

PACIFIC GAS & ELECTRIC CO
Form PRE 14A
March 08, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

PACIFIC GAS AND ELECTRIC COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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PG&E Corporation and Pacific Gas and Electric Company

Joint Notice of 2010 Annual Meetings Joint Proxy Statement

March 31, 2010

To the Shareholders of PG&E Corporation and Pacific Gas and Electric Company:

You are cordially invited to attend the 2010 annual meetings of PG&E Corporation and Pacific Gas and Electric Company. The meetings will be held concurrently on Wednesday, May 12, 2010, at 10:00 a.m., at the San Ramon Valley Conference Center, 3301 Crow Canyon Road, San Ramon, California.

The following Joint Proxy Statement contains information about matters to be considered at both the PG&E Corporation and Pacific Gas and Electric Company annual meetings. At the annual meetings, PG&E Corporation and Pacific Gas and Electric Company shareholders will be asked to vote on the nominees for director and ratification of the appointment of the independent registered public accounting firm for 2010 for each company, and to provide an advisory vote on executive compensation for each company. The Boards of Directors and management of PG&E Corporation and Pacific Gas and Electric Company recommend that you vote **FOR** each of these items.

PG&E Corporation shareholders also will be asked to vote on a management proposal to amend the PG&E Corporation 2006 Long-Term Incentive Plan. For the reasons stated in the Joint Proxy Statement, the PG&E Corporation Board of Directors and management recommend that PG&E Corporation shareholders vote **FOR** this proposal.

PG&E Corporation shareholders also will be asked to vote on the proposals submitted by individual PG&E Corporation shareholders described in the Joint Proxy Statement. For the reasons stated in the Joint Proxy Statement, the PG&E Corporation Board of Directors and management recommend that PG&E Corporation shareholders vote **AGAINST** these proposals.

Your vote on these items at the annual meetings is important. For your convenience, we offer you the option of submitting your proxy and voting instructions over the Internet, by telephone, or by mail. Whether or not you plan to attend the annual meetings, please vote as soon as possible so that your shares can be represented at the annual meetings.

Sincerely,

Peter A. Darbee
Chairman of the Board, Chief Executive Officer,

and President of PG&E Corporation

Christopher P. Johns
President of

Pacific Gas and Electric Company

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Joint Notice of Annual Meetings of Shareholders of PG&E Corporation and Pacific Gas and Electric Company

March 31, 2010

To the Shareholders of PG&E Corporation and Pacific Gas and Electric Company:

The annual meetings of shareholders of PG&E Corporation and Pacific Gas and Electric Company will be held concurrently on Wednesday, May 12, 2010, at 10:00 a.m., at the San Ramon Valley Conference Center, 3301 Crow Canyon Road, San Ramon, California, for the purpose of considering the following matters:

For PG&E Corporation and Pacific Gas and Electric Company shareholders:

To elect the following 11 and 12 individuals, respectively, nominated by the applicable Board of Directors to each serve as director on each Board for the ensuing year:

David R. Andrews

Lewis Chew

C. Lee Cox

Peter A. Darbee

Maryellen C.

Herringer

Christopher

P. Johns*

Roger H.

Kimmel

Richard A.

Meserve

Forrest E.

Miller

Rosendo G.

Parra

Barbara L.

Rambo

Barry

Lawson

Williams

* Christopher P. Johns is a nominee for director of Pacific Gas and Electric Company only.

To ratify each Audit Committee's appointment of Deloitte & Touche LLP as the independent registered public accounting firm for 2010 for PG&E Corporation and Pacific Gas and Electric Company,

To provide an advisory vote on executive compensation, and

To transact any other business that may properly come before the meetings and any adjournments or postponements of the meetings. If such matters are raised by shareholders, those matters must be properly submitted consistent with the respective company's advance notice bylaws and other requirements relating to such matters.

For PG&E Corporation shareholders only:

To approve amendments to the PG&E Corporation 2006 Long-Term Incentive Plan, and

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To act upon proposals submitted by PG&E Corporation shareholders and described on pages 86 through 94 of the Joint Proxy Statement. This notice serves as the notice of annual meetings for those shareholders of PG&E Corporation or Pacific Gas and Electric Company who previously elected to receive their proxy materials in paper format. All other shareholders were sent an Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 12, 2010 and Notice of Annual Meeting (Notice of Annual Meeting and Internet Availability of Proxy Materials) for PG&E Corporation or Pacific Gas and Electric Company, as applicable.

The Boards of Directors have set the close of business on March 15, 2010 as the record date for determining which shareholders are entitled to receive notice of and to vote at the annual meetings.

By Order of the Boards of Directors of

PG&E Corporation and Pacific Gas and Electric Company,

Linda Y.H. Cheng

Vice President, Corporate Governance and Corporate
Secretary of

PG&E Corporation and

Pacific Gas and Electric Company

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PG&E Corporation and Pacific Gas and Electric Company

Joint Proxy Statement

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company (the *Utility*) (each a *Board* and together, the *Boards*) are soliciting proxies for use at the companies' annual meetings of shareholders, including any adjournments or postponements.

This Joint Proxy Statement describes certain matters that management expects will be voted on at the annual meetings, gives you information about PG&E Corporation and the Utility and their respective Boards and management, and provides general information about the voting process and attendance at the annual meetings.

A Notice of Annual Meeting and Internet Availability of Proxy Materials (*Notice*) or a copy of the Joint Proxy Statement, a proxy card, and the 2009 Annual Report (*Annual Report*) were mailed to shareholders beginning on or about March 31, 2010. The materials were sent to anyone who owned shares of common stock of PG&E Corporation and/or shares of preferred stock of the Utility at the close of business on March 15, 2010. This date is the record date set by the Boards to determine which shareholders may vote at the annual meetings.

The proxy materials are available on the website referenced in the Notice. For shareholders who prefer to access the proxy materials in printed form, the Notice also contains instructions on how to request a printed set of proxy materials by mail.

Questions and Answers

How do I vote?

You can attend and vote at the annual meetings, or the proxyholders will vote your shares as you indicate on your proxy. There are three ways to submit your proxy:

1. *Over the Internet.* Shareholders may submit proxies over the Internet by following the instructions in the Notice from PG&E Corporation or the Utility, as applicable or for shareholders who received the proxy materials by mail by following the instructions on the proxy card or voting instruction card.
2. *By telephone.* You may submit proxies by calling the toll-free number found on the proxy card or voting instruction card.
3. *By mail.* You may submit proxies by completing, signing, and dating the proxy card or voting instruction card and mailing it in the postage-paid envelope provided.

If you submit your proxy over the Internet or by telephone, your vote must be received by 6:00 a.m., Eastern time, on Wednesday, May 12, 2010. These Internet and telephone voting procedures comply with California law. If you submit your proxy by mail, your vote must be received by 10:00 a.m., Pacific time, on Wednesday, May 12, 2010.

What am I voting on and what are each Board's voting recommendations?

PG&E Corporation shareholders will be voting on the following items:

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Item No.	Description	Board's Voting Recommendation
1	Election of Directors	For all nominees
2	Ratification of Appointment of the Independent Registered Public Accounting Firm	For this proposal
3	Advisory Vote on Executive Compensation	For this proposal
4	Amendments to the PG&E Corporation 2006 Long-Term Incentive Plan	For this proposal
5-9	Shareholder Proposals	Against these proposals

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The Utility's shareholders will be voting on the following items:

Item No.	Description	Board's Voting Recommendation
1	Election of Directors	For all nominees
2	Ratification of Appointment of the Independent Registered Public Accounting Firm	For this proposal
3	Advisory Vote on Executive Compensation	For this proposal

What vote is required to approve each item?

A majority voting standard applies to the election of each director nominee and to the approval of each other item described in this Joint Proxy Statement. A director nominee will be elected, and a proposal will be approved, if a majority of the shares represented and voting approve that nominee's election or the proposal. Abstentions will not be considered in determining whether a majority of the shares represented and voting have elected a director nominee or approved a proposal. Similarly, any broker non-votes (see definition below) that occur with respect to a proposal will not be considered in determining whether a majority of the shares represented and voting have approved that proposal. As explained below, broker non-votes do not apply to the ratification of the appointment of the independent registered public accounting firm or the advisory vote on executive compensation.

In addition, the shares voting affirmatively must equal at least a majority of the required quorum. This means that the shares voting affirmatively must be greater than 25 percent of the outstanding shares entitled to vote. For this purpose, abstentions could prevent the election of a director nominee or the approval of a proposal, and broker non-votes that occur with respect to director elections or a proposal could prevent the election of a nominee or approval of a proposal, if the number of shares voting affirmatively do not constitute a majority of the required quorum.

What is a broker non-vote?

If you hold your shares indirectly through a broker, bank, trustee, nominee, or other third party, that party

is the registered holder of your shares and submits the proxy to vote your shares. You are the beneficial owner of the shares, and typically you will be asked to provide your broker or other registered holder with instructions as to how you want your shares to be voted. Under the rules of the New York Stock Exchange (NYSE), if you fail to provide your broker with voting instructions, your broker can use its discretion to vote your shares on certain routine matters, like the ratification of the appointment of the independent registered public accounting firm and the advisory vote on executive compensation. However, your broker may not use its discretion to vote your shares on certain other matters, like director elections and shareholder proposals. When a broker votes your shares on routine matters but is unable to vote your shares on other matters because you have failed to provide instructions, a broker non-vote occurs with respect to these other matters.

What shares am I entitled to vote?

If you are a PG&E Corporation registered shareholder, you are entitled to vote all the shares of PG&E Corporation common stock in your account as of the close of business on March 15, 2010, including shares in the PG&E Corporation Dividend Reinvestment and Stock Purchase Plan. If you are a Utility registered shareholder, you are entitled to vote all the shares of Utility preferred stock in your account as of the record date.

If you are a registered shareholder of both PG&E Corporation common stock and Utility preferred stock, you are entitled to vote separately for each company. If you receive more than one copy of the Notice or more than one proxy card for either company, it means that your shares are held in more than one account. You should vote the shares in all of your accounts.

How many copies of the Joint Proxy Statement and Annual Report will I receive?

If you are a registered shareholder of PG&E Corporation common stock and/or Utility preferred stock, for each account you will receive one Notice, unless you have requested paper copies of the proxy materials, in which case you will receive one Joint Proxy Statement, a proxy card, and one Annual Report.

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If you are a beneficial owner of PG&E Corporation common stock and/or Utility preferred stock and you receive your proxy materials through Broadridge Investor Communication Solutions (Broadridge), and there are multiple beneficial owners at the same address, you may receive fewer Notices or fewer paper copies of the Joint Proxy Statement and the Annual Report than the number of beneficial owners at that address. Securities and Exchange Commission (SEC) rules permit Broadridge to deliver only one Joint Proxy Statement and one Annual Report to multiple beneficial owners sharing an address, unless we receive contrary instructions from any beneficial owner at that same address.

If you receive your proxy materials through Broadridge and (1) you currently receive only one copy of the proxy materials at a shared address but you wish to receive an additional copy of this Joint Proxy Statement and the Annual Report, or any future proxy statement or annual report, or (2) you share an address with other beneficial owners who also receive their separate proxy materials through Broadridge and you wish to request delivery of a single copy of the annual report or the proxy statement to the shared address in the future, please contact the office of the Corporate Secretary of PG&E Corporation or Pacific Gas and Electric Company, as appropriate, at One Market, Spear Tower, Suite 2400, San Francisco, CA 94105, or call 1-415-267-7070.

Are proxy materials for the annual meetings available on-line?

Yes. You can go on-line at www.pgecorp.com/investors/financial_reports/ to access this Joint Proxy Statement and the Annual Report.

You also can vote your proxy on-line, as noted on page 1 of this Joint Proxy Statement. Specific voting instructions also are included on the Notice and the proxy card.

What if I return my proxy but I do not specify how I want my shares voted?

The PG&E Corporation proxyholders will vote those shares in accordance with the PG&E Corporation Board's recommendations, which are as follows: For Items 1, 2, 3, and 4, and Against Items 5 through 9. The Utility's proxyholders will vote those

shares in accordance with the Utility Board's recommendations which are For Items 1, 2, and 3.

What if I do not submit my proxy?

Your shares will not be voted if you do not provide a proxy or vote at the annual meetings.

Can I change my proxy vote?

You can change your proxy vote or revoke your proxy any time before it is exercised by doing one of the following before the applicable deadline: (1) returning a signed proxy card with a later date, (2) entering a new vote over the Internet or by telephone, (3) notifying the Corporate Secretary in writing, or (4) submitting a written ballot at the annual meetings.

Is my vote confidential?

PG&E Corporation and the Utility each have adopted a confidential voting policy under which shareholder votes are revealed only to a non-employee proxy tabulator or an independent inspector of election, except (1) as necessary to meet legal requirements, (2) in a dispute regarding authenticity of proxies and ballots, (3) in the event of a proxy contest if the other party does not agree to comply with the confidential voting policy, and (4) where disclosure may be necessary for either company to assert or defend claims.

Who will count the votes?

Corporate Election Services will act as the proxy tabulators and the inspectors of election for the 2010 annual meetings. Corporate Election Services is independent of PG&E Corporation and the Utility and the companies' respective directors, officers, and employees.

How many shares are entitled to vote at the annual meetings?

As of the record date, there were [XXX,XXX,XXX] shares of PG&E Corporation common stock, without par value, outstanding and entitled to vote. Each share is entitled to one vote.

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As of the record date, there were [XX,XXX,XXX] shares of Utility preferred stock, \$25 par value, and

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[XXX,XXX,XXX] shares of Utility common stock, \$5 par value, outstanding and entitled to vote. Each share is entitled to one vote.

A quorum is necessary to conduct business at each annual meeting. A majority of the shares entitled to vote at each meeting must be represented at the meeting in person or by proxy to constitute a quorum. Abstentions and broker non-votes will be considered in determining whether a quorum is present at each meeting.

May I attend the annual meetings?

All shareholders of record as of the record date may attend the annual meetings of PG&E Corporation and the Utility. You must have an admission ticket to attend the annual meetings. Also, shareholders will be asked to present valid photo identification, such as a driver's license or passport, before being admitted to the meetings.

If you are a registered shareholder, your Notice will be your admission ticket. Please bring the Notice to the annual meetings. If a broker, bank, trustee, nominee, or other third party holds your shares, please inform that party that you plan to attend the annual meetings and ask for a legal proxy. Bring the legal proxy to the shareholder registration area when you arrive at the meetings, and we will issue an admission ticket to you. If you cannot get a legal proxy in time, we will issue an admission ticket to you if you bring a copy of your brokerage or bank account statement showing that you owned PG&E Corporation or Utility stock as of the record date.

