Attachment I

2014 GRC Workshop

Overall Forecast and Key Drivers

2014 GRC Revenue Requirement (Millions)	
2014 GRC Application Forecast	$8,111
2014 GRC Authorized and Pending	6,829
Proposed Increase	$1,282

Key drivers of Increase

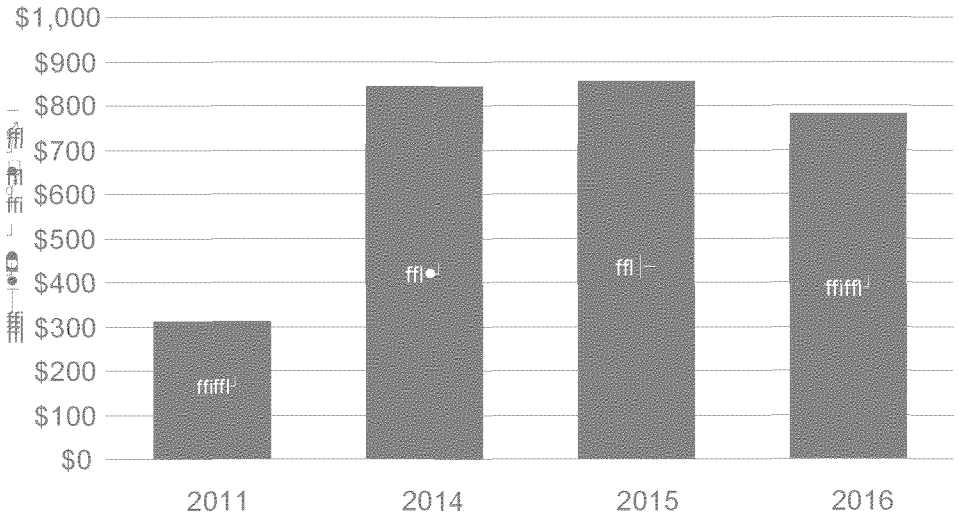
- Investment toward achieving industry "best practices" for gas distribution, consistent with Senate Bill 705
- Continued investment in electric distribution infrastructure to improve the safety and reliability of the system and address identified risks
- Cost to comply with governmental regulations to address nuclear operations, hydroelectric relicensing conditions and potential risks to public safety
- Need for new customer connections and capacity-driven additions
- Improvements to customer service and education
- Recovery of costs for depreciation associated with PG&E's plant investments

Additional Case Highlights

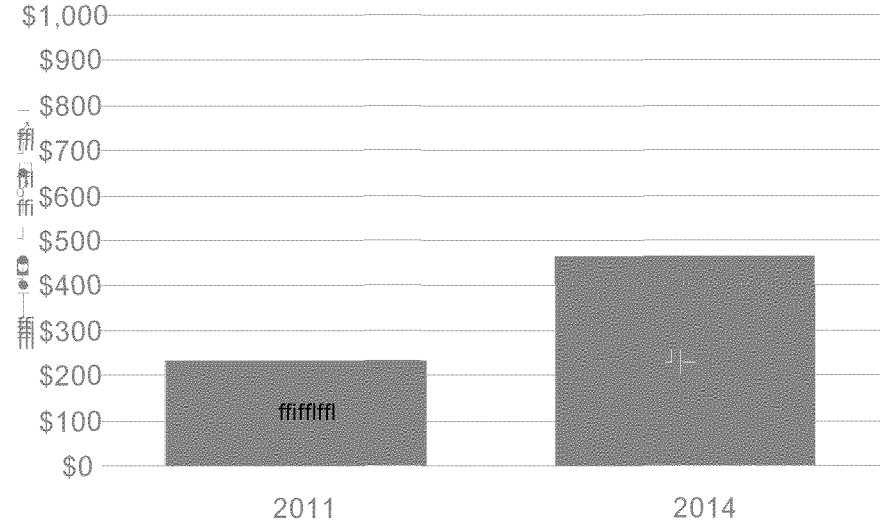
- New Two-Way Balancing Accounts :
  - Gas Leak Survey and Repair ($147M RRQ)
  - Major Emergencies ($56M RRQ)
  - FERC Relicensing for Hydro Facilities ($20M RRQ)
  - Nuclear Regulatory Commission Mandated Measures on Nuclear Safety ($19M RRQ)
- SmartMeter Program : Deployment is forecasted to be completed in 2013; SmartMeter benefits are included in 2014 forecast
- Short-Term Incentive Program (STIP): Ratepayer recovery sought only for non-officer employees; officer STIP will be covered by shareholders
- Depreciation: Updated study; $495M increase in depreciation expense due to change in depreciation rates

