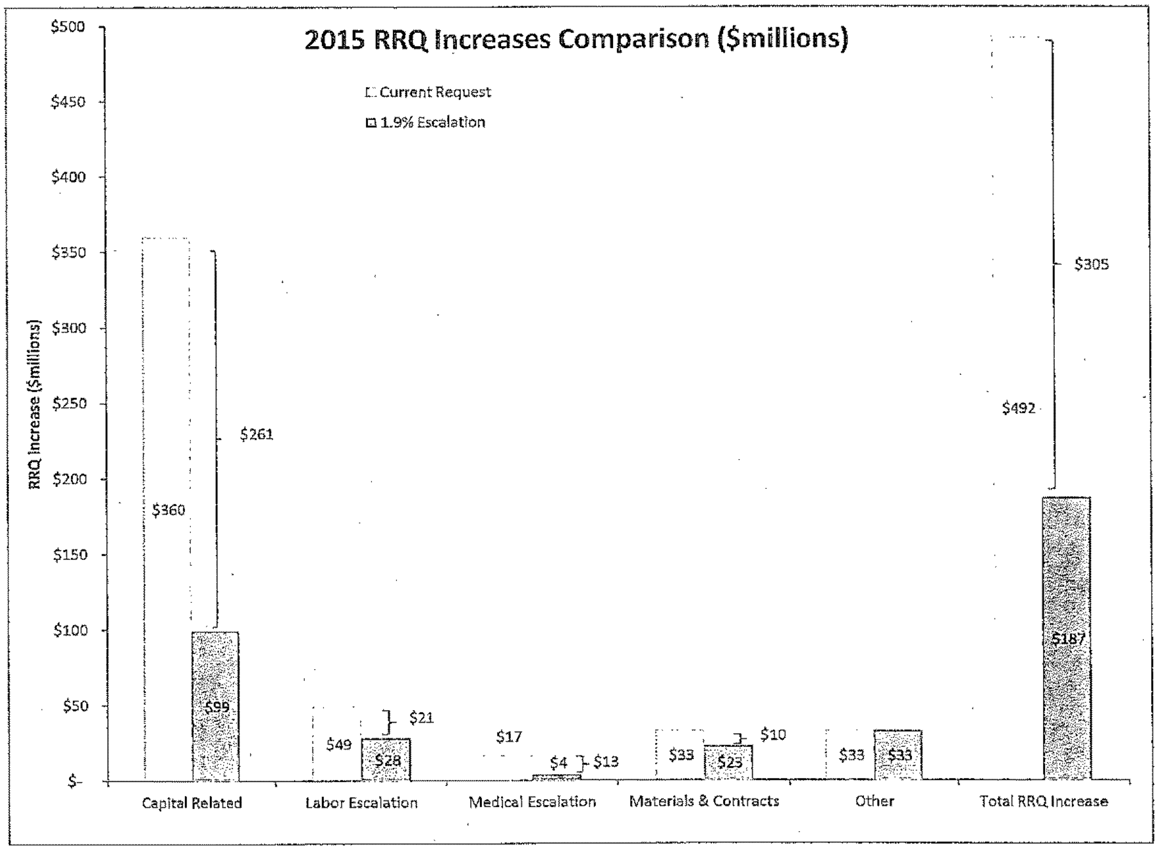
Figure 1-1 shows differences by revenue requirement component between expected 2015 cost growth and CPI. As is graphically evident, the largest difference by far is in the area of capital costs. This extraordinary shortfall would severely restrict PG&E's capital programs and impair PG&E's ability to provide safe and reliable service.

FIGURE 1-1
PACIFIC GAS AND ELECTRIC COMPANY
2015 REVENUE REQUIREMENT INCREASES COMPARISON
(IN MILLIONS OF DOLLARS)



To respond to intervenor concerns that a PTYR mechanism should be simple and that they do not have the capacity to review a multi-year capital forecast, we have based our PTY capital additions forecast for attrition purposes on the TY amount, adjusted only to reflect appropriate escalation. This allows us to base this component of our cost increases on a capital additions forecast which intervenors have the full opportunity to assess and evaluate. We are taking this voluntary step for simplicity purposes, even though capital additions used in the formula will be materially less than

PG&E

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 made in the year)		1,120	1,240	1,360
Recorded rate base (weighted average)		1,060	1,180	1,300
Revenue Requirement Factor		17%	17%	17%
RRQ ($)		180.2	**200.6**	**221**
CPI			3%	3%
CPI escalation RRQ ($)		180.2	**185.6**	**191.2**

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