May I bring a guest to the annual meetings?

Each registered shareholder or beneficial owner may bring up to a total of three of the following individuals to the annual meetings: (1) a spouse or domestic partner, (2) legal proxies, (3) qualified representatives presenting the shareholder's proposal, or (4) financial or legal advisors.

Shareholders must provide advance written notice to the Corporate Secretary if they intend to bring any legal proxy, qualified representative, or advisor to the annual meetings. The notice must include the name and address of the legal proxy, representative, or advisor, and must be received at the principal executive office of the appropriate company

by 5:00 p.m., Pacific time, on May 5, 2010, in order to allow enough time for the issuance of additional admission tickets. We recommend that shareholders send their notice by a method that allows them to determine when the notice was received at the principal executive office of the appropriate company.

How will the annual meetings be conducted?

The Chairman of the Board (Chairman) of PG&E Corporation will preside over the meetings and make any and all determinations regarding the conduct of the meetings.

All items of business described in this Joint Proxy Statement will be deemed presented at the annual meetings.

For each shareholder proposal, a qualified representative will have an opportunity to discuss that item. Other shareholders will have an opportunity to raise other comments and questions regarding that proposal.

There will be a general question and answer period. Questions and comments should pertain to corporate performance, items for consideration at the annual meetings, or other matters of interest to shareholders generally. The meeting is not a forum to present general economic, political, or other views that are not directly related to the business of PG&E Corporation or the Utility.

Shareholders will be recognized on a rotating basis. If you wish to speak, please raise your hand and wait to be recognized. When you are called upon, please direct your questions and comments to the company officer chairing the meetings. Each person called upon during the meetings will have a maximum of three minutes on any one question or comment.

Can shareholders introduce other proposals (including director nominations) during the annual meetings?

Each company's Bylaws require advance written notice of the intention to make a shareholder proposal or bring other matters for action (including introducing nominees for director) at an annual meeting. The notice for proposals and other matters to be considered by shareholders at the 2010 annual

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meetings must have been received at the principal executive office of the appropriate company by February 15, 2010. The companies did not receive timely advance written notice of any shareholder matters that will be introduced at the annual meetings.

If you would like to introduce a shareholder proposal or other business during PG&E Corporation's or the Utility's 2011 annual meeting, each company's Bylaws state that your proper advance written notice of the matter must be received at the principal executive office of the appropriate company no later than 5:00 p.m., Pacific time, on February 14, 2011. However, if the 2011 annual meeting of either company is scheduled on a date that differs by more than 30 days from the anniversary date of the 2010 annual meetings, your notice will be timely if it is received no later than the tenth day after the date on which that company publicly discloses the date of its 2011 annual meeting. These deadlines also may change in response to legal and regulatory requirements.

If you would like to nominate an individual for director during the annual meeting, certain additional information must be provided in your advance written notice. While you should consult the appropriate company's Bylaws for specific requirements, your notice generally should include:

1. A brief description of your nomination,
2. Your name and address, as they appear in the company's records,
3. The class and number of shares of the company's stock that you own,
4. Any material interest you may have in the nomination,
5. The nominee's name, age, business address, and residence address,
6. The nominee's principal occupation and the class and number of shares of the company's stock owned by the nominee, and
7. Any other information that would be required under the rules of the SEC in a proxy statement listing the nominee as a candidate for director.

If you wish to submit advance notice of other business to be brought before the 2011 annual meetings, we recommend that you use a delivery method that indicates when the advance notice of other business was received at the principal executive office of the appropriate company.

Is there a different due date that applies if I want my shareholder proposal to be included in the proxy statement for the 2011 annual meetings?

Yes. If you would like to submit a proposal to be included in either company's proxy statement for the 2011 annual meetings, that company's Corporate Secretary must receive your proposal after the date of the 2010 annual meetings, but by 5:00 p.m., Pacific time, on December 1, 2010.

If you wish to submit a shareholder proposal for inclusion in the 2011 proxy statement, we recommend that you use a delivery method that indicates when your proposal was received at the principal executive office of the appropriate company.

How much did this proxy solicitation cost?

PG&E Corporation and the Utility hired D.F. King & Co., Inc. to assist in the distribution of proxy materials and solicitation of votes. The estimated fee is \$13,500 plus reasonable out-of-pocket expenses. In addition, PG&E Corporation and the Utility will reimburse brokerage houses and other custodians, nominees, and fiduciaries for reasonable out-of-pocket expenses for forwarding proxy and solicitation material to shareholders.

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Corporate Governance

PG&E Corporation and the Utility are committed to good corporate governance practices that provide a framework within which the Boards and management of PG&E Corporation and the Utility can pursue the companies' business objectives. The foundation for these practices is the independent nature of each Board and its fiduciary responsibility to the company's shareholders.

Corporate Governance Guidelines

Our corporate governance practices are documented in Corporate Governance Guidelines that are adopted by the Boards of PG&E Corporation and the Utility and that are updated from time to time as appropriate and as recommended by the PG&E Corporation Nominating and Governance Committee. Other corporate governance practices may be found in the charters of the various committees of the PG&E Corporation and Utility Boards.

The PG&E Corporation Corporate Governance Guidelines are included as Appendix A to this Joint Proxy Statement. The Utility's Corporate Governance Guidelines are substantially similar to the PG&E Corporation Corporate Governance Guidelines and, therefore, are not included in this Joint Proxy Statement. Additional information regarding the availability of the companies' corporate governance documents can be found on page 14 of this Joint Proxy Statement.

Board Leadership Structure

Chairman of the Board

The primary duty of the Chairman is to preside over meetings of the respective Board. The Chairman also establishes the agenda for Board meetings, designates members of management who are present at Board meetings, and is consulted regarding members of management who are present at Board committee meetings. The Chairman has the authority to call regular and special meetings of the Board and is consulted regarding nominees for the Board and the composition and chairmanship of Board committees.

PG&E Corporation and the Utility each believe that it is not in the best interest of the company and its shareholders to have an inflexible rule regarding whether the offices of Chairman and Chief Executive Officer (CEO) must be separate. When a vacancy occurs in the office of either the Chairman or the CEO, the affected Board will consider the

circumstances existing at that time and will determine whether the role of Chairman should be separate from that of the CEO and, if the roles are separate, whether the Chairman should be selected from the independent directors or from management. In addition, at least annually, each Board reviews the respective company's Board leadership structure to assess whether it is appropriate.

In the past, PG&E Corporation and the Utility each have had both combined and separate Chairman and CEO positions. In each case, the applicable Board was able to consider all eligible directors and not exclude any eligible candidate from consideration for the position of Chairman. More recently, when the positions have been combined, each company also has had a strong and independent lead director (see the discussion under Independent Lead Director/Executive Session Meetings on page 7 of this Joint Proxy Statement).

At PG&E Corporation, the Chairman is PG&E Corporation's CEO and President, Peter A. Darbee. Mr. Darbee has been an executive officer of PG&E Corporation since 1999, when he was elected as the company's Senior Vice President and Chief Financial Officer (CFO). He has served as the CEO and President of PG&E Corporation since January 2005 and as Chairman since January 2006. In addition, he was the Chairman of the Utility from January 2006 to May 2007 and was President and CEO of the Utility from September 2008 to July 2009. The PG&E Corporation Board believes that having Mr. Darbee serve concurrently as the company's Chairman and CEO is the most appropriate Board leadership structure at this time because, among other things, his extensive business experience at, and knowledge of, both PG&E Corporation and the Utility allow him to serve as an effective link between the Board and management, and facilitate bringing to the Board's attention key business issues and stakeholder interests as the Board fulfills its duties.

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At the Utility, the positions of Chairman and principal executive officer have been separated. The Chairman of the Utility is C. Lee Cox, who is the independent lead director of both the Utility and PG&E Corporation. Under the rules of the California Public Utilities Commission, the same individual may not serve as Chairman of both PG&E Corporation and the Utility. In light of the foregoing and given Mr. Cox's leadership skills and extensive business experience and expertise (as described further on page 18 of this Joint Proxy Statement), the Utility Board considers Mr. Cox to be the most effective director to serve in the Chairman position. For these reasons, the Utility Board believes that this Board leadership structure is the most appropriate for the Utility at this time.

Board and Director Independence

The PG&E Corporation Corporate Governance Guidelines set forth a policy that 75% of the directors should be independent, as defined in the Guidelines and set forth on pages A-1 A-8 of this Joint Proxy Statement. The NYSE rules also require that a majority of PG&E Corporation's directors be independent, as defined by the NYSE, and that independent directors meet regularly. The definition of independence in the PG&E Corporation Corporate Governance Guidelines is more stringent than, and satisfies, the NYSE definitions.

The Utility's Corporate Governance Guidelines also set forth a policy that 75% of the directors should be independent, as defined in the Guidelines. The NYSE Amex Equities (AMEX) rules also require that the Utility's independent directors meet regularly. The Utility Board is exempt from AMEX rules requiring that at least a majority of the directors meet the stock exchange's definition of independent director because PG&E Corporation holds approximately 96% of the voting power of the Utility and the Utility is a controlled subsidiary. The definition of independence in the Utility's Corporate Governance Guidelines is more stringent than, and satisfies, the AMEX definitions.

Only independent directors may serve on PG&E Corporation's Audit Committee, Compensation Committee, Finance Committee, Nominating and Governance Committee, and Public Policy Committee, and on the Utility's Audit Committee.

Audit Committee members must meet additional independence standards. Only independent directors may serve as chairs of the PG&E Corporation and Utility Board committees listed above.

Independent Lead Director/Executive Session Meetings

PG&E Corporation and the Utility each have had an independent lead director since 2003. The lead director is elected from among the independent chairs of the respective company's standing Board committees, or, in the case of the Utility, the standing Board committees of the Utility or PG&E Corporation, and must have served as a director of the respective company for at least one year. The independent directors of each company select the lead director, following nomination by the PG&E Corporation Nominating and Governance Committee. The lead director serves a term of three years and may be re-elected to consecutive terms.

Currently, C. Lee Cox is the independent lead director of both PG&E Corporation and the Utility.

The duties of the lead director are set forth in each company's Corporate Governance Guidelines and are identical for each company. Among other things, the lead director acts as a liaison between the Chairman (if the Chairman is not an independent director) and the independent directors. The lead director approves the agendas and schedules for meetings of the Board, as well as information sent to members of the Board.

At each regularly scheduled Board meeting, the independent directors of each Board meet in executive session without the other directors. The lead director coordinates the activities of the independent directors, including establishing the agenda for each executive session meeting of independent directors, presiding over these executive session meetings, and determining which, if any, other individuals (including members of management and independent advisors) should attend each executive session meeting. The lead director also may call special meetings of the independent directors.

The lead director receives written communications from each company's shareholders and other interested parties, and is available for consultation and direct communication with major shareholders.

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Director Nomination Process

The Boards of PG&E Corporation and the Utility each select nominees based on recommendations received from the PG&E Corporation Nominating and Governance Committee. The Committee's recommendations are based upon a review of the qualifications of Board candidates, and consultation with the PG&E Corporation Chairman or the Utility Chairman, as applicable, and the PG&E Corporation CEO. For more information, see pages 15-27 of this Joint Proxy Statement related to Item No.1 (Election of Directors).

The Committee accepts recommendations for director nominees from a variety of sources, including executive search firms, shareholders, management, and Board members. The Committee reviews all recommended candidates for nomination at the annual meetings at the same time and uses the same review criteria for all candidates.

During 2008 and 2009, several directors retired or otherwise left the PG&E Corporation and Utility Boards, thereby creating vacancies on the Boards. On September 16, 2009, each Board elected two directors to fill these vacancies: Lewis Chew and Rosendo G. Parra. Mr. Chew and Mr. Parra both were identified through a third-party search firm. On February 17, 2010, the Utility Board elected Christopher P. Johns as a director. Each of these new directors is nominated for re-election at the companies' respective 2010 annual meetings.

In 2008, the Committee retained an independent

third-party search firm to assist in the identification of candidates for director nominees. Based on an examination of the existing composition of the Boards, the qualifications of the current directors, the specific qualifications for director candidates that previously were approved by the Boards, and applicable stock exchange and other regulatory requirements regarding the independence and qualifications of the Boards as a whole and any standing Board committees, during 2008 and 2009, the search firm conducted research and initial interviews with potential candidates and provided the Committee and the PG&E Corporation Chairman with background information regarding a list of individuals who conformed with the applicable qualifications and characteristics.

Shareholders may recommend a person for the Committee to consider as a nominee for director of PG&E Corporation or the Utility, as applicable, by writing to that company's Corporate Secretary. Each recommendation must include:

1. A brief description of the candidate,
2. The candidate's name, age, business address, and residence address,
3. The candidate's principal occupation and the class and number of shares of the company's stock owned by the candidate, and
4. Any other information that would be required under the rules of the SEC in a proxy statement listing the candidate as a nominee for director.

Recommended candidates may be required to provide additional information.

Board Committees

The principal standing committees of the PG&E Corporation Board are the Executive Committee, the Audit Committee, the Compensation Committee, the Finance Committee, the Nominating and Governance Committee, and the Public Policy Committee. The Utility Board has two principal standing committees: the Executive Committee and the Audit Committee.

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Each company's Board has adopted a formal charter for each of the Board committees listed above, which sets forth that committee's duties and responsibilities. These committee charters are available in the Corporate Governance section of PG&E Corporation's website (www.pgecorp.com/aboutus/) or the Utility's website (www.pge.com/about/), as applicable. Shareholders also may obtain a printed copy of a Board committee's charter by sending a written request to the Corporate Secretary of the appropriate company.

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The membership and duties of the companies' principal standing Board committees are described below.

	Executive Committees	Audit Committees	Compensation Committee	Finance Committee	Nominating and Governance Committee	Public Policy Committee
<i>Independent Non-Employee</i>						
<i>Directors:</i>						
D. R. Andrews	X	X			X	X*
L. Chew		X				X
C. L. Cox ⁽¹⁾	X		X*	X		
M. C. Herring	X	X			X*	
R. H. Kimmel				X		X
R. A. Meserve					X	X
M. S. Metz (through May 13, 2009)	X	X				X
F. E. Miller		X	X			
R. G. Parra				X	X	
B. L. Rambo	X		X	X*	X	
B. L. Williams ⁽²⁾	X	X ^{*(2)}	X	X		
<i>Employee Directors:</i>						
P. A. Darbee	X*					
C. P. Johns	X ⁽³⁾					
Number of Meetings in 2009 (PG&E Corporation/Utility where applicable)	0/0	4/4	4	6	4	4

* Committee Chair

(1) Independent lead director of PG&E Corporation and the Utility and the non-executive Chairman of the Utility.