Gas Operations Summary of Forecast Capital Expenditures and Expenses

2014-2016 GRC Capital



2014 GRC Expense



Gas Operations
Key Cost Changesfrom 2011 Expenses

2011 Recorded – $233M; 2014 Forecast – $465M; Increase = $232M

Leak Survey and Repair ($78.9M)

- Transition from a 5-year to a 3-year leak survey
- Perform annual leak survey on highest risk pipe
- Deploy new technology (Picarro Surveyor™) to quickly identify and repair more leaks
- Repair above-ground Grade 3 leaks in 15 months rather than resurveying within 5 years

Gas Odor Response/Customer Service ($36.8M)

- Respondto 75%of calls within 30 minutes, 99%within 60 minutes
- Treat all gas odor calls as “immediate response”

Preventative Maintenance ($24.5M)

- Increased Locate and Mark services due to economic growth
- Proactive projects: dedicated painting crew, low pressure vent elevation for vaults

Distribution Integrity Management Program ($22.6M)

- Cross Bored Sewer Program
- Program Management

Gas Ops Technology ($18.7M)

- Pathfinder Project (Gas Distribution Asset Management)
- Integrity Management Program enhancements
- Mobile technology for field employees

Mapping and Records ($15.2M)

- Improvedcentralized accessibility of records

Training and R&D ($15.2M)

- Developmentof technical training curriculum and programs

Distribution Control Center ($13M)

- Staffing for control center and equipment maintenance

Gas Operations Key Cost Changesfrom 2011 Capital Expenditures

2011 Recorded – $308M; 2014 Forecast – $842M; Increase = $534M

Pipeline Replacement, Capacity, Reliability and other Capital ($310.9M)

- Gas Pipeline Replacement Program (GPRP) ($204.2M)
  - Transition from replacing 30 miles to 180 miles of distribution main and associated services
    - 60 miles of pre-1940 steel pipe per year
    - 100 miles of Aldyl-A plastic pipe per year
    - 20 miles of post-1940 steel pipe per year
- Low pressure to high pressure main replacement ($40.8M)
- Installation of additional emergency valves ($27.8M)
- Replacement of High Pressure Regulators ($31.5M)

Distribution Control Center Electronic Instrumentation ($62.2M)

- Field installation of 60 Remote Terminal Units and 128 pressure recorders and the custom software to enable it

Gas Buildings ($61.0M)

- Gas Training Center ($40.9M)
- Antioch Service Center ($7.7M)
- San Carlos Service Center ($4.5M)
- Construction of Gas Control Center "Hot" backup ($3.3M)

Customer Connections and Requested Work ($45.1M)

- *New customer growth projections:* backbone construction (main), customer connections (services), regulators and facility alterations

Gas Ops Technology ($40.7M)

