Electric Company
Information on Necessary Capital
November 30, 2012

California Public Utilities Commission (CPUC) Decision 06-12-029 directs energy utilities to provide to the Commission on the last business day of November of each year a report containing information on necessary capital. Pacific Gas and Electric Company (PG&E or the Company) is submitting its report for November 30, 2012 and incorporating: 1) by reference, confidential attachments to PG&E's original response submitted on November 30, 2005 to Commission Rulemaking 05-10-030, "Order Instituting Rulemaking Concerning Relationship Between California Energy Utilities and Their Holding Companies and Non-regulated Affiliates", and 2) by reference, confidential attachments to PG&E's 2011 Affiliate Rules Financial Health Filing (Rule IX), dated November 30, 2011. PG&E requests that the confidential attachments to its original, November 30, 2005 response and the attachments to its 2011 Affiliate Rules Financial Health Filing (Rule IX), dated November 30, 2011, continue to be maintained on a confidential basis, pursuant to Ordering Paragraph 6 of the Rulemaking Order and Public Utilities Code Section 583.

The questions and PG&E's responses follow.

Question 1: [Provide] the utility's estimate of investment capital needed to build or acquire long-term assets (i.e., greater than one year), such as operating assets and utility infrastructure, over each of the next five years;

Response 1: Table 1 below provides the requested data for PG&E. PG&E understands "investment capital" to mean the acquisition of long-term assets (assets whose economic life and expected holding period is greater than one year), such as the acquisition of operating assets and utility infrastructure necessary to serve customers. PG&E does not include in its response investments in short-term money market funds, investments in financing subsidiaries, repurchases of its own common or preferred stock for the purpose of retiring those stocks, or funding of any external trust such as, but not limited to, the Nuclear Decommissioning Trusts, pension plan trusts, other post-retirement benefit trusts or environmental trusts.

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All of PG&E's currently forecasted investments for the period 2012 through 2016, as shown in Table 1 below, are for electric and gas utility infrastructure in PG&E's California service territory. These investments are net of contributions in aid of construction, and include investments in PG&E's gas pipeline subsidiary Standard Pacific Gas Line Incorporated (Stanpac). The amounts shown in Table 1 include both CPUC and FERC jurisdictional amounts, are in nominal dollars, and include overhead and indirect expenses (including an Allowance for Funds Used During Construction (AFUDC)) that are typically allocated to construction cost estimates. The information and figures provided below are estimates and are subject to change as conditions and circumstances change, including without limitation, the resolution of any proceedings and approval that might impact these estimates.

Table 1 ($Millions)

Capital Expenditures[1]

	2012	2013	2014	2015	2016
Pacific Gas and Electric Company	$4,867	$5,096	$6,011	$6,081	$6,712

Question 2: [Provide] the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;

Response 2: Please see Table 1 in PG&E's response to Question 1 above. The estimates in Table 1 are consistent with the definition of "resource procurement" provided in Rule I.H. of Appendix A-3, Affiliate Transaction Rules Applicable to Large California Energy Utilities.

Question 3: [Provide] the utility's policies concerning dividends, stock repurchase and retention of capital for each year;

Response 3: PG&E understands the term "capital retention" to mean the retention of internally generated cash capital, from operations (earnings and the return of capital via depreciation) or asset sales. The degree to which such cash capital is retained within PG&E

[1] Spending includes proposed capital expenditures for PG&E's Pipeline Safety Enhancement Program through 2014 and an estimate of continued Pipeline Safety Enhancement Program-related spending in 2015-2016.

is a function of PG&E's need for capital, as determined by its capital budget and liquidity targets,[2] and its supply of internally generated capital.

Capital retention then is not a specific corporate policy, but a consequence of implementing policies regarding capital budgets, dividends and capital structure management in view of PG&E's internally generated cash capital. PG&E's policies regarding capital structure management form the basis for the ratemaking capital structures that are typically adopted by the CPUC for PG&E, and determine the appropriate mix of debt and equity that are used to fund capital budgets, as well as how to use cash that is not needed to fund capital budgets or support liquidity targets.

In response to Question 3, PG&E incorporates by reference the following eight confidential documents. The first five were submitted with PG&E's original November 30, 2005 response to R.05-10-030, under Public Utilities Code Section 583. Documents six through eight were submitted with PG&E's 2011 Affiliate Rules Financial Health Filing (Rule IX), dated November 30, 2011.

1. PG&E's dividend policy as approved by PG&E's Board of Directors on October 20, 2004 (Attachment 3a to PG&E's November 30, 2005 response);
2. An excerpt from the minutes of the October 20, 2004 Board meeting on the dividend policy (Attachment 3b to PG&E's November 30, 2005 response);
3. "Pacific Gas and Electric Company Capital Structure Management", dated December 14, 2004 (Attachment 4 to PG&E's November 30, 2005 response);
4. A Board Resolution related to the preceding item 3 (Attachment to Attachment 4 of PG&E's November 30, 2005 response); and
5. A Certificate related to the preceding item 3 (Attachment A to Attachment 4 of PG&E's November 30, 2005 response).
6. "Pacific Gas and Electric Company Capital Structure Management," dated June 15, 2005;
7. A Board Resolution related to item 6;
8. A certificate related to item 6.

[2] "Liquidity targets" means the targeted amount of cash that PG&E holds in the event of disruptions in its access to short-term cash borrowing.

PG&E requests that these eight attachments be treated as confidential information submitted under Public Utilities Code Section 583, as originally requested in connection with its November 30, 2005, and November 30, 2011, responses.

Question 4: [Provide] the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention of capital;
Response 4: Corporate policies for the utility's dividends, stock repurchase and retention of capital are decided and approved by PG&E's Board of Directors, based on recommendations by PG&E's President and/or Chief Financial Officer (CFO). PG&E's current President is Christopher Johns, and the current CFO is Dinyar Mistry.

Question 5: [Provide] the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and
Response 5: The CFO of PG&E is responsible for the overall management of the financial affairs of PG&E, and for the implementation of financial policies approved by its Board of Directors. The CFO communicates those policies to other officers and staff who then follow those policies in the staff's analysis, preparation and recommendations regarding dividends, stock repurchase and capital structure management.

Question 6: [Provide] how the utility expects or intends to meet its investment capital needs.
Response 6: The utility expects to meet its investment capital needs through both internally generated cash (cash from operations) and externally generated cash through the issuance of debt and equity securities.