(2) Audit committee financial expert, as defined by the SEC.

(3) Member of the Utility's Executive Committee only.

Executive Committees

The PG&E Corporation and Utility Boards each have an Executive Committee that may exercise any of the powers and perform any of the duties of the respective Board. This authority is subject to provisions of law and certain limits imposed by the PG&E Corporation Board or the Utility Board (as the case may be). The Executive Committees meet as needed.

Audit Committees

Each Board has a standing Audit Committee that advises and assists the appropriate Board with respect to:

Monitoring the integrity of the respective company's financial statements,

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Financial and accounting practices,

Internal controls, and external and internal auditing programs,

Selection and appointment of the respective company's independent registered public accounting firm, pre-approval of all audit and non-audit services provided by the independent registered public accounting firm, and evaluation of the independence, qualifications, and performance of the independent registered public accounting firm,

Business ethics, and compliance with laws, regulations, and policies that may have a material impact on the consolidated financial

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statements of PG&E Corporation, the Utility, and their respective subsidiaries,

Review and oversight of related party transactions, and

Guidelines and policies for managing and assessing major risks, and review of processes used by other committees of the PG&E Corporation Board or the Utility Board to monitor and control major financial risk exposures.

Independence. Each member of the PG&E Corporation and Utility Audit Committees must be independent, as defined in the appropriate company's Corporate Governance Guidelines, in SEC rules regarding audit committee independence, and in applicable stock exchange rules.

Financial literacy and expertise. Each member of the PG&E Corporation and Utility Audit Committees must be financially literate, as defined in the applicable stock exchange rules. One member of each Audit Committee also must be an audit committee financial expert.

The Boards of PG&E Corporation and the Utility each have determined that all members of the respective company's Audit Committee are financially literate, and that Barry Lawson Williams, the independent chair of each company's Audit Committee, is an audit committee financial expert, as defined by the SEC.

Service on other audit committees. If an Audit Committee member simultaneously serves on the audit committees of three or more public companies other than PG&E Corporation, the Utility, and their subsidiaries, that Committee member must inform the appropriate company's Board. In order for that member to continue serving on the Audit Committee, the Board must affirmatively determine that the simultaneous service does not impair that committee member's ability to serve effectively on the Audit Committee.

Compensation Committee

The Compensation Committee of PG&E Corporation advises and assists the Boards of PG&E Corporation and the Utility with respect to:

The compensation of directors,

Employment, compensation, and benefits policies and practices,

Review of potential risks arising from compensation policies and practices,

The development, selection, and compensation of policy-making officers, and

The evaluation of management and long-range planning for officer development and succession.

The PG&E Corporation Board has delegated to the Compensation Committee the authority to administer the PG&E Corporation 2006 Long-Term Incentive Plan (LTIP), under which equity-based awards are made. The PG&E Corporation Board also has delegated to the CEO of PG&E Corporation the authority to make LTIP awards to certain eligible participants within the guidelines adopted by the Compensation Committee. The Compensation Committee may delegate its authority with respect to ministerial matters under the LTIP to the PG&E Corporation CEO or the PG&E Corporation Senior Vice President, Human Resources. The Compensation Committee also oversees other employee benefit plans.

Among other things, the Committee:

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Reviews and acts upon the compensation of officers of PG&E Corporation and its subsidiaries, although the Committee has delegated to the PG&E Corporation CEO the authority to approve compensation for certain officers, and

Recommends to the independent members of the appropriate Board the compensation of the CEOs of PG&E Corporation and the Utility (or, if the office of Utility CEO is not filled, the President of the Utility).

Independence. The Compensation Committee must be composed entirely of independent directors, as defined in the Corporate Governance Guidelines and by the NYSE.

Because PG&E Corporation holds approximately 96% of the voting power of the Utility, the Utility is a controlled subsidiary of PG&E Corporation and will not be subject to certain AMEX rules that otherwise would require that all members of the

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Compensation Committee meet the AMEX definition of independent director and would impose requirements on the Utility's methods for determining executive compensation.

Compensation Consultant. The Compensation Committee retains an independent consulting firm to help evaluate PG&E Corporation's compensation policies, to provide information about industry compensation practices and competitive compensation levels at companies within a comparator group, and to recommend compensation alternatives that are consistent with PG&E Corporation's compensation policies. The Committee approves the retention of the compensation consultant, the consultant's fees, and the scope of the engagement.

At the beginning of 2009, the Compensation Committee retained Hewitt Associates, LLC (Hewitt) as its independent compensation consultant. During 2009, PG&E Corporation paid Hewitt approximately \$118,000 for executive compensation services. Hewitt's estimated fees were presented to the Committee in February 2009 during the Committee's annual review of the services provided by the independent compensation consultant.

In addition, management retained Disability Management Alternatives (DMA), a subsidiary of Hewitt, to perform short-term disability, long-term disability, and leave management administration services for PG&E Corporation and the Utility during 2009. Management initially retained DMA for such services prior to Hewitt's acquisition of DMA during 2008. Fees paid to DMA in 2009 were approximately \$996,000. The individual at Hewitt who served as the Compensation Committee's primary compensation consultant was not involved in any of the services provided by DMA. The Committee was informed that management historically has obtained these types of services from DMA, but the Committee was not required to approve these services and did not do so.

During 2009, the Compensation Committee determined that, in order to avoid potential conflicts of interest, its compensation consultant should provide no other services to PG&E Corporation or its affiliates. Hewitt no longer met this standard. Accordingly, the Committee interviewed several compensation consulting firms and in September 2009 selected Frederic W. Cook & Co., Inc. (FWC) as its independent compensation consultant.

During 2009, FWC provided advice regarding executive and non-employee director compensation trends and policies with respect to the amount and form of compensation, and assisted with the Committee's compensation risk assessment, but did not advise the Committee with respect to compensation actually paid during 2009 to PG&E Corporation and Utility executive officers whose compensation is reported in the tables in this Joint Proxy Statement or to non-employee directors. FWC and its affiliates only provide executive and non-employee director compensation consulting services to the Committee, and do not provide any services directly to management of PG&E Corporation or the Utility.

During 2009, the Compensation Committee also adopted a formal policy reflecting its commitment to maintain the compensation consultant's independence from management. In general, the policy states that the Committee's compensation consultant will be deemed independent if (1) the consultant is retained and terminated by the Committee and reports solely to the Committee, and (2) the consultant and its affiliates do not perform any work for PG&E Corporation or its affiliates, except at the request of the Committee or its Chair and in the capacity of the Committee's agent.

Compensation Setting Process.

Non-employee directors. The Boards of PG&E Corporation and the Utility each establish the level of compensation for that company's non-employee directors, based on the recommendation of the Compensation Committee and taking into account the impact of compensation on director independence. Directors who also are current employees of either company receive no additional compensation for service as directors.

The Compensation Committee periodically reviews the amount and form of compensation paid to non-employee directors of PG&E Corporation and the Utility, taking into account the compensation paid to directors of other comparable U.S. companies. The Committee conducts its review with the assistance of its independent compensation consultant.

Executive officers. Each year, the Compensation Committee (and with respect to the CEO of PG&E Corporation and the CEO or the President of the Utility, the independent members of the applicable

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Board, based on the Committee's recommendation) approves the amounts of total target compensation for executive officers, based on a review of comparative data as well as the PG&E Corporation CEO's recommendations (and with respect to the PG&E Corporation CEO, the compensation consultant's recommendations). The Committee uses comparative data throughout the year to set the total target compensation of new executive officers. The Committee also reviews other benefits provided to executive officers.

The PG&E Corporation Board has delegated the administration of the LTIP to the Compensation Committee (except for awards granted to the PG&E Corporation CEO or to the Utility CEO or President), including the power to determine the types of awards to be granted, the amounts, terms, and conditions of LTIP awards, and the individuals to whom LTIP awards are granted.

The PG&E Corporation Board has delegated to the PG&E Corporation CEO the authority to approve compensation, within guidelines approved by the Compensation Committee, to lower-level officers and to non-officer employees. With respect to annual equity awards, such Committee-approved guidelines include the LTIP award value ranges for different categories of employees, as well as the terms and conditions of all LTIP awards to be made during the year. The guidelines also specify the grant date for annual LTIP awards. Actual awards are generally made within the range of target LTIP values previously approved by the Committee.

Finance Committee

The Finance Committee of PG&E Corporation advises and assists the Boards of PG&E Corporation and the Utility with respect to the financial and capital investment policies and objectives of PG&E Corporation and its subsidiaries, including specific actions required to achieve those objectives. Among other things, the Committee reviews:

Long-term financial and investment plans and strategies,

Annual financial plans,

Dividend policy,

Short-term and long-term financing plans,

Proposed capital projects,

Proposed divestitures,

Strategic plans and initiatives,

Major commercial banking, investment banking, financial consulting, insurance, and other financial relationships, and

Major financial risk exposures associated with (i) energy commodities and derivatives, (ii) risks identified through PG&E Corporation's enterprise risk management program, and (iii) merger and acquisition transactions considered by the Committee, as well as the overall steps that management has taken to monitor and control such exposures.

Each year, the Finance Committee also presents for the PG&E Corporation and Utility Boards' review and approval (1) a five-year financial plan for PG&E Corporation and its subsidiaries that incorporates, among other things, PG&E Corporation's business strategy goals, and (2) an annual budget that reflects elements of the approved five-year plan. Members of the Board receive a monthly report that compares PG&E Corporation's performance to the budget and provides other information about financial performance.

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Independence. The Finance Committee must be composed entirely of independent directors, as defined in the Corporate Governance Guidelines. All Committee members meet these independence requirements.

Nominating and Governance Committee

The Nominating and Governance Committee of PG&E Corporation advises and assists the Boards of PG&E Corporation and the Utility with respect to:

The selection of directors, including reviewing the appropriate skills and characteristics required of Board members, reviewing the qualifications of Board candidates, and recommending nominees for election to the Boards,

The chairmanship and membership of Board committees, and the nomination of a lead director of each company's Board,

Corporate governance matters, including the companies' governance principles and practices, and the review of shareholder proposals, and

Evaluation of the Boards' performance and effectiveness.

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Independence. The Nominating and Governance Committee must be composed entirely of independent directors, as defined in the Corporate Governance Guidelines and by the NYSE. All Committee members meet these independence requirements.

Because PG&E Corporation and a subsidiary hold approximately 96% of the voting power of the Utility, the Utility is a controlled subsidiary of PG&E Corporation and will not be subject to certain AMEX rules that otherwise would require that all members of the Committee meet the AMEX definition of independent director and would impose requirements on the Utility's director nomination process.

Public Policy Committee

The Public Policy Committee of PG&E Corporation advises and assists the Boards of PG&E Corporation and the Utility with respect to public policy and corporate responsibility issues that could affect significantly the interests of the customers, shareholders, or employees of PG&E Corporation or its subsidiaries.

Among other things, the Public Policy Committee reviews the policies and practices of PG&E Corporation and its subsidiaries with respect to:

Protection and improvement of the quality of the environment, and compliance with environmental and hazardous waste management standards and regulations,

Charitable and community service organizations and activities,

Political contributions,

Diversity, inclusion, and workforce development,

Development of diverse suppliers to PG&E Corporation, the Utility, and their respective subsidiaries, and

Significant societal, governmental, and environmental trends and issues that may affect operations.

Independence. The Public Policy Committee must be composed entirely of independent directors, as defined in the Corporate Governance Guidelines.

Board-Level Oversight of Risk Management

As part of their oversight functions, the PG&E Corporation and Utility Boards generally oversee the companies' risk management policies and programs, and allocate certain specific oversight responsibilities to the Board committees, consistent with the substantive scope of each committee's charter. If a specific element of risk oversight is delegated to a Board committee, that committee provides a report of its activities to the applicable Board.

The allocation of Board-level risk oversight responsibility is based on legal requirements and internal governance standards. Some of the key areas in which risk management oversight has been allocated to Board committees include the following:

The Boards evaluate risks associated with major investments and strategic initiatives, with assistance from the PG&E Corporation Finance Committee.

The Boards oversee the implementation and effectiveness of the overall legal compliance and ethics programs, with assistance from the PG&E Corporation and Utility Audit Committees.

Each company's Audit Committee discusses the guidelines and policies that govern the processes by which major risks are assessed and managed, and considers risk issues associated with overall financial reporting and disclosure processes.

The PG&E Corporation Finance Committee reviews the strategies developed to manage the largest individual risks identified in management's enterprise risk management program (described below) and also discusses risk exposures related to energy commodities and derivatives.

The PG&E Corporation Compensation Committee oversees potential risks arising from the companies' compensation policies, practices, and plans. Other risk oversight responsibilities also have been allocated, consistent with each committee's substantive scope.

The allocation of Board-level risk oversight responsibility is reviewed periodically. The last

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assessment was conducted in December 2009 by the PG&E Corporation Nominating and Governance Committee.

Management has the day-to-day responsibility for assessing and managing PG&E Corporation's and the Utility's exposure to various risks. Management provides various reports to the Boards and their committees regarding different elements of corporate risk management programs and activities. Among other things, management's enterprise risk management program focuses on identifying and addressing the largest risks facing the enterprise. PG&E Corporation and the Utility also have a Chief Risk and Audit Officer who functionally reports to the Audit Committees of PG&E Corporation and the Utility.

Board of Directors Retirement Policy

The Boards of PG&E Corporation and the Utility may not designate any person as a candidate for election or re-election as a director after such person has reached the age of 70.

Availability of Governance Documents

The following corporate governance documents are available in the Corporate Governance section of PG&E Corporation's website (www.pgecorp.com/aboutus/) or the Utility's website (www.pge.com/about/):

PG&E Corporation's and the Utility's respective Bylaws,

PG&E Corporation's and the Utility's respective Corporate Governance Guidelines (the PG&E Corporation Corporate Governance Guidelines are also included as Appendix A to this Joint Proxy Statement and are substantially similar to the Utility's Guidelines),

PG&E Corporation's and the Utility's respective codes of conduct and ethics that apply to each company's directors and employees, including executive officers, and

Charters of the following Board committees: the companies' Audit Committees, the companies' Executive Committees, the PG&E Corporation Compensation Committee, the PG&E Corporation Finance Committee, the PG&E Corporation Nominating and Governance Committee, and the PG&E Corporation Public Policy Committee.

Shareholders also may obtain printed copies of these documents by sending a written request to the Corporate Secretary of the appropriate company.