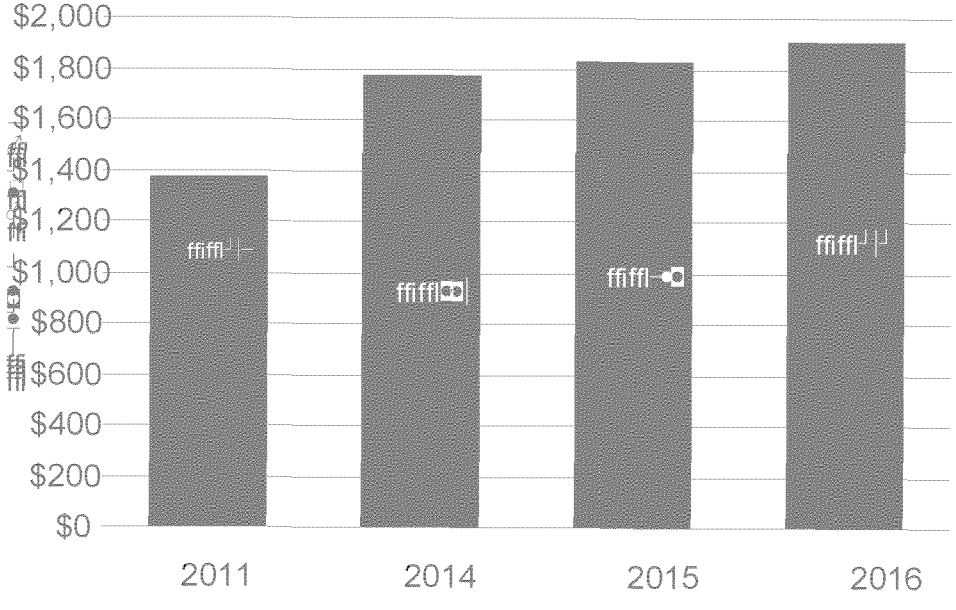
- Pathfinder Project (Gas Distribution Asset Management) ($15.7M)
- Mobile technology for field employees ($16.2M)
- Back up radio system ($8.0M)

Regulator Replacements ($14.1M)

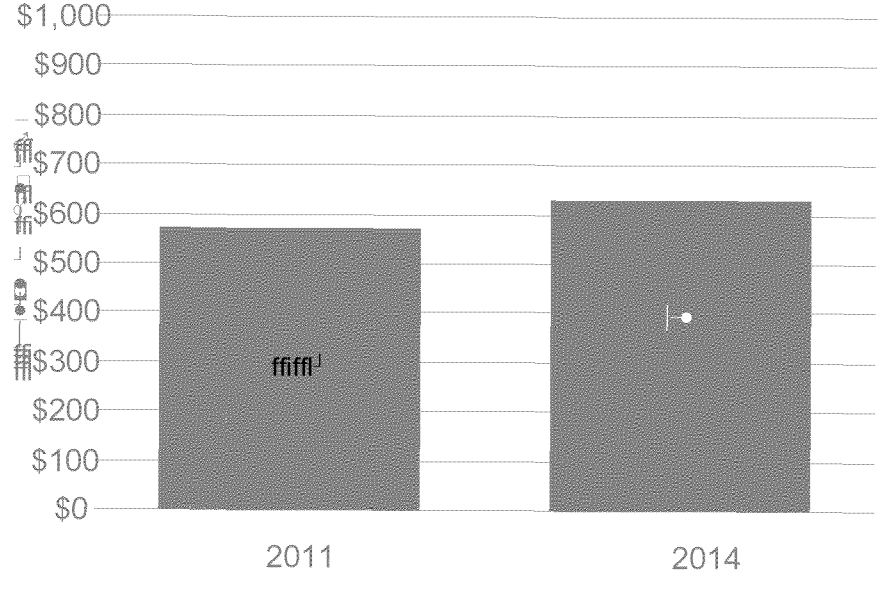
- Labor costs of replacing non-internal relief valve (IRV) regulators with an IRV regulator

Electric Operations Summary of Forecast: Capital Expenditures and Expenses

2014-2016 GRC Capital



2014 GRC Expense



Electric Operations
Key Cost Changes from 2011 Expenses

2011 Recorded – $570M; 2014 Forecast – $631M; Increase = $61M

Safety, Maintenance and Compliance ($56.3M)

- Vegetation Management: 1) Expansion of fire risk program 2) Expenditures for biological oversight as a result of increasing focus on vegetation management work
- Electric Distribution Maintenance: 1) Comprehensive infrared and splice inventory program for the overhead system; 2) Barcoding project ; 3) Underground switch replacement program (not the same as switch replacement program in Ch16)
- Pole Test & Treat: Forecast reflects results of 2010 review completing current 10-year cycle on schedule; and working an increased number of poles as a result of working fewer poles in 2009-2011
- Substation Maintenance: Increase for substation support activities and for corrective maintenance to complete higher priority maintenance work

Operations, Automation and Support ($48.3M)

