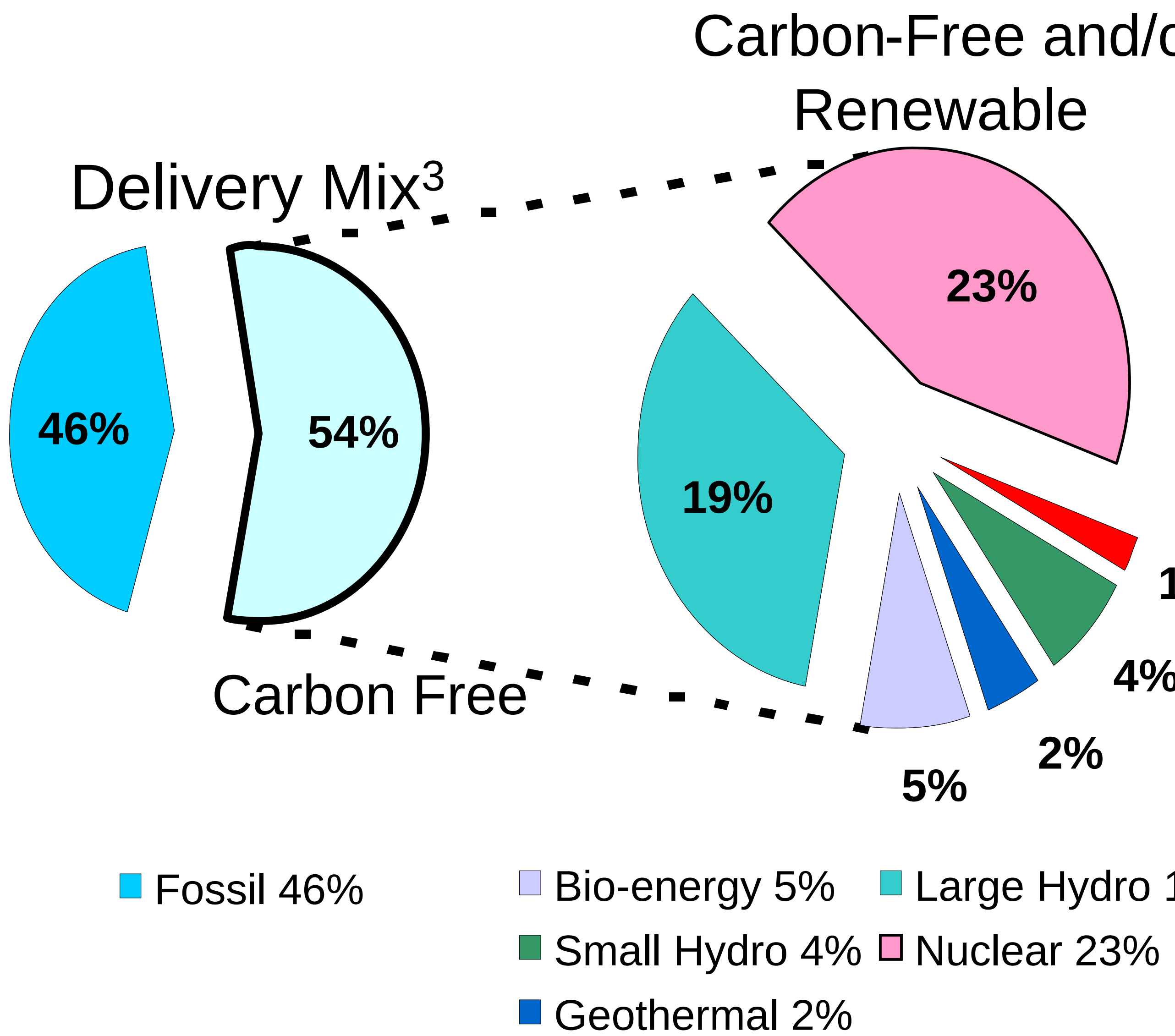
Renewable Power Procurement Update

Pacific Gas and Electric Company™

July 6, 2006

PG&E's 2005 Electric Delivery Mix

- Lowest GHG emission rate of any California utility[1]
- Among the lowest GHG emissions of any major utility in the U.S.[2]



1) *Estimating Carbon Dioxide Emissions Factors for the California Electric Power Sector*; C. Marnay, et al; August 2002; Lawrence Berkeley National Laboratory
2) *Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States – 2004*; April 2006, Natural Resources Defense Council
3) Delivery mix includes all PG&E generation plus all PG&E power purchases

PG&E's RPS Procurement Activities

- **PG&E currently has 12% in RPS-eligible deliveries.**
- **PG&E is aggressively pursuing its RPS targets.**
  - 2004 RPS RFO
    - Signed **2.3%** of load
  - 2005 RPS RFO
    - Signed 1% of load (to date)*
    - Targeting **2-4%** total.
- PG&E issued 2006 RPS RFO June 30, 2006