Contacting the Directors or Officers of PG&E Corporation or Pacific Gas and Electric Company

Correspondence to the Board of PG&E Corporation or the Utility or any individual directors (including the non-employee or independent directors as a whole, or the lead director) or to PG&E Corporation or Utility officers should be sent to the principal executive office of the appropriate company in care of the Corporate Secretary. Correspondence addressed to either company's Board as a body, or to all of the directors (or the independent directors) in their entirety, will be forwarded to the lead director. The Corporate Secretary will regularly provide each Board with a summary of communications from shareholders and other interested parties that the Corporate Secretary receives on behalf of that Board. A majority of the independent members of the Boards of PG&E Corporation and the Utility have approved this process for shareholders to send communications to the Boards.

The addresses of the principal executive offices are:

PG&E Corporation

One Market, Spear Tower, Suite 2400

San Francisco, CA 94105

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Pacific Gas and Electric Company

77 Beale Street, 32nd Floor

San Francisco, CA 94105

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Item No. 1:
**Election of Directors of PG&E Corporation and
Pacific Gas and Electric Company**

Shareholders are being asked to elect 11 directors to serve on the Board of PG&E Corporation and 12 directors to serve on the Board of the Utility. The 11 nominees for director of PG&E Corporation also are nominees for director of the Utility.

The nominees for director were selected by the Boards of PG&E Corporation and the Utility, as applicable, based on recommendations received from the PG&E Corporation Nominating and Governance Committee. The Committee reviews the qualifications of Board candidates in consultation with the PG&E Corporation Chairman or the Utility Chairman, as applicable, and the PG&E Corporation CEO.

All nominees are current directors who were elected by shareholders at the 2009 annual meetings, except for (1) Lewis Chew and Rosendo G. Parra, both of whom were elected to the PG&E Corporation and Utility Boards on September 16, 2009, and (2) Christopher P. Johns, who was elected to the Utility Board on February 17, 2010.

The Nominating and Governance Committee reviews Board candidates with a goal of creating for each company a balanced and multi-disciplinary Board composed of qualified, dedicated, ethical, and highly regarded individuals who have experience relevant to the company's operations, understand the complexities of the company's business environment, and possess capabilities to provide valuable insight and oversight. In conducting this review, the Committee considers the requirements for director independence and other qualifications contained in each company's Corporate Governance Guidelines and Board committee charters. The Committee also considers factors such as diversity, age, skills, and any other factors that it deems appropriate, given the current needs of the Boards and the companies.

With respect to diversity, the Nominating and Governance Committee seeks a range of different backgrounds, perspectives, skills, and experiences. Although there is no set policy regarding diversity of nominees for director, the Committee and the Boards annually review the diversity of the director nominees and the extent to which diverse backgrounds, perspectives, skills, and experiences are represented by the members of the Boards.

If elected as director, all of the nominees have agreed to serve and will hold office until the next annual meetings or until their successors shall be elected and qualified, except in the case of death, resignation, or removal of a director.

If any of the nominees become unavailable at the time of the annual meetings to accept nomination or election as a director, the proxyholders named on the PG&E Corporation or Utility proxy card (as applicable) will vote for substitute nominees at their discretion.

Information is provided on the following pages about the nominees for director, including principal occupations and directorships held during the past five years, certain other directorships, age, length of service as a director of PG&E Corporation and/or the Utility, and membership on Board committees. Information regarding attendance at Board and committee meetings and ownership of PG&E Corporation and Utility stock is provided in the section entitled "Information Regarding the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company," which can be found on pages 28-35 of this Joint Proxy Statement.

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company Unanimously Recommend a Vote FOR Each of the Nominees for Director Presented in This Joint Proxy Statement.

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**Nominees for Directors of PG&E Corporation and
Pacific Gas and Electric Company**

The Boards of PG&E Corporation and the Utility believe that the nominees for director who are listed below would, if elected, constitute a balanced and multi-disciplinary Board composed of qualified, dedicated, ethical, and highly regarded individuals. The information provided below includes a description of each nominee's specific experience, qualifications, attributes, or skills that indicate why that person should serve as a director of the applicable company, in light of the company's business and structure.

David R. Andrews

Mr. Andrews is retired Senior Vice President, Government Affairs, General Counsel, and Secretary of PepsiCo, Inc. (food and beverage businesses) and served in that position from February 2002 to November 2004. He also is a founder of MetaJure, Inc. (a company focused on developing information access solutions for lawyers by the application of technology) and has been Co-Chairman of that company since 2007. Prior to joining PepsiCo, Inc., Mr. Andrews was a partner in the international law firm of McCutchen, Doyle, Brown & Enersen, LLP (now Bingham McCutchen) from May 2000 to January 2002 and from 1981 to July 1997. He founded that firm's environmental practice and served as Chairman of the firm from 1991 to 1994. From August 1997 to April 2000, Mr. Andrews was Legal Adviser (General Counsel) to the U.S. Department of State. From 1980 to 1981, he served as the Principal Deputy General Counsel to the U.S. Department of Health and Human Services. From 1976 to 1980, he served as the Special Assistant for Policy and Legal Counsel to the Deputy Administrator of the U.S. Environmental Protection Agency.

Mr. Andrews has been a director of UnionBanCal Corporation (financial holding company) and Union Bank, N.A. (commercial bank, formerly Union Bank of California) since April 2000 and has been the lead director of UnionBanCal Corporation since 2009. He previously served as chair of UnionBanCal Corporation's nomination and governance committee and was a member of that company's audit committee. Mr. Andrews also has been a director of the James Campbell Company LLC (real estate) since January 2007. He is the presiding director of that company, the chair of its nomination and governance committee, and a member of its compensation committee. Mr. Andrews previously served on the supervisory and joint boards of directors of James Hardie Industries N.V. (fiber cement manufacturing) from September 2007 to February 2009 and was chair of that company's compensation committee and a member of its nomination and governance committee.

In 2009, Mr. Andrews was selected as a member of The Conference Board Task Force on Executive Compensation. He has served as a Senior Fellow for Corporate Governance at the National Chamber Foundation, U.S. Chamber of Commerce. He also has served on the Boards of Trustees of several not-for-profit organizations, including the Lawyers Committee for Civil Rights (promoting equal justice through rule of law), the American Bar Association's Central European and Eurasian Law Initiative (promoting independent and civil rights in Eurasia), and the Asia Foundation (promoting economic and social development in Asia).

Mr. Andrews, 68, has been a director of PG&E Corporation and the Utility since August 2000. He currently is Chair of the PG&E Corporation Public Policy Committee, a member of the PG&E Corporation and Utility Audit

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Committees and Executive Committees, and a member of the PG&E Corporation Nominating and Governance Committee. He brings a wealth of management, leadership, and business skills from his professional experience described above, including as an executive and a director of, and legal counsel to, other large public companies and as legal counsel to the Executive Branch. His specific experience and expertise include legal, corporate governance, executive compensation, environmental, governmental, and public policy matters, as well as an in-depth knowledge of PG&E Corporation and the Utility.

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Lewis Chew

Mr. Chew is Senior Vice President, Finance and Chief Financial Officer of National Semiconductor Corporation (National Semiconductor) (design, manufacturing, and sale of semiconductors with a focus on energy efficiency, in Santa Clara, California) and has held that position since 2001. He joined National Semiconductor in 1997 as Director of Internal Audit and was named Vice President and Controller in 1998. Prior to joining National Semiconductor, Mr. Chew was a Partner and certified public accountant at KPMG, LLP (accounting firm), where he served mainly technology and financial institution clients. He joined KPMG, LLP in 1984.

Mr. Chew previously was a director of Foveon Inc. (design and development of image sensors for digital cameras). He currently serves on the Advisory Board of the Santa Clara University Accounting Department and on the Board of Regents of Archbishop Mitty High School in San Jose, California.

Mr. Chew, 47, has been a director of PG&E Corporation and the Utility since September 2009. He currently is a member of the PG&E Corporation and Utility Audit Committees and a member of the PG&E Corporation Public Policy Committee. As an executive of a large industrial customer in the technology sector in the Utility's service area, he brings a high-tech perspective, as well as insights from a customer's perspective. Mr. Chew has specific financial expertise and executive management and leadership skills gained from serving as Chief Financial Officer of National Semiconductor and as an audit partner at KPMG, LLP. He also has experience managing and overseeing all financial functions at a large public international corporation, as well as information systems, investor relations, business planning, corporate controllership, strategic planning, business development, worldwide operations finance, and global internal audit functions.

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C. Lee Cox

Mr. Cox is retired Vice Chairman of AirTouch Communications, Inc. (wireless service provider) and retired President and Chief Executive Officer of AirTouch Cellular (cellular telephone services). He was an executive officer of AirTouch Communications, Inc. and its predecessor, PacTel Corporation (telecommunications utility), from 1987 until his retirement in April 1997. His positions at those entities included, among others, Vice President of Corporate Communications, Executive Vice President of Operations, and Executive Vice President of Marketing.

Mr. Cox previously served on the boards of directors of Pacific Telesis Group (regional telephone operating company), AirTouch Communications, Inc., Netcom On-Line Communications Services, Inc. (Internet access provider), Cellular Communications, Inc. (cellular telephone services), and Riverstone Networks (provider of networking switching hardware). He currently is a board member of the SPCA for Monterey County and the Nancy Buck Ransom Foundation. He is a past member of the Board of Governors of the Commonwealth Club of California and the Board of Trustees of the World Affairs Council.

Mr. Cox, 69, has been a director of PG&E Corporation and the Utility since 1996 and has served as the non-executive Chairman of the Board of the Utility since January 2008 and as the lead director of PG&E Corporation and the Utility since April 2004. He currently is Chair of the PG&E Corporation Compensation Committee, a member of the PG&E Corporation Finance Committee, and a member of the PG&E Corporation and Utility Executive Committees. He previously served as Chair of the PG&E Corporation and Utility Audit Committees. Mr. Cox brings in-depth knowledge of PG&E Corporation and the Utility, as well as corporate governance, compensation, and finance matters, based on his experience as lead director of each company and as Chair and a member of several key Board committees. He also brings executive management, business, and leadership skills gained as the chief executive officer and a director of other large public companies. Mr. Cox's specific experience and expertise include managing and directing operations, corporate communications, and marketing functions at other large companies that are regulated by the California Public Utilities Commission.

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Peter A. Darbee

Mr. Darbee is Chairman of the Board, Chief Executive Officer, and President of PG&E Corporation. During his career at PG&E Corporation, he has held the following positions:

Chairman of the Board since January 2006,

Chief Executive Officer since January 2005,

President from January 2005 to June 2007 and since September 2007, and

Senior Vice President and Chief Financial Officer from September 1999 to December 2004.

Mr. Darbee also held the following positions at the Utility:

President and Chief Executive Officer from September 2008 to July 2009, and

Chairman of the Board from January 2006 to May 2007.

Before joining PG&E Corporation, Mr. Darbee was Vice President and Chief Financial Officer of Advanced Fibre Communications, Inc. (broadband solutions for the telecommunications industry) from 1997 to 1999. He was Vice President, Chief Financial Officer, and Controller of Pacific Bell (telecommunications utility) from 1994 to 1997. As an investment banker with Goldman Sachs & Co. (investment bank) from 1989 to 1994, Mr. Darbee was Vice President and co-head of the firm's energy and telecommunications group. He also held positions at Salomon Brothers (investment bank), Kidder, Peabody & Co. (investment bank), AT&T (telecommunications services and equipment), and Citibank (bank and financial services).

Mr. Darbee graduated from the Massachusetts Institute of Technology Reactor Technology Course for Utility Executives in June 2004. He is a member of the Edison Electric Institute Executive Committee, serves as Chairman of the CEO Policy Committee on Public and Governmental Affairs, and is a member of the CEO board of the Clean Energy Group. Mr. Darbee also serves as the United States co-chair for the Global Leadership Technology Exchange and the business co-chair of the Washington, D.C.-based Alliance to Save Energy. He is active in numerous civic and

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community organizations, including The Business Council, the California Business Roundtable, and the San Francisco Symphony Board of Governors.

Mr. Darbee, 57, has been a director of PG&E Corporation and the Utility since January 2005. He currently is Chair of the PG&E Corporation and Utility Executive Committees. Mr. Darbee brings an in-depth knowledge of the business and operational issues facing PG&E Corporation and the Utility, and the leadership, management, and business skills gained during his tenure as an executive and a director of PG&E Corporation and the Utility and, prior to that, as an executive and a manager at various telecommunications and investment banking entities. Mr. Darbee also has been recognized as a leader in the areas of climate change, energy efficiency, renewable energy, and other aspects of energy and environmental policy.

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Maryellen C. Herringer

Ms. Herringer is an attorney-at-law. She held various executive positions at APL Limited (intermodal shipping and rail transportation company) from 1991 until it was acquired by Neptune Orient Lines in December 1997, most recently serving as Executive Vice President, General Counsel, and Secretary. In those positions, she was responsible for overseeing a broad range of functions at APL Limited, including legal, risk management, corporate communications, human resources, internal audit, tax, and community affairs. Prior to joining APL Limited, Ms. Herringer was a partner in the international law firm of Morrison & Foerster from 1989 to 1991 and Senior Vice President and General Counsel of Transamerica Corporation (insurance and financial services) from 1981 to 1989.

Ms. Herringer has been a director of ABM Industries Incorporated (facilities services) since 1993 and has served as the non-executive Chairman of the Board of that company since March 2006. She is a member of that company's compensation committee and its executive committee, and previously was chair of its compensation committee and a member of its audit committee. In addition, Ms. Herringer was a director of Wachovia Corporation (bank holding company) and a member of that company's risk committee until it merged with Wells Fargo in December 2008. She also served as a director of Golden West Financial Corporation (savings and loan holding company) and World Savings Bank (savings and loan) from 1996 until they were acquired by Wachovia Corporation in October 2006 and was chair of those companies' nominating and governance committee and a member of their audit committee. Ms. Herringer currently is a member of the Board of Trustees of the Benilde Religious Trust and the Board of Trustees of Mills College. She previously served on the boards of numerous educational institutions and not-for-profit organizations, including St. Mary's College of California, Vassar College, the Alameda County Hospital Authority, and the San Francisco Chamber of Commerce. She also was Chair of the Business Law Section of the State Bar of California.

Ms. Herringer, 66, has been a director of PG&E Corporation and the Utility since October 2005. She currently is Chair of the PG&E Corporation Nominating and Governance Committee, and is a member of the PG&E Corporation and Utility Audit Committees and Executive Committees. She previously was a member of the PG&E Corporation Public Policy Committee. Ms. Herringer brings leadership, business, legal, and management skills developed as an executive and a director of, and legal counsel to, other large public companies. Her specific expertise includes legal, corporate governance, risk management, and internal audit matters, as well as corporate transactions and mergers and acquisitions. Ms. Herringer's involvement in local educational, community, and business organizations also provides a perspective regarding the Utility's customer base.