- Electric Mapping: 1) Reviewing maps for GIS; 2) Field Asset Inventory; 3) Convert paper-based records to electronic format
- Electric Ops Technology: 17 projects in the following technology portfolios: 1) System Operations (6); 2) Asset and Records Management (3); 3) Work Design and Management (5); 4) Workforce Mobilization and Scheduling (3)

Customer Connection, Demand Growth and Franchise Obligations ($6.0M)

- New business: Increasing number of new customer connections and Plug-In Electric Vehicles service requests

Emergency Response ($-39.0M)

- Routine Emergency: Forecast uses 3-year average with adjustment associated with implementing MobileConnect technology
- Major Emergency: Forecast uses 5-year average adjusted for CEMA-related cost recovery
- Reduction because 2011 recorded for Major Emergencies is higher than forecast (largest expenditure in 2007 to 2011)
- Two-Way Balancing Account Proposal (for major emergencies) same as 2011 GRC

Work Efficiency ($-10.7M)

- Electric Operations Improvement plan calls for absorbing escalation from 2012 to 2015
- Escalation is included at a MWC level (two exceptions, Ch. 2 and Ch. 8)
- A corresponding escalation credit, for the entire exhibit, is included in MWCAB (expense)

Electric Operations Key Cost Changes from 2011 Capital Expenditures

2011 Recorded – $1,370M; 2014 Forecast – $1,770M; Increase = $400M

Customer Connection, Demand Growth and Franchise Obligations ($178.8M)

- New business: Forecast anticipates improving economic conditions based on data from Moody's Investor Service (Moody's)/Economy.com and HIS Global Insight
- WRO: Forecast indexed to new business work and CalTrans spending plus additions for specific projects (e.g., Transbay Terminal, Central Subway, High-Speed Rail)
- Rule 20A: Continue to reduce accumulated work credits

Operations, Automation and Support ($125.5M)

- PG&E's distribution automation strategy calls for the installation of substation SCADA automation at nearly all substations by 2017
- Distribution Control Center Consolidation: 1) Original plan was to construct 4 new facilities; 2) Now planning to construct one new facility and remodeling two additional facilities – significantly less cost

Asset Management and Reliability ($114.9M)

- Underground Assets: 1) Network Cable Replacement; 2) TGRAM/TGRS Switch Replacement
- Reliability: 1) Overhead conductor replacement to reduce instances of wire down; 2) Fault Locating, Isolating and Service Restoration Systems; 3) Used Value of Service (VOS) to estimate benefit-to-cost ratios

Safety, Maintenance and Compliance ($53.2M)

- Comprehensive infrared and splice inventory program for the overhead system
- Underground switch replacement program
- SF series street lights

Emergency Response ($-28.7M)

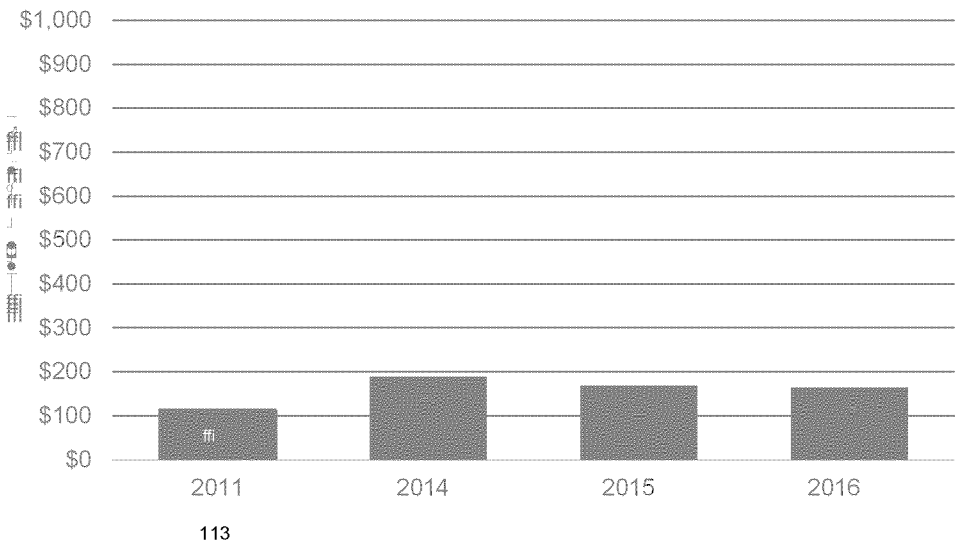
- Routine Emergency: Forecast uses 2009 to 2011 average with adjustment associated with implementing MobileConnect technology
- Major Emergency: Forecast uses 2007 to 2011 average
- Reduction because 2011 recorded for Major Emergency is the highest value in 2007 to 2011 time period
- Two-Way Balancing Account Proposal for major emergencies (same as 2011 GRC)