PG&E's RPS Contracts to Date

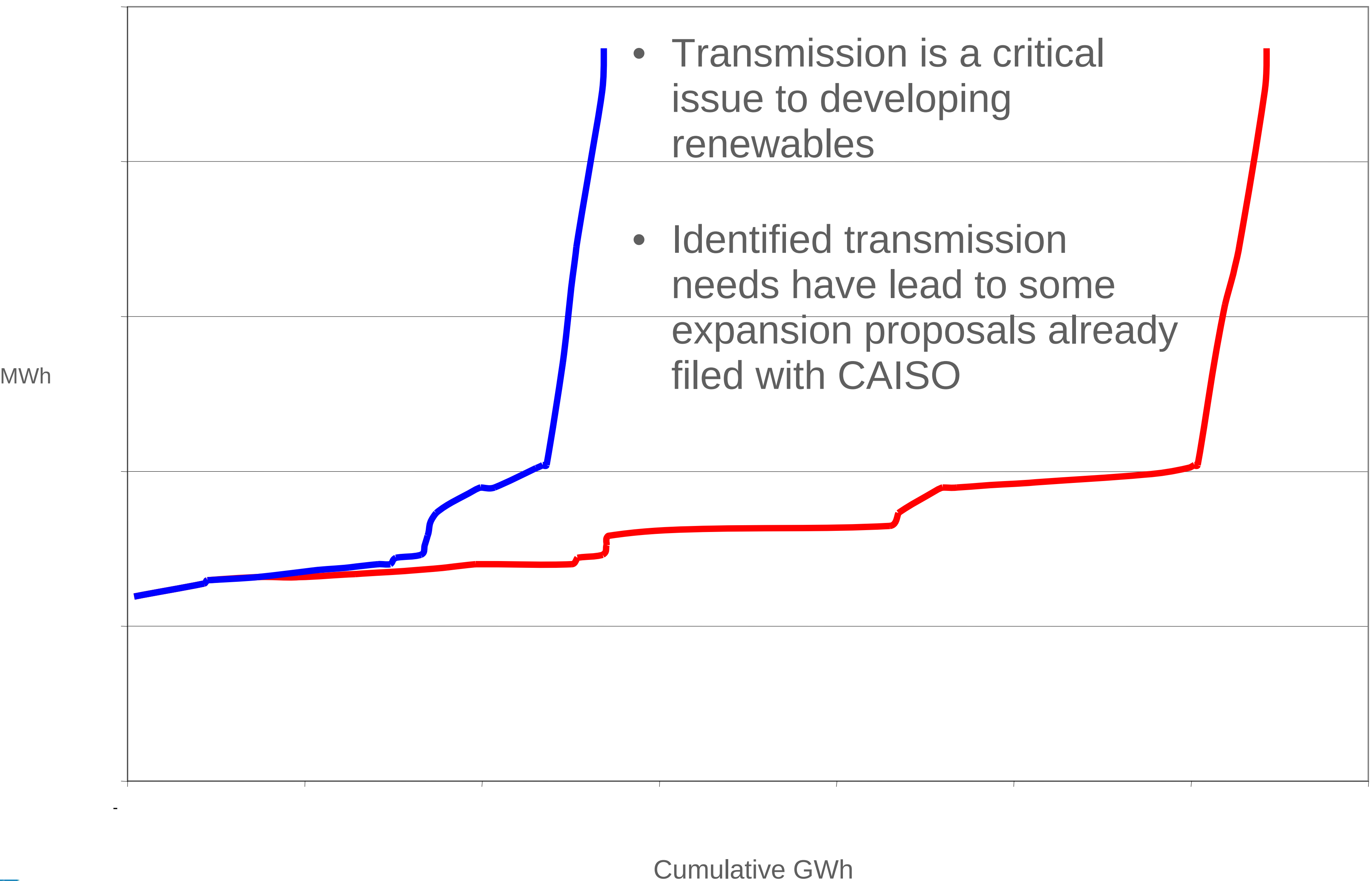
- **Interim Procurement – 113 MW**
- **2003 Bilaterals – 69 MW**
- **2004 RPS RFO – 350 MW**

FPL Energy-Montenzuma Winds	32 MW	Wind	Apr-08
Buena Vista Energy LLC	38 MW	Wind	Dec-06
Pacific Renewable Energy Generation 1	83 MW	Wind	Oct-08
Shiloh 1 Wind Project LLC - PPM	75 MW	Wind	Online
Military Pass Rd. – Newberry Volcano	120 MW	Geothermal	Sep-08

- **2005 Bilaterals – 18 MW**
- **2005 RPS RFO – Targeted 350+ MW (to date 42 to 105 MW)**

HFI Silvan	20 to 40 MW	Biomass	Jul-08
Liberty Biofuels McCarthy Family Farms	5 to 10 MW	Biofuels	Dec-09
Bottle Rock USRG	17 to 55 MW	Geothermal	Jul-07
Next tranche	105 to 165 MW	Various	Various
Future tranche(s)	~200 MW	Various	Various

Renewables Supply Curve



- Transmission is a critical issue to developing renewables

- Identified transmission needs have lead to some expansion proposals already filed with CAISO

Notable Trends from 2005 RPS RFO

- Much larger response than 2004 solicitation due to extensive PG&E outreach efforts.
  - 100% increase in Offers
  - 250% increase in Volume
  - Broader response by technology type
  - Majority of bidders are new participants
- Trends in Renewables Market seen from RPS RFO results
  - Project Lead Times are lengthy, at least 2-3 years
  - Robust response from SP15 and NW

RPS Is On Track And Should Be Allowed To Work

What Has Gone Right

- Increasing Developer Turnout
- Bids show where transmission should be built
- Eliminated Bid Deposits Until Short-listed to Address Developer Concerns
- Expanded Delivery Points
- Consideration of Commercial Alternatives to Transmission Upgrades
- Improved MPR Timing

RPS Is On Track And Should Be Allowed To Work

What Has Gone Right (continued)

- CEC Tracking and Verification
- CPUC and ISO Efforts on Transmission Development
- PRG Process and Independent Evaluator
- CPUC Efforts to Protect Confidential Information
- Foundation has been laid by CPUC and CEC to accelerate procurement process

leeded Improvements To RPS

– Shaping and Banking for Out-of-State Intermittent Projects

– SEP Financeability

– Transmission

– Tax Credit Certainty

– Application of RPS to all Load Serving Entities

– Contribution of Distributed Generation toward RPS Targets