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Christopher P. Johns

Mr. Johns is President of Pacific Gas and Electric Company. During his career at the Utility, he has held the following positions:

President since August 2009,

Senior Vice President, Financial Services from May 2009 to July 2009,

Senior Vice President and Treasurer from October 2005 through April 2009,

Chief Financial Officer from October 2005 through May 2007, and

Vice President and Controller from June 1996 through December 1999.

Mr. Johns also held the following positions at PG&E Corporation:

Treasurer from October 2005 to April 2009,

Chief Financial Officer from January 2005 through July 2009,

Senior Vice President from September 2001 to July 2009,

Controller from July 1997 to October 2005, and

Vice President from July 1997 to September 2001.

Prior to becoming an officer of the Utility, Mr. Johns was a partner at KPMG Peat Marwick (accounting firm). He graduated from the Massachusetts Institute of Technology Reactor Technology Course for Utility Executives in June 2006. Mr. Johns also serves on the Board of Directors of the California Chamber of Commerce and the Board of Trustees of the San Francisco Ballet.

Mr. Johns, 49, has been a director of the Utility since February 2010. He currently is a member of the Utility's Executive Committee. Mr. Johns brings a detailed knowledge of the Utility's operations and experience with the Utility's and PG&E Corporation's finance and accounting functions, including oversight of treasury, investor relations, and business planning, along with the management, leadership, and problem-solving skills gained in his years as an executive of PG&E Corporation and the Utility and as a partner at KPMG Peat Marwick.

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Roger H. Kimmel

Mr. Kimmel is Vice Chairman of Rothschild Inc. (international investment banking firm) and has held that position since January 2001. His investment banking work includes cross-border and domestic public company mergers and acquisitions, capital market transactions, corporate governance, and advising special committees of boards of directors. He also serves as chairman of Rothschild Inc.'s Investment Banking Committee. Prior to joining Rothschild Inc., Mr. Kimmel was a partner in the international law firm of Latham & Watkins LLP from December 1986 to January 2001, where his practice focused on mergers and acquisitions, capital markets, and corporate governance matters.

Mr. Kimmel has been a director of Endo Pharmaceuticals Holdings Inc. (pharmaceutical company) since July 2000 and has served as that company's non-executive Chairman of the Board since May 2007. He also is chair of that company's nominating and governance committee, as well as a member of its audit committee and its transactions committee. In addition, Mr. Kimmel has served as a director of Schiff Nutrition International, Inc. (vitamins and nutritional supplements company) since 1996. He previously was a director of Algos Pharmaceutical Corporation from July 1996 until it merged with Endo Pharmaceuticals Holdings Inc. in July 2000. Mr. Kimmel has been Chairman of the Board of Trustees of the University of Virginia Law School Foundation (not-for-profit) since January 2009. He has been a public speaker on corporate governance issues and private equity transactions.

Mr. Kimmel, 63, has been a director of PG&E Corporation and the Utility since January 2009. He currently is a member of the PG&E Corporation Finance Committee and the PG&E Corporation Public Policy Committee. Mr. Kimmel brings business, finance, and legal skills, as well as leadership and problem-solving skills developed as an executive and a director of, and legal counsel to, other large public companies. His specific expertise includes corporate transactions, finance, investment banking, international business, corporate governance, and legal matters.

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Richard A. Meserve

Dr. Meserve is President of the Carnegie Institution of Washington (not-for-profit scientific research institution) and has held that position since April 2003. Dr. Meserve, who has both a Ph.D. in applied physics and a law degree, also has served as Senior Of Counsel to the international law firm of Covington & Burling LLP since April 2004 and was a partner in that firm from 1984 to 1999. Prior to joining the Carnegie Institution of Washington, Dr. Meserve was Chairman of the U.S. Nuclear Regulatory Commission from October 1999 to March 2003. Before joining Covington & Burling LLP in 1981, he served as legal counsel to President Carter's science and technology advisor and as a law clerk to Justice Harry A. Blackmun of the U.S. Supreme Court. In February 2009, U.S. Secretary of Energy Steven Chu appointed Dr. Meserve to the Blue Ribbon Commission on America's Nuclear Future.

Dr. Meserve has served as a director of Luminant Holding Company LLC (holding company for Texas-based electric power supplier) since 2008 and as a member of the board of trustees of Universities Research Association, Inc. (consortium of research-oriented universities) since 2004. He also is a member of the independent advisory board of UniStar Nuclear Energy LLC (design, licensing, construction, and operations of new nuclear power plants) and Constellation Energy Nuclear Group, LLC (existing nuclear power plant owner and operator). Dr. Meserve was a member of the board of trustees of the Carnegie Institution of Washington from 1992 until his appointment as President of that institution in April 2003. Dr. Meserve serves as Chairman of the International Nuclear Safety Group, chartered by the International Atomic Energy Agency, and of the Nuclear and Radiation Studies Board of the National Academies of Sciences and Engineering. He is a member of the Board of Overseers of Harvard University and serves on the Council and Trust of the American Academy of Arts and Sciences. Dr. Meserve also is a member of numerous national scientific and research-oriented organizations.

Dr. Meserve, 65, has been a director of PG&E Corporation and the Utility since December 2006. He currently is a member of the PG&E Corporation Nominating and Governance Committee and the PG&E Corporation Public Policy Committee. Dr. Meserve brings technical, legal, regulatory, and public policy expertise in numerous areas, including nuclear power, energy policy, and climate change, as well as leadership and business skills developed as an executive and a director of, and an advisor to, national and international scientific, research-oriented, and legal organizations.

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Forrest E. Miller

Mr. Miller is Group President-Corporate Strategy and Development of AT&T Inc. (communications holding company) and has held that position since June 2007. In that position, he is responsible for overseeing enterprise-wide strategic planning and mergers and acquisitions activities. From December 2006 to June 2007, he was Group President-Strategic Initiatives and Human Resources of AT&T Inc. Before that, Mr. Miller was Group President of AT&T Corp., the Global Enterprise division of AT&T Inc. He assumed that responsibility in November 2005, immediately after the close of the merger between SBC Communications and AT&T Corp. He had overall responsibility for the integration of the two companies' enterprise operations. Between 1984 and November 2005, Mr. Miller held a variety of executive positions at SBC Communications (communications holding company) and its predecessor Pacific Telesis Group, including Group President-External Affairs and Planning, Group President-Corporate Planning, President and CEO-SBC Southwestern Bell, President and CEO-SBC SNET, and President and CEO-SBC Directory Services. Prior to joining Pacific Telesis Group, Mr. Miller was a supervising consultant at Marakon Associates (management consulting firm), and before that he was a senior accountant at Coopers & Lybrand (accounting firm).

Mr. Miller currently serves as a trustee of Trinity University in San Antonio, Texas. He has served on the management board of the Graduate School of Business at Stanford University and as Chairman of the Board of the Yellow Pages Publishers Association.

Mr. Miller, 57, has been a director of PG&E Corporation and the Utility since February 2009. He currently is a member of the PG&E Corporation and Utility Audit Committees and the PG&E Corporation Compensation Committee. Mr. Miller brings strategic management, leadership, and business skills developed as an executive of other large public companies in both regulated and competitive markets, as well as specific expertise in a number of areas, including strategic planning, corporate finance, mergers and acquisitions, and government and regulatory affairs.

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Rosendo G. Parra

Mr. Parra is a retired executive of Dell Inc. (international information technology company). From 1993 until his retirement in 2007, he held various executive and senior management positions at Dell Inc., including Senior Vice President for the Home and Small Business Group from June 2006 to April 2007 and Senior Vice President and General Manager, Dell Americas from April 2002 to June 2006. In those roles, Mr. Parra led Dell Inc.'s activities in the Americas. Those activities included marketing, sales, manufacturing, logistics/distribution, call center operations, and services to all customer segments in the Americas, including consumer, small business, medium, large, and global corporate accounts, as well as government and education. Mr. Parra also is a co-founder of Daylight Partners (technology-focused venture capital firm) and has been a Partner of that firm since December 2007. Prior to joining Dell Inc., Mr. Parra was a senior executive of GRiD Computer Systems Inc. (producer of ruggedized and pen-based computers) for four years and spent 12 years with RadioShack Corporation (consumer electronics specialty retailer), where he served in a number of retail operating roles.

Mr. Parra has been a director of Brinker International (casual restaurant dining company) since December 2004 and is a member of that company's compensation committee and its governance and nominating committee. He also has been a director of NII Holdings, Inc. (mobile communications services in Latin America) since October 2008 and is a member of that company's compensation committee. Mr. Parra previously served as a director of YMAX Communications Corporation (voice-over-IP phone company).

Mr. Parra, 50, has been a director of PG&E Corporation and the Utility since September 2009. He currently is a member of the PG&E Corporation Finance Committee and the PG&E Corporation Nominating and Governance Committee. Mr. Parra brings business management, leadership, and problem-solving skills developed as an executive and a director of other large public companies, and specific experience in various areas, including technology, product development, manufacturing, sales, marketing, and customer service.

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Barbara L. Rambo

Ms. Rambo is Chief Executive Officer of Taconic Management Services (management consulting and services company) and has held that position since October 2009. Prior to joining Taconic Management Services, she was Vice Chair and a director of Nietech Corporation (payments technology company) from October 2006 to October 2009 and Chief Executive Officer of that company from November 2002 to October 2006. She previously served as Chairman of the Board of OpenClose Technologies (financial services company) from July 2001 to December 2001, as President and Chief Executive Officer of that company from January 2000 to June 2001, and as a director of that company from January 2000 to March 2002. Before that, Ms. Rambo held various executive and management positions at Bank of America from 1974 to 1998, most recently serving as Group Executive Vice President and head of commercial banking from 1993 to 1998.

Ms. Rambo has been a director of International Rectifier Corporation (power management technologies) since December 2009 and serves on that company's compensation and stock options committee. She also has been a director of West Marine, Inc. (boating supply retailer) since November 2009 and is a member of that company's audit committee and its governance and compensation committee. In addition, since October 2007, Ms. Rambo has been a director of UnionBanCal Corporation (financial holding company) and Union Bank, N.A. (commercial bank, formerly Union Bank of California), where she chairs a strategic planning initiative of the board. She is a member of those companies' audit committee and their compensation committee, and is a past member of their public policy committee. Previously, Ms. Rambo was a member of the Board of Directors of Gymboree Corporation (children's clothing) from 1996 to 2007 and served on that company's audit committee and its compensation committee. She has served as a director or member of numerous professional and civic organizations, including the College of William and Mary Board of Sponsors and the Board of Trustees of the San Francisco Ballet.

Ms. Rambo, 57, has been a director of PG&E Corporation and the Utility since January 2005. She currently serves as Chair of the PG&E Corporation Finance Committee and is a member of the PG&E Corporation Compensation Committee, the PG&E Corporation Nominating and Governance Committee, and the PG&E Corporation and Utility Executive Committees. She brings leadership and business skills developed as an executive and a director of other large public companies, with a focus on the financial services and technology sectors, and specific experience in various areas, including corporate finance, capital markets, sales and marketing, operations, and executive management.

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Barry Lawson Williams

Mr. Williams is retired Managing General Partner of Williams Pacific Ventures, Inc. (business and real estate investment and consulting) and also has served as President of that company since 1987. He served as interim President and Chief Executive Officer of the American Management Association International (management development organization) from November 2000 to June 2001, as a mediator for JAMS (mediation and arbitration services) from 1994 to 2002, and as President of C.N. Flagg Power, Inc. (construction services) from 1989 to 1992. In addition, Mr. Williams has been a general partner in various real estate joint ventures located primarily within the Utility's service territory.

Mr. Williams has been a director of CH2M Hill Companies, Ltd. (engineering and environmental consulting) since 1995 and serves on that company's audit, compensation, and risk committees. In addition, he has been a director of The Simpson Manufacturing Company Inc. (building construction products) since 1994 and is chair of that company's acquisitions and strategy committee, a member of its compensation and leadership development committee and its governance and nominating committee, and a past member of its audit committee. He also has been a director of SLM Corporation (student loans and financial services) since July 2000 and is a member of that company's audit committee and a past member of its finance committee. Mr. Williams has been a member of the Board of Trustees of The Northwestern Mutual Life Company (life and disability insurance and annuities) since 1987 and is a member of that company's operations and technology committee and a past member of its human resources and audit committees. Previously, he was a director of R.H. Donnelley Corporation (marketing services company) from June 1998 to February 2010 and served on that company's audit, compensation, and governance committees. Mr. Williams also is a director or trustee of numerous not-for-profit organizations, including locally based cultural organizations such as the American Conservatory Theater, and mentoring programs such as Management Leadership for Tomorrow.

Mr. Williams, 65, has been a director of the Utility since 1990 and a director of PG&E Corporation since 1996. He currently serves as Chair of the PG&E Corporation and Utility Audit Committees, and is a member of the PG&E Corporation Compensation Committee, the PG&E Corporation Finance Committee, and the PG&E Corporation and Utility Executive Committees. He previously served as Chair of the PG&E Corporation Finance Committee. Mr. Williams brings management, leadership, and business skills developed as an executive and a director of numerous public and privately held companies. In his capacity as president, chief executive officer, and general partner of several organizations, he has managed and directed their operational and financial functions. He has experience in numerous areas, including in financial, audit, engineering, construction, real estate, and environmental matters, as well as mediation expertise. Mr. Williams' involvement in the local community provides a valuable perspective on the Utility's customer base. He also has an in-depth knowledge of PG&E Corporation and the Utility, based on his tenure as a director.

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**Information Regarding the
Boards of Directors of PG&E Corporation and
Pacific Gas and Electric Company**

The following section describes (1) the composition of the Boards of Directors and principal standing Board committees of PG&E Corporation and the Utility, (2) the functioning of the Boards and these Board committees, (3) qualifications and compensation of directors, and (4) other information regarding the director nominees.

Director Independence

The PG&E Corporation and Utility Corporate Governance Guidelines provide that each Board must have at least 75% independent directors (as defined in the Corporate Governance Guidelines, which are included as Appendix A to this Joint Proxy Statement), and that the following Board committees must be comprised entirely of independent directors: the PG&E Corporation and Utility Audit Committees, the PG&E Corporation Compensation Committee, the PG&E Corporation Finance Committee, the PG&E Corporation Nominating and Governance Committee, and the PG&E Corporation Public Policy Committee. Additional qualification requirements apply to members of the Audit Committees.