Work Efficiency ($-43.7M)

- Electric Operations Improvement Plan calls for absorbing escalation from 2012 to 2015
- Escalation is included at a MWC level (exceptions Ch. 2 and Ch. 8)
- A corresponding escalation credit, for the entire exhibit, is included in MWC 5 (capital).

Customer Care Summary of Forecast Capital Expenditures and Expenses

2014-2016 GRC Capital



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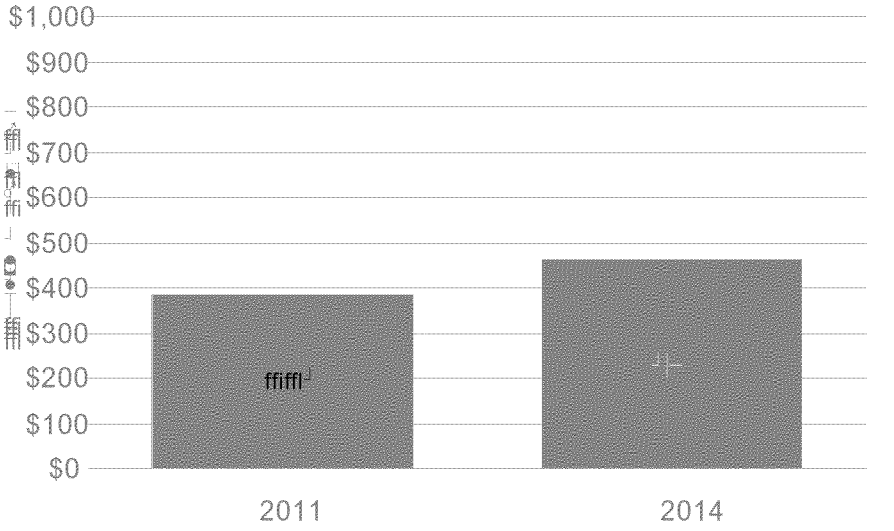
2014 GRC Expense



Customer Care
Key Cost Changes from 2011 Expenses

2011 Recorded [1] – $384M; 2014 Forecast – $462M; Increase = $78M

Account Services Staffing Increase ($24.1M)

- Improve base account services work (i.e. administer rates, rules, contracts, address billing, collection issues, outage communication)
- Increase customer service provided to small and medium business customers
- Increase of approximately 146 full-time employees

Contact Center Enhancements ($22.9M)

- Improve access to a representative, e.g., reduce average speed of answer (68 customer service representatives)
- Customer advocacy expansion (19 customer service employees)
- Expand and improve customer service representative training
- Manage increase in call durations (129 customer service representatives)

Rate Education and Outreach ($23.4M)

- Integrate rate and program education and outreach – consolidate rate education covering multiple rate programs rather than requesting separate funding for each program
- Provide outreach and communications to customers regarding major electric and gas safety and reliability work

Validation and Processing of Interval Data ($18.9M)

- Increase Billing Operations staff to handle increased volume of interval data for interval billing and web presentment: 137 employees to validate interval data to ensure accuracy for billing and customer web presentment

Information Technology Programs ($4.7M)

- Customer interaction and relationship management
- Customer self-service and energy management improvements
- Interval data processing and exceptions management
- Improve billing capabilities for new rates and services
- Meter management

SmartMeter™ Benefits (-$28M)

- SmartMeter™-related savings included in forecast (2011 – 2014).