The Boards of PG&E Corporation and the Utility each have affirmatively determined that the following directors are independent: David R. Andrews, Lewis Chew, C. Lee Cox, Maryellen C. Herringer, Roger H. Kimmel, Richard A. Meserve, Mary S. Metz (director until May 13, 2009), Forrest E. Miller, Rosendo G. Parra, Barbara L. Rambo, and Barry Lawson Williams. Each of these directors is independent because they:

Do not have any material relationship with either PG&E Corporation or the Utility that would interfere with the exercise of independent judgment,

Are independent as defined by applicable NYSE and AMEX rules, and

Satisfy each of the categorical standards adopted by the Boards for determining whether a specific relationship is material and a director is independent. Those categorical standards are set forth in Appendix A on pages A-5 and A-6 of this Joint Proxy Statement.

The PG&E Corporation and Utility Audit Committees, the PG&E Corporation Compensation Committee, the PG&E Corporation Finance Committee, the PG&E Corporation Nominating and Governance Committee, and the PG&E Corporation Public Policy Committee are each comprised solely of the above independent directors.

In the process of determining each director's independence, the Boards considered transactions between PG&E Corporation or the Utility and their respective directors and their immediate family members, and entities with which the directors or their immediate family members were affiliated. Other than transactions with AT&T Inc. and Covington & Burling LLP, these transactions only involved the Utility's provision of utility services at rates or charges fixed in conformity with law or governmental authority, which the Boards determined were not material and did not affect the director's independence. PG&E Corporation and the Utility received from AT&T Inc. (of which Mr. Miller serves as an executive officer) utility services at rates or charges fixed in conformity with law or governmental authority, and other telecommunications services and related equipment in the ordinary course of business, which the Boards determined were not material and did not affect Mr. Miller's independence. Within the past three years, PG&E Corporation and the Utility have received legal services from Covington & Burling LLP (to which Dr. Meserve is Senior Of Counsel), all of which were performed in the ordinary course of business. The annual dollar value of such services was less than the \$10,000 per year disclosure threshold for review pursuant to the companies' Related Party Transaction Policy. The Boards have determined that these transactions were not material.

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Director Attendance at Board and Committee Meetings During 2009

During 2009, there were 8 meetings of the PG&E Corporation Board and 22 meetings of the PG&E Corporation Board committees. Each incumbent PG&E Corporation director attended at least 80% of the total number of applicable Board and Board committee meetings held during the period of their service on the Board and Board committees during 2009.

During 2009, there were 8 meetings of the Utility Board and 4 meetings of the Utility Board committees. Each incumbent Utility director attended at least 86% of the total number of applicable Board and Board committee meetings held during the period of their service on the Board and Board committees during 2009.

Director Attendance at the 2009 Annual Meetings

Each member of the Board of PG&E Corporation or the Utility is expected to attend that company's annual meeting. Eight of the nine incumbent directors who were Board members at the time of PG&E Corporation's 2009 annual meeting of shareholders attended PG&E Corporation's 2009 annual meeting.

Eight of the nine incumbent directors who were Board members at the time of the Utility's 2009 annual meeting of shareholders) attended the Utility's 2009 annual meeting.

Compensation of Non-Employee Directors

In December 2006, the PG&E Corporation Nominating, Compensation, and Governance Committee (the PG&E Corporation Compensation Committee's predecessor) reaffirmed the following approach for determining compensation levels for non-employee directors of PG&E Corporation and the Utility:

Target total compensation (i.e., Board and committee retainers, meeting fees, chairperson retainers, and equity) should be competitive with the average of the comparator group,

Director compensation should be set for two-year periods, to achieve the preceding objective at the midpoint of each period,

Target total compensation for the companies' Audit Committees and their Chair should reflect a premium to account for their increased responsibility and accountability pursuant to stock exchange requirements and legislation, and

Target total compensation for the lead director should reflect the same premium as for the Chair of the Audit Committees.

The following section provides additional information regarding compensation paid to the non-employee directors of PG&E Corporation and the Utility during 2009.

2009 Director Compensation

This table summarizes the principal components of compensation paid or granted during 2009 to the non-employee directors of PG&E Corporation and the Utility.

Name	Fees Earned or				Total (\$)
	Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	
D. R. Andrews	\$ 98,750	\$ 54,981	\$ 37,860	\$ 95	\$ 191,686
L. Chew ⁽⁵⁾	\$ 27,492	\$ 0	\$ 0	\$ 24	\$ 27,516
C. L. Cox	\$ 145,750	\$ 89,981	\$ 0	\$ 95	\$ 235,826
M. C. Herringer	\$ 96,250	\$ 89,981	\$ 0	\$ 2,595	\$ 188,826
R. H. Kimmel	\$ 88,250	\$ 67,481	\$ 24,336	\$ 95	\$ 180,162
R. A. Meserve	\$ 81,250	\$ 89,981	\$ 0	\$ 1,095	\$ 172,326
M. S. Metz (retired May 13, 2009)	\$ 37,250	\$ 89,981	\$ 0	\$ 17,595	\$ 144,826
F. E. Miller	\$ 65,250	\$ 67,481	\$ 24,336	\$ 95	\$ 157,162
R. G. Parra ⁽⁵⁾	\$ 28,242	\$ 0	\$ 0	\$ 24	\$ 28,266
B. L. Rambo	\$ 101,000	\$ 89,981	\$ 0	\$ 95	\$ 191,076
B. L. Williams	\$ 149,250	\$ 89,981	\$ 0	\$ 2,595	\$ 241,826

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- (1) Represents receipt of retainers and meeting fees consistent with the schedule described in the narrative following this table. Retainers paid to Mr. Chew and Mr. Parra reflect their election to the Boards on September 19, 2009. Total meeting fees were: Mr. Andrews \$36,250, Mr. Chew \$11,500, Mr. Cox \$33,250, Ms. Herringer \$33,750, Mr. Kimmel \$33,250, Dr. Meserve \$26,250, Dr. Metz \$9,750, Mr. Miller \$15,750, Mr. Parra \$12,250, Ms. Rambo \$38,500, and Mr. Williams \$44,250.
- (2) Represents the grant date fair value of restricted stock and restricted stock units (RSUs) granted in 2009 measured in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation (FASB ASC Topic 718). Grant date fair value is measured using the closing price of PG&E Corporation common stock. In 2009, each non-employee director, except Mr. Chew and Mr. Parra, received 1,266 shares of restricted stock with a grant date value of \$44,981. Mr. Cox, Ms. Herringer, Dr. Meserve, Dr. Metz, Ms. Rambo, and Mr. Williams each received 1,266.54 RSUs with a grant date value of \$45,000. Mr. Kimmel and Mr. Miller each received 633.27 RSUs with a grant date value of \$22,500, and Mr. Andrews received 281.45 RSUs with a grant date value of \$10,000. The aggregate number of stock awards outstanding for each non-employee director at December 31, 2009 was: Mr. Andrews 4,887, Mr. Chew 0, Mr. Cox 10,997, Ms. Herringer 6,782, Mr. Kimmel 1,920, Dr. Meserve 6,003, Dr. Metz 10,564, Mr. Miller 1,920, Mr. Parra 0, Ms. Rambo 8,501, and Mr. Williams 7,961.
- (3) Represents the fair value of stock options granted in 2009, measured in accordance with FASB ASC Topic 718. Assumptions used in determining the grant date fair value are set forth in the Stock Options section of Note 13 to the Consolidated Financial Statements in the 2009 Annual Report. In 2009, Mr. Andrews received 6,363 stock options with a grant date value of \$37,860 and Mr. Kimmel and Mr. Miller each received 4,090 stock options with a grant date value of \$24,336. The exercise price of the stock options, \$35.53, is the closing price of PG&E Corporation common stock on the March 9, 2009 grant date. The aggregate number of option awards outstanding for each non-employee director at December 31, 2009 was: Mr. Andrews 41,847, Mr. Chew 0, Mr. Cox 0, Ms. Herringer 2,491, Mr. Kimmel 4,090, Dr. Meserve 0, Dr. Metz 1,890, Mr. Miller 4,090, Mr. Parra 0, Ms. Rambo 0, and Mr. Williams 25,245.
- (4) Represents (i) premiums paid for accidental death and dismemberment insurance, (ii) matching gifts to qualified educational and environmental nonprofit organizations pursuant to the PG&E Corporation Matching Gifts Program, which establishes a set fund for matching eligible gifts made by employees and directors on a dollar-for-dollar basis, up to a total of \$2,500 per calendar year per individual, as follows: Ms. Herringer \$2,500, Dr. Meserve \$1,000, Dr. Metz \$2,500, and Mr. Williams \$2,500, and (iii) retirement benefits of \$15,000 paid to Dr. Metz under the former PG&E Corporation Retirement Plan for Non-Employee Directors (additional information regarding this plan can be found under Director retirement benefits from PG&E Corporation or the Utility on page 32 of this Joint Proxy Statement.)
- (5) Mr. Chew and Mr. Parra were elected as directors of PG&E Corporation and the Utility on September 16, 2009.

Director retainers and fees. During 2009, each director who was not an officer or employee of PG&E Corporation or the Utility received a quarterly retainer of \$13,750. The non-employee directors who chaired the Compensation Committee, the Finance Committee, the Nominating and Governance Committee, and the Public Policy Committee each received an additional quarterly retainer of \$1,875. The non-employee director who chaired the Audit Committees received an additional quarterly retainer of \$12,500. In addition, the non-employee director who served as lead director received an additional quarterly retainer of \$12,500.

Non-employee directors also receive a fee of \$1,750 for each Board or Board committee meeting attended, except that members of the Audit Committees receive a fee of \$2,750 for each Audit Committee meeting attended.

Directors also receive a \$1,750 per meeting fee for attending shareholder meetings that are not held on the same day as a meeting of the respective company's Board.

Non-employee director stock-based compensation. Under the PG&E Corporation 2006 Long-Term Incentive Plan (LTIP), each non-employee director

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of PG&E Corporation is entitled to receive annual awards of stock-based compensation.

Awards for 2009 were granted on March 9, 2009. Such grants had a total aggregate value of \$90,000, composed of:

Restricted shares of PG&E Corporation common stock valued at \$45,000 (based on the closing price of PG&E Corporation common stock on the grant date), and

A combination, as elected by the director, of non-qualified stock options and RSUs with a total value of \$45,000, based on increments valued at \$5,000 (or if no election is made, stock options and RSUs with a value of \$22,500 each).

The per-option value is based on the Black-Scholes stock option valuation method, discounting the resulting value by 20%. The exercise price of stock options is the market value of PG&E Corporation common stock (i.e., the closing price) on the grant date. The value of each RSU is based on the closing price of PG&E Corporation common stock on the grant date.

Stock options vest over a four-year period following the grant date, with one-third of the grant vesting on each of the second, third, and fourth anniversaries of grant, except that stock options will vest immediately upon mandatory retirement from the Board, or upon a director's death or disability. If a director ceases to be a member of the Board for any other reason, any unvested stock options will be forfeited.

Restricted stock awards vest over the five-year period following the grant date, except that restricted stock will vest immediately upon mandatory retirement from the Board or upon a director's death or disability. If a director ceases to be a member of the Board for any other reason, any unvested shares of restricted stock will be forfeited.

RSUs granted to non-employee directors are payable only in the form of PG&E Corporation common stock following a director's retirement from the Board after five consecutive years of service or upon reaching mandatory retirement age, or upon a director's death or disability. If a director ceases to be a member of the Board for any other reason, all RSUs will be forfeited.

A non-employee director's equity-based awards also will vest or accelerate in full if there is a Change in Control, as defined in the LTIP.

Stock-based compensation received by directors during 2009. On March 9, 2009, each non-employee director received stock-based compensation under the LTIP. Each non-employee director received 1,266 restricted shares of PG&E Corporation common stock. In addition, directors who were granted stock options received options to purchase 909 shares of PG&E Corporation common stock for each \$5,000 increment of value (subject to a \$45,000 limit) at an exercise price of \$35.53 per share, and directors who were granted RSUs received 141 RSUs for each \$5,000 increment of value (subject to a \$45,000 limit).

Director payments for attending meetings of both PG&E Corporation and the Utility. Directors who serve on both the PG&E Corporation and Utility Boards and corresponding committees do not receive additional compensation for concurrent service on the Utility's Board or its committees. However, separate meeting fees are paid for each meeting of the Utility Board, or a Utility Board committee, that is not held concurrently or sequentially with a meeting of the PG&E Corporation Board or a corresponding PG&E Corporation Board committee. It is the usual practice of PG&E Corporation and the Utility that meetings of the companies' Boards and corresponding committees are held concurrently and, therefore, that a single meeting fee is paid to each director for each set of meetings.

Director's ability to defer retainers and fees. Under the PG&E Corporation 2005 Deferred Compensation Plan for Non-Employee Directors, directors of PG&E Corporation and the Utility may elect to defer all or part of their retainers and fees. Directors who participate in the Deferred Compensation Plan may elect either to (1) convert their deferred compensation into common stock equivalents, the value of which is tied to the market value of PG&E Corporation common stock, or (2) have their deferred compensation invested in the Utility Bond Fund.

Director reimbursement for travel and other expenses. Directors of PG&E Corporation and the Utility are reimbursed for reasonable expenses incurred in connection with attending Board, Board

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committee, or shareholder meetings, or participating in other activities undertaken on behalf of PG&E Corporation or the Utility.

Director retirement benefits from PG&E Corporation or the Utility. The PG&E Corporation Retirement Plan for Non-Employee Directors was terminated effective January 1, 1998. Directors who had accrued benefits under the Plan were given a one-time option of either (1) receiving the benefit accrued through 1997, upon their retirement, or (2) converting the present value of their accrued benefit into a PG&E Corporation common stock equivalent investment held in the Deferred Compensation Plan for Non-Employee Directors. The payment of accrued retirement benefits, or distributions from the Deferred Compensation Plan relating to the conversion of retirement benefits, cannot be made until the later of age 65 or retirement from the Board.

Related Person Transactions

During 2009, BlackRock, Inc. (BlackRock) became beneficial owner of 5.1% of PG&E Corporation common stock, upon BlackRock's acquisition of Barclays Global Investments on December 1, 2009.

Affiliates of BlackRock provide investment management services to PG&E Corporation and the Utility's employee benefit trusts and to the Utility's nuclear decommissioning trusts. In exchange for these services, BlackRock's affiliates earned approximately \$3 million in fees during 2009. These investments were initiated prior to BlackRock's becoming a 5% owner of PG&E Corporation. The fees for managing these funds are independently negotiated. As such, the terms of engagement for these services are comparable to those that could be obtained in arm's-length dealings with an unrelated third party. PG&E Corporation and the Utility expect to continue to obtain similar services and products from BlackRock and its affiliates in the future, at similar levels, in the normal course of the companies' business operations.