Other ($12M)

- Reinstitution of the R-test Program at full scale
- SmartMeter™ maintenance work
- Electric SmartMeter™ testing at GEMS
- Improve service and reduce wait times at local offices

1 – 2011 recorded spending includes $73M in meter reading costs recorded in the Meter Reading Cost Balancing Account

Customer Care Key Cost Changes from 2011 Capital Expenditures

2011 Recorded – $114M; 2014 Forecast – $190M; Increase = $76M

Information Technology Projects ($25.6M)

- Customer interaction and relationship management
- Customer self-service and energy management improvements
- Interval data processing and exceptions management
- Improve billing capabilities for new rates and services
- Meter management

Ongoing Metering Requirements and Miscellaneous Capital ($26.9M)

- Ongoing gas and electric meter costs
- Computers, tools, equipment, miscellaneous capital infrastructure

Corporate Real Estate Costs ($20.1M)

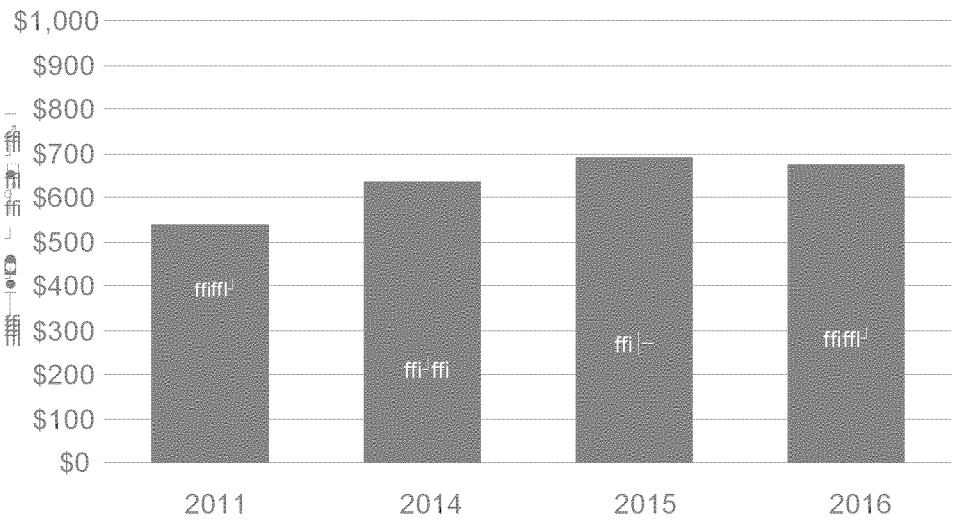
- Build out of Fresno and Sacramento Contact Centers
- Relocation of Billing and Credit Center

Local Office Remodels ($4M)

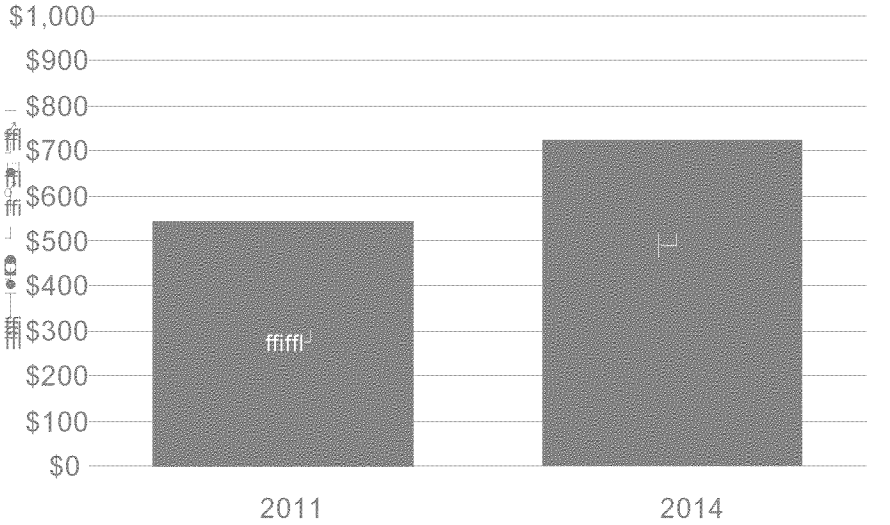
- Improved signage
- Improved customer access
- Installation of ergo equipment for employees