Sara A. Cherry became Vice President, Finance and Chief Financial Officer of the Utility effective March 1, 2010. Her husband, Brian K. Cherry, is Vice President, Regulatory Relations of the Utility. If Mr. Cherry remains employed with the Utility throughout 2010, his annual compensation for 2010

is expected to be substantially similar to annual compensation earned in 2009, which consisted of approximately \$400,000 in salary and short-term incentive awards as well as LTIP awards with an estimated fair market value of approximately \$210,000.

Review, Approval, and Ratification of Related Person Transactions

At their December 20, 2006 meetings, the Boards of PG&E Corporation and the Utility each adopted the joint Related Party Transaction Policy. The Related Party Transaction Policy generally applies to transactions that would require disclosure under Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934 (Item 404(a)), except that the policy has a lower dollar threshold than Item 404(a). This policy was amended at the February 20, 2008 and February 18, 2009 Board meetings.

Under the Related Party Transaction Policy, at the first meeting of each year, each company's Audit Committee must review, approve, and/or ratify related party transactions (other than the types of transactions that are excluded from disclosure under Item 404(a) as described below) with values exceeding \$10,000, in which either company participates and in which any Related Party has a material direct or indirect interest. For these purposes, Related Party generally includes (1) any director, nominee for director, or executive officer, (2) holders of greater than 5% of the company's voting securities, or (3) those parties' immediate family members.

After the annual review and approval of related party transactions, if either company wishes to enter into a new related party transaction, then that transaction must be either pre-approved or ratified by the appropriate Audit Committee. If a transaction is not ratified in accordance with the Related Party Transaction Policy, management shall make all reasonable efforts to cancel or annul that transaction.

Where it is not practical or desirable to wait until the next Audit Committee meeting to obtain Committee approval or ratification, the Chair of the appropriate Audit Committee may elect to approve a particular related party transaction and then report on such approval to the full Audit Committee at the Committee's next regularly scheduled meeting. If the

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Chair of the Audit Committee has an interest in the proposed related party transaction, then that transaction may be reviewed and approved by another independent and disinterested member of the applicable Audit Committee, provided that such member reports such approval to the full Committee at the Committee's next regularly scheduled meeting.

As part of the Audit Committee's review of any related party transaction, the Committee considers whether the transaction is on terms comparable to those that could be obtained in arm's-length dealings with an unrelated third party. The Related Party Transaction Policy also requires that each Audit Committee disclose to the respective Board any material related party transactions.

As provided in Item 404(a), the following types of transactions are excluded from the Related Party Transaction Policy:

Transactions where the rates or charges are determined by competitive bids,

Transactions for the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority,

Transactions for services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services,

Benefits received on a pro rata basis by holders of company securities,

Transactions where the individual's interest arises solely from (1) such person's position as a director of another corporation or organization which is a party to the transaction, or (2) the direct or indirect ownership of such person and a specific group (consisting of directors, nominees for director, and executive officers of the corporation, or any member of their immediate families), in the aggregate, of less than a 10% equity interest in another person (other than a partnership) which is a party to the transaction, or (3) both such position and ownership,

Transactions where the individual's interest arises solely from the holding of an equity interest (including a limited partnership interest, but excluding a general partnership interest) or a creditor interest in another person that is party to the transaction with PG&E Corporation, the Utility, or any of their respective subsidiaries or affiliates, and the transaction is not material to such other person,

Transactions where the individual's interest arises only from such person's position as a limited partner in a partnership engaged in a transaction with PG&E Corporation or the Utility, in which the individual's interest (when aggregated with any other related parties) is less than 10% and the individual does not serve as a general partner, nor hold another position in the partnership,

An employment relationship or transaction involving an executive officer of the respective company (and any related compensation resulting solely from that relationship or transaction), if the compensation is reported pursuant to Item 402 of Regulation S-K (Item 402),

An employment relationship or transaction involving an executive officer of the respective company (and any related compensation resulting solely from that relationship or transaction), if the compensation would have been reported pursuant to Item 402 as compensation earned for services if that individual were a named executive officer, and such compensation had been approved or recommended to the Board by the PG&E Corporation Compensation Committee (or its predecessor, the PG&E Corporation Nominating, Compensation, and Governance Committee) and the executive officer is not an immediate family member of another related party, and

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Compensation provided to a director, provided that compensation is reported pursuant to Item 402. During 2009, the Corporation and the Utility engaged in related party transactions with BlackRock, as previously disclosed. These transactions conform with the Related Party Transaction Policy.

Table of Contents**Security Ownership of Management**

The following table sets forth the number of shares of PG&E Corporation common stock beneficially owned (as defined in the rules of the SEC) as of March 11, 2010 by the directors, the nominees for director, and the individuals named in the Summary Compensation Table appearing in this Joint Proxy Statement, and all directors and executive officers of PG&E Corporation and the Utility as a group. As of March 11, 2010, no listed individual owned shares of any class of Utility securities. The table also sets forth common stock equivalents credited to the accounts of directors and executive officers under PG&E Corporation's deferred compensation and equity plans.

Name	Beneficial Stock Ownership ⁽¹⁾⁽²⁾⁽³⁾	Percent of Class ⁽⁴⁾	Common Stock Equivalents ⁽⁵⁾	Total
David R. Andrews ⁽⁶⁾		*		
Lewis Chew ⁽⁶⁾		*		
C. Lee Cox ⁽⁶⁾		*		
Peter A. Darbee ⁽⁷⁾		*		
Maryellen C. Herringer ⁽⁶⁾		*		
Christopher P. Johns ⁽⁸⁾		*		
Roger H. Kimmel ⁽⁶⁾		*		
Richard A. Meserve ⁽⁶⁾		*		
Forrest E. Miller ⁽⁶⁾		*		
Rosendo G. Parra ⁽⁶⁾		*		
Barbara L. Rambo ⁽⁶⁾		*		
Barry Lawson Williams ⁽⁶⁾		*		
Kent M. Harvey		*		
Hyun Park ⁽⁹⁾		*		
Rand L. Rosenberg ⁽¹⁰⁾		*		
John S. Keenan ⁽¹¹⁾		*		
Barbara L. Barcon ⁽¹²⁾		*		
All PG&E Corporation directors and executive officers as a group (18 persons)		*		
All Utility directors and executive officers as a group (27 persons)		*		

* Less than 1 percent

- (1) This column includes any shares held in the name of the spouse, minor children, or other relatives sharing the home of the listed individuals and, in the case of current and former executive officers, includes shares of PG&E Corporation common stock held in the defined contribution retirement plan maintained by PG&E Corporation. Except as otherwise indicated below, the listed individuals have sole voting and investment power over the shares shown in this column. Voting power includes the power to direct the voting of the shares held, and investment power includes the power to direct the disposition of the shares held.

This column also includes the following shares of PG&E Corporation common stock in which the listed individuals share voting and investment power: Mr. Andrews x,xxx shares, Mr. Cox x,xxx shares, Mr. Darbee xx,xxx shares, Ms. Herringer x,xxx shares, all PG&E Corporation directors and executive officers as a group xx,xxx shares, and all Utility directors and executive officers as a group xx,xxx shares.

- (2) This column includes the following shares of PG&E Corporation common stock which the listed individuals have the right to acquire within 60 days of March 11, 2010 through the exercise of vested stock options granted under the PG&E Corporation Long-Term Incentive Program or the PG&E Corporation 2006 Long-Term Incentive Plan: Mr. Andrews xx,xxx shares, Ms. Herringer x,xxx shares, Mr. Williams xx,xxx shares, Mr. Johns xx,xxx shares, all PG&E Corporation directors and executive officers as a group xx,xxx shares, and all Utility directors and executive officers as a group xxx,xxx shares. The listed individuals have neither voting power nor investment

power with respect to these shares unless and until they are purchased through

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the exercise of the options, under the terms of the PG&E Corporation Long-Term Incentive Program or the PG&E Corporation 2006 Long-Term Incentive Plan, as appropriate. This column also includes x,xxx shares of PG&E Corporation common stock underlying RSUs granted to Mr. Darbee in May 2008 and January 2009. Because Mr. Darbee is retirement-eligible, under the terms of those awards, he would have the right to acquire such stock within 60 days if he resigned from PG&E Corporation on March 11, 2010.

- (3) This column includes restricted shares of PG&E Corporation common stock granted under the PG&E Corporation Long-Term Incentive Program or the PG&E Corporation 2006 Long-Term Incentive Plan. As of March 11, 2010, the listed individuals held the following numbers of restricted shares that may not be sold or otherwise transferred until certain vesting conditions are satisfied: Mr. Andrews x,xxx shares, Mr. Cox x,xxx shares, Ms. Herringer x,xxx shares, Mr. Kimmel x,xxx shares, Dr. Meserve x,xxx shares, Mr. Miller x,xxx shares, Ms. Rambo x,xxx shares, Mr. Williams x,xxx shares, Mr. Johns xx,xxx shares, Mr. Park xx,xxx shares, Mr. Rosenberg xx,xxx shares, all PG&E Corporation directors and executive officers as a group xxx,xxx shares, and all Utility directors and executive officers as a group xxx,xxx shares.
- (4) The percent of class calculation is based on the number of shares of PG&E Corporation common stock outstanding as of March 11, 2010.
- (5) This column reflects the number of stock units that were purchased by listed individuals through salary and other compensation deferrals or that were awarded under equity compensation plans. The value of each stock unit is equal to the value of a share of PG&E Corporation common stock and fluctuates daily based on the market price of PG&E Corporation common stock. The listed individuals who own these stock units share the same market risk as PG&E Corporation shareholders, although they do not have voting rights with respect to these stock units.
- (6) Mr. Andrews, Mr. Chew, Mr. Cox, Ms. Herringer, Mr. Kimmel, Dr. Meserve, Mr. Miller, Mr. Parra, Ms. Rambo, and Mr. Williams are directors of both PG&E Corporation and the Utility.
- (7) Mr. Darbee is a director and the CEO and President of PG&E Corporation, and a director and an executive officer of the Utility. He is named in the Summary Compensation Table.
- (8) Mr. Johns is a director and the President of the Utility, and an executive officer of PG&E Corporation. He is named in the Summary Compensation Table.
- (9) Mr. Park is an executive officer of both PG&E Corporation and the Utility, and is named in the Summary Compensation Table.
- (10) Mr. Rosenberg is an executive officer of PG&E Corporation and is named in the Summary Compensation Table.
- (11) Mr. Keenan is an executive officer of the Utility and is named in the Summary Compensation Table.
- (12) Ms. Barcon was the CFO of the Utility from March 28, 2008 to February 28, 2010, and is named in the Summary Compensation Table.

Section 16(a) Beneficial Ownership Reporting Compliance

In accordance with Section 16(a) of the Securities Exchange Act of 1934 and SEC regulations, PG&E Corporation's and the Utility's directors and certain officers, and persons who own greater than 10% of PG&E Corporation's or the Utility's equity securities must file reports of

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ownership and changes in ownership of such equity securities with the SEC and the principal national securities exchange on which those securities are registered, and must furnish PG&E Corporation or the Utility with copies of all such reports that they file.

Based solely on review of copies of such reports received or written representations from certain reporting persons, PG&E Corporation and the Utility believe that during 2009 all filing requirements applicable to their respective directors, officers, and 10% shareholders were satisfied. No information is reported for individuals during periods in which they were not directors, officers, or 10% shareholders of the respective company.

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Item No. 2:
**Ratification of Appointment of the Independent Registered
Public Accounting Firm for PG&E Corporation and
Pacific Gas and Electric Company**

The Audit Committees of PG&E Corporation and the Utility each have selected and appointed Deloitte & Touche LLP (Deloitte & Touche) as the independent registered public accounting firm for that company to audit the consolidated financial statements as of and for the year ended December 31, 2010, and to audit the effectiveness of internal control over financial reporting, as of December 31, 2010. Deloitte & Touche is a major national accounting firm with substantial expertise in the energy and utility businesses. Deloitte & Touche has served as independent public accountants for PG&E Corporation and the Utility since 1999.

One or more representatives of Deloitte & Touche are expected to be present at the annual meetings. They will have the opportunity to make a statement if

they wish and are expected to be available to respond to questions from shareholders.

PG&E Corporation and the Utility are not required to submit these appointments to a vote of their shareholders. If the shareholders of either PG&E Corporation or the Utility do not ratify the appointment, the appropriate Audit Committee will investigate the reasons for rejection by the shareholders and will reconsider the appointment.

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company Unanimously Recommend a Vote FOR the Proposal to Ratify the Appointment of Deloitte & Touche.

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**Information Regarding the Independent Registered
Public Accounting Firm for PG&E Corporation and
Pacific Gas and Electric Company**

Fees Paid to the Independent Registered Public Accounting Firm

The Audit Committees have reviewed the audit and non-audit fees that PG&E Corporation, the Utility, and their respective subsidiaries have paid to the independent registered public accounting firm, in order to consider whether those fees are compatible with maintaining the firm's independence.

Table 1:**Estimated Fees Billed to PG&E Corporation**

(Amounts include Estimated Fees Billed to Pacific Gas and Electric Company and its Subsidiaries shown in Table 2 below)

	2009	2008
Audit Fees	\$4.5 million	\$4.5 million
Audit-Related Fees	\$0.3 million	\$0.3 million
Tax Fees	\$0.2 million	\$0.7 million
All Other Fees	\$0	\$0

Table 2:**Estimated Fees Billed to Pacific Gas and Electric Company and its Subsidiaries**

(Amounts are included in Estimated Fees Billed to PG&E Corporation shown in Table 1 above)

	2009	2008
Audit Fees	\$3.9 million	\$3.7 million
Audit-Related Fees	\$0.3 million	\$0.2 million
Tax Fees	\$0.2 million	\$0.7 million
All Other Fees	\$0	\$0

Audit Fees. Audit fees billed for 2009 and 2008 relate to services rendered by Deloitte & Touche in connection with reviews of Quarterly Reports on Form 10-Q, certain limited procedures on registration statements, the audits of the annual financial statements of PG&E Corporation and its subsidiaries and the Utility and its subsidiaries, and the audits of both PG&E Corporation's and the Utility's internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act.

Audit-Related Fees. Audit-related fees billed in 2009 and 2008 relate to services rendered by Deloitte & Touche to both PG&E Corporation and its subsidiaries and the Utility and its subsidiaries for employee benefit plan audits, nuclear decommissioning trust audits, consultations on financial accounting and reporting standards, and required agreed-upon procedure reports related to contractual obligations of the Utility and its subsidiaries.

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Tax Fees. Tax fees billed in 2009 and 2008 relate to services rendered by Deloitte & Touche to PG&E Corporation and its subsidiaries for tax advice provided with respect to changes in tax accounting, routine tax compliance matters, general tax planning and advice, and tax controversy support.