Energy Supply Summary of Forecast Capital Expenditures and Expenses

2014-2016 GRC Capital



2014 GRC Expense



Energy Supply
Key Cost Changesfrom 2011 Expenses

2011 Recorded – $543M; 2014 Forecast – $723M; Increase = $180M

Hydro Operations ($58.1M)

- Enterprise Risk Management efforts and associated Facility Safety, Water Conveyance, and Penstock Programs
- FERC License Conditions as a result of licenses received and expected to be received
- Maintenance to continue the safe and reliable operations of powerhouses and water storage and conveyance systems

Nuclear Operations ($101.3M)

- Dual Refueling Outage
- Eddy current testing of Unit 2 Steam Generators
- O&M Projects (e.g., Cyber Security, Emergency Planning Rulemaking, Procedure Upgrade Project, and Water Storage Tank Concrete Repair)
- Fukushima related regulatory requirements

Fossil and Other Generation Operations ($8.8M)

- Piping integrity program; implementation of a machinery assessment program
- Humboldt Bay Generating Station major engine preventative maintenance work

Energy Procurement Administration ($11.7M)

- New Compliance Requirements (e.g., Renewable Portfolio Standard, GHG, QF/Combined Heat and Power Settlement, Dodd-Frank Act of 2010)

Energy Supply Key Cost Changesfrom 2011 Capital Expenditures

2011 Recorded – $539M; 2014 Forecast – $636M; Increase = $97M

Hydro Operations ($100.5M)

- WaterwayProjects to enhance public and employee safety
- Reliability Projects and Programs (e.g., Helms rotor and stator replacements, generator rewinds, turbine and governor overhauls/replacements, large valve refurbishments)
- FERClicense and license conditions work

Nuclear Operations ($15.1M)

- Regulatory Required Work (e.g., Fukushimareview, Cyber Security, EmergencyPlan modifications, and a new National Fire Protection standard)

Fossil and Other Generation Operations (-$26.2M)

- Completion of Large Construction Projects (Gateway Generating Station, Humboldt Bay Generating Station, and fuel cells)

Energy Procurement Administration ($8.1M)

- CAISOMarket and Performance Initiatives

Post-Test Year Ratemaking Proposal

2014 GRC Revenue Requirement Forecast	$8,111 million
2015 Attrition Increase	$ 492 million
2015 GRC Revenue Requirement Forecast	$8,603 million
2016 Attrition Increase	$ 504 million
2016 GRC Revenue Requirement Forecast	$9,107 million

Mechanism

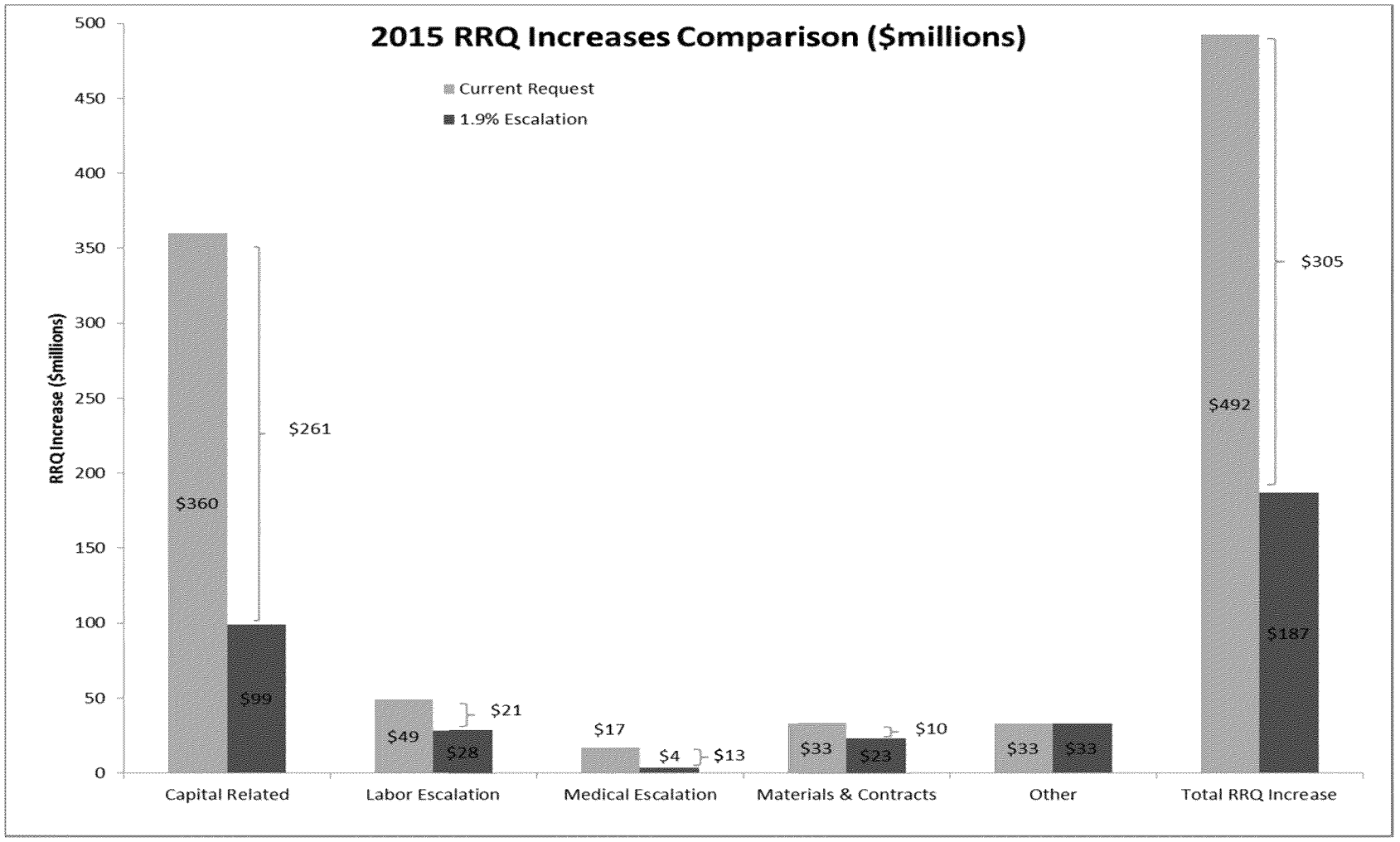
Post-test year revenue requirement increases are necessary to fund:

- Capital-related costs due to growth in rate base and depreciation expenses, irrespective of inflation
- Operating expense cost escalation for labor, medical, and materials and supplies
- Additional gas leak survey repair activity (subject to balancing account treatment; any unspent funds would be returned to customers)

PG&E proposes that revenue requirements for the attrition years be estimated using GRC-adopted expenses and capital additions for 2014; post-test year escalation rates would be set upon final Commission decision in the 2014 GRC proceeding.

Other Adjustments – Revenue requirement changes associated with approved "Z factor" events, defined as significant events that are beyond the Company's ability to control and cause large changes in its cost structure. Z factor adjustments are subject to a one-time $10 million deductible per event.

2015 RevenueRequirement Increase Comparison



Attachment II

Example (Capital)

		2014	2015	2016
Beginning recorded balance ($)		1000	1,120	1,240
Additions ($)	January	10	10	10
	February	10	10	10
	March	10	10	10
	April	10	10	10
	May	10	10	10
	June	10	10	10
	July	10	10	10
	August	10	10	10
	September	10	10	10
	October	10	10	10
	November	10	10	10
	December	10	10	10
End of year recorded plant base (beginning + total additions madein the year)		1,120	1,240	1,360
Recorded rate base (weighted average)		1,060	1,180	1,300
RevenueRequirement Factor		17%	17%	17%
RRQ($)		180.2	200.6	221
CPI			3%	3%
CPI escalation RRQ($)		180.2	185.6	191.2

Post Test Year Ratemaking (attrition) Proposal

- Minimal link between CPI/general measure of inflation and capital revenue requirement changes
- Capital revenue requirement changes are determined almost entirely by the relationship between capital additions and depreciation
- When capital additions exceed depreciation, rate base and the related capital revenue requirement components increase. This happens irrespective of inflation