All Other Fees. Deloitte & Touche provided no services in this category to PG&E Corporation and its subsidiaries or to the Utility and its subsidiaries during 2009 and 2008.

Obtaining Services from the Independent Registered Public Accounting Firm

The following section describes policies and procedures regarding how PG&E Corporation, the Utility, and their consolidated affiliates may obtain services from Deloitte & Touche, including limitations on the types of services that the companies may obtain, and approval procedures relating to those services.

Services Provided by the Independent Registered Public Accounting Firm

In June 2002, PG&E Corporation adopted a policy providing that the company and its controlled subsidiaries only could enter into new engagements with Deloitte & Touche and its affiliate, Deloitte Consulting, for three types of services. The three permitted categories of services are:

Audit services,

Audit-related services, and

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Tax services that Deloitte & Touche and its affiliates are allowed to provide to Deloitte & Touche's audit clients under the Sarbanes-Oxley Act.

PG&E Corporation and its subsidiaries traditionally have obtained these types of services from its independent registered public accounting firm.

Audit Committee Pre-Approval Policy for Services Provided by the Independent Registered Public Accounting Firm

At the beginning of each year, the PG&E Corporation and Utility Audit Committees approve the selection of the independent registered public accounting firm for that fiscal year, and approve obtaining from the accounting firm a detailed list of (1) audit services, (2) audit-related services, and (3) tax services, all up to specified fee amounts.

- (1) *Audit services* generally include audit and review of annual and quarterly financial statements and services that only the independent registered public accounting firm reasonably can provide (e.g., comfort letters, statutory audits, attest services, consents, and assistance with and review of documents filed with the SEC).
- (2) *Audit-related services* generally include assurance and related services that traditionally are performed by the independent registered public accounting firm (e.g., employee benefit plan audits, agreed-upon procedure reports related to contractual obligations, and attest services that are not required by statute or regulation).
- (3) *Tax services* generally include compliance, tax strategy, tax appeals, and specialized tax issues, all of which also must be permitted under the Sarbanes-Oxley Act.

In determining whether to pre-approve any services from the independent registered public accounting firm, the Audit Committees assess, among other things, the impact of that service on the accounting firm's independence.

Additional Services. After the initial annual pre-approval, the Audit Committees must pre-approve any proposed engagement of the independent registered public accounting firm for any audit, audit-related, and tax services that are not included on the list of pre-approved services, and must pre-approve any listed pre-approved services that would cause PG&E Corporation or the Utility to exceed the authorized fee amounts. Other services may be obtained from the independent registered public accounting firm only following review and approval by the applicable company's management and review and pre-approval by the applicable Audit Committee.

Delegation of Pre-Approval Authority. Each Audit Committee has delegated to the Committee Chair, or to any other independent Committee member if the Chair is not available, the authority to pre-approve audit and non-audit services provided by the company's independent registered public accounting firm. Any pre-approvals granted under this authority must be presented to the full Audit Committee at the next regularly scheduled Committee meeting.

Monitoring Pre-Approved Services. At each regular meeting of the Audit Committees, management provides a report on the nature of specific audit and non-audit services being performed by Deloitte & Touche for the company and its subsidiaries, the year-to-date fees paid for those services, and a comparison of year-to-date fees to the pre-approved amounts.

Pre-Approval of Services During 2009 and 2008. During 2009 and 2008, all services provided by Deloitte & Touche to PG&E Corporation, the Utility, and their consolidated affiliates were approved under the applicable pre-approval procedures.

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Report of the Audit Committees

The Audit Committees of PG&E Corporation and the Utility are comprised of independent directors and operate under written charters adopted by their respective Boards. The members of the Audit Committees of PG&E Corporation and the Utility are identical. At both PG&E Corporation and the Utility, management is responsible for internal controls and the integrity of the financial reporting process.

In this regard, management has assured the Audit Committees that the consolidated financial statements of PG&E Corporation and the Utility were prepared in accordance with generally accepted accounting principles. In addition, the Audit Committees reviewed and discussed these audited consolidated financial statements with management and the independent registered public accounting firm. The Audit Committees also discussed with the independent registered public accounting firm matters that are required to be discussed by Statement on Auditing Standards No. 114 (the successor to Statement on Auditing Standards No. 61 – Communication with Audit Committees).

Deloitte & Touche was the independent registered public accounting firm for PG&E Corporation and the Utility in 2009. Deloitte & Touche provided to the Committees the written disclosures and the letter

required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche's communications with the audit committee concerning independence, and the Committees discussed with Deloitte & Touche that firm's independence.

Based on the Committees' review and discussions described above, the Committees recommended to the Boards that the audited consolidated financial statements for PG&E Corporation and the Utility be included in the PG&E Corporation and Pacific Gas and Electric Company Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission.

March 31, 2010

Audit Committees of the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company

Barry Lawson Williams, Chair

David R. Andrews

Lewis Chew

Maryellen C. Herringer

Forrest E. Miller

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Item No. 3:

**Advisory Vote on Executive Compensation for PG&E Corporation and
Pacific Gas and Electric Company**

PG&E Corporation and the Utility each believe that it is important to give shareholders the opportunity to provide input on executive compensation. Therefore, PG&E Corporation and the Utility each ask its shareholders to consider the following resolution:

Resolved: Shareholders approve of the company's overall pay-for-performance compensation policies and practices, as well as the compensation of the company's executive officers named in the Summary Compensation Table of this Joint Proxy Statement, as described in the Compensation Discussion and Analysis and the compensation tables (and accompanying narrative) in this Joint Proxy Statement.

PG&E Corporation and the Utility each believe that its executive compensation policies and practices are effective in tying a significant portion of pay to performance, while providing competitive compensation that attracts and retains talented personnel, and aligning executive officers interests with shareholder interests.

In establishing PG&E Corporation's officer compensation programs for 2009 (which also cover officers of the Utility), the PG&E Corporation Compensation Committee established three objectives. Each of these objectives, and how these objectives were met for 2009, is discussed in the Compensation Discussion and Analysis (CD&A), which can be found immediately following this Item No. 3, and is summarized below.

A significant component of every officer's compensation should be tied directly to PG&E Corporation's financial performance. With the exception of base salary, all elements of annual officer compensation are tied to corporate operational and/or financial performance and, therefore, provide a direct connection between compensation and performance in both the achievement of key operating results and long-term shareholder value. More than two-thirds of the target

average compensation for named executive officers (NEOs) listed in the summary compensation table for 2009 (with the exception of the PG&E Corporation CEO) was performance-based. For the PG&E Corporation CEO, approximately 85% of annual target compensation was performance-based.

Target cash compensation (base salary and target short-term incentive) should be competitive with the average target cash compensation for comparable officers in the Pay Comparator Group.

Target cash compensation for 2009 generally was within a range of 15% above to 15% below the corresponding measure for the Pay Comparator Group of publicly traded gas and electric utilities to evaluate market practice and assess its competitive pay position. (Additional information regarding the Pay Comparator Group can be found in the CD&A.)

Long-term compensation should be tied to PG&E Corporation's long-term performance for shareholders. The target values of long-term incentive awards granted in 2009 under the PG&E Corporation 2006 Long-Term Incentive Plan (LTIP) were designed to deliver long-term incentive compensation at approximately the 75th percentile level of the Pay Comparator Group of companies upon achievement of the 75th percentile total shareholder return (TSR) performance (as measured by the value of PG&E Corporation stock price appreciation and dividends) relative to the Performance Comparator Group (a subset of the Pay Comparator Group that provides the basis for

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corporate performance comparisons under the LTIP). To the extent that PG&E Corporation performs at the 50th percentile level, LTIP payouts would be targeted at approximately the 50th percentile level of the Pay Comparator Group. Actual LTIP amounts realized by NEOs depend on PG&E Corporation's performance as

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measured by relative TSR performance as compared to the Performance Comparator Group.

The 2009 LTIP awards were comprised equally of restricted stock units (RSUs) and performance shares, except that Peter A. Darbee, the CEO of PG&E Corporation, received 40% RSUs and 60% performance shares. RSU value is tied directly to the price of PG&E Corporation common stock. Performance share value is tied to the relative three-year performance of PG&E Corporation common stock as compared to the stock performance of companies in the Performance Comparator Group. Mr. Darbee s 2009 LTIP award contained a greater proportion of performance shares in order to tie more of his compensation directly to PG&E Corporation s long-term performance for shareholders.

Details regarding the companies executive compensation programs, including the overall

pay-for-performance policies and practices, are described more fully in the CD&A, the compensation tables, and the accompanying narrative, all of which can be found immediately following this Item No. 3.

If the shareholders of either company do not approve this proposal, the PG&E Corporation Compensation Committee and members of management will investigate the reasons for such rejection and will consider those reasons when developing future executive compensation programs, practices, and policies.

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company Unanimously Recommend a Vote FOR this Proposal to Approve Each Company s Overall Pay-for-Performance Compensation Policies and Practices, as well as the Compensation of the Executive Officers Named in the Summary Compensation Table, as Described in this Joint Proxy Statement.

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Compensation Discussion and Analysis (CD&A)

This section explains the compensation philosophy for PG&E Corporation and the Utility and describes how compensation programs are designed and operate with respect to the named executive officers for whom compensation is disclosed in the tables following this CD&A.

2009 Highlights

Corporate Performance

PG&E Corporation's financial performance for 2009 reflects earnings per share from operations of \$3.21, as compared to \$2.95 per share for 2008. This represents an 8.8% increase over 2008, and was in the upper half of the range with respect to the company's guidance on 2009 earnings per share of \$3.15 to \$3.25. PG&E Corporation's overall operational performance for 2009 was also above target. This performance for 2009 positively impacted payouts under the Short-Term Incentive Plan (STIP), which measures financial and operating performance on an annual basis, as well as the PG&E Corporation 2006 Long-Term Incentive Plan (LTIP).

Corporate Governance and Compensation Practices

The PG&E Corporation Compensation Committee continued to review its compensation practices and policies in comparison to evolving best practices. Since the beginning of 2009, the Committee or the Boards (at the Committee's recommendation) have adopted several new policies and programs, including:

The Executive Incentive Compensation Recoupment Policy (or clawback policy),

¹ PG&E Corporation discloses historical financial results and bases guidance on earnings from operations in order to provide a measure that allows investors to compare the underlying financial performance of the business from one period to another, exclusive of items that management believes do not reflect the normal course of operations. Earnings from operations is not a substitute or alternative for income available for common shareholders presented in accordance with GAAP (see Exhibit A at the end of this CD&A for a reconciliation of results based on earnings from operations to results based on income available for common shareholders in accordance with GAAP).

The Statement of Policy with Respect to the Independence of the Compensation Consultant,

A policy against granting additional years of credited service under the PG&E Corporation Supplemental Executive Retirement Plan,

A policy against paying tax gross-ups to executives,

The Committee's use of tally sheets for named executive officers (NEOs), and

Incentive plan risk assessment.

Each of these initiatives is discussed in more detail throughout this Joint Proxy Statement.

Information in the CD&A

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This CD&A discusses the compensation for 2009 that was awarded to, earned by, or paid to certain executive officers of PG&E Corporation and the Utility whose compensation is reported in the tables in this Joint Proxy Statement. Under the SEC's proxy rules, NEOs of PG&E Corporation and the Utility generally consist of the principal executive officer and principal financial officer of each company and the three highest paid executive officers of each company.

This CD&A answers the following questions:

Who plays a role in establishing executive compensation?

How do shareholders provide input regarding the executive compensation program?

What factors guided the Committee's 2009 officer compensation program goals and objectives?

How did the Committee benchmark and establish the 2009 officer compensation program?

What are the components of the 2009 officer compensation program?

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How is officer compensation aligned with the competitive market?

What are the other elements of executive compensation?

What compensation is payable upon termination and/or a change in control of PG&E Corporation?

Are there any material differences in compensation paid to the different NEOs?

Who Plays a Role in Establishing Executive Compensation?

The Committee, comprised entirely of independent directors, oversees and establishes officer compensation policies for PG&E Corporation. These policies also cover officers of the Utility and each company's subsidiaries. The Committee works with an independent executive compensation consultant, who provides advice regarding executive compensation programs and practices and recommends compensation alternatives that are consistent with PG&E Corporation's compensation philosophies.

In February 2009, the Committee retained Hewitt Associates, LLC (Hewitt) as its independent compensation consulting firm. As described on page 11 of this Joint Proxy Statement, affiliates of Hewitt provided other services to PG&E Corporation and Utility management.

During 2009, the Committee determined that, in order to avoid potential conflicts of interest, its compensation consultant should provide no other services to PG&E Corporation or its affiliates. Hewitt no longer met this standard. Accordingly, the Committee interviewed several compensation consulting firms and in September 2009 selected Frederic W. Cook & Co., Inc. (FWC) as its compensation consultant to advise on compensation programs and practices, including 2010 officer pay levels.

During 2009, the Committee also adopted a formal policy to maintain the compensation consultant's independence from management. In general, the policy states that the Committee's executive compensation consultant will be independent if (1) the consultant is retained by the Committee and

reports solely to the Committee, and (2) the consultant and its affiliates do not perform any work for PG&E Corporation or its affiliates, except at the request of the Committee or its chair and in the capacity of the Committee's agent.

The CEO of PG&E Corporation generally attends a portion of each Committee meeting, but does not participate in the Committee's deliberations or decisions with respect to his pay. At the Committee's request, the CEO reviews with the Committee the performance of the other NEOs, but no other NEO has any input into executive compensation decisions. The CEO also recommends adjustments, if any, in base pay, the target annual incentive opportunity, and equity awards for the other NEOs. These recommendations are given appropriate weight by the Committee in the compensation-setting process, given the CEO's direct knowledge of the performance and contributions of each of the NEOs. The Committee exercises its discretion to accept, reject, or modify the CEO's recommendations based on the Committee members' collective assessment of the NEOs' performance and pay position relative to market benchmarks provided by the Committee's independent compensation consultant, as well as PG&E Corporation's overall financial and operating performance.

Additional details regarding the processes for determining and setting executive compensation are set forth on pages 11 and 12 of this Joint Proxy Statement.

How Do Shareholders Provide Input Regarding the Executive Compensation Program?

PG&E Corporation and the Utility feel that it is important to provide shareholders with the means to provide input on PG&E Corporation's executive compensation programs and the clarity of the company's disclosures regarding such programs.

In 2009, PG&E Corporation initiated a dialogue with its top 40 institutional investors by requesting their views on the company's executive compensation policies and programs. In 2010, PG&E Corporation expanded its outreach and requested such input from its 100 largest institutional investors, including input on the company's use of metrics and comparator groups to determine incentive pay.

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With the exception of one respondent who commented on the use of multiple comparator groups, all respondents viewed PG&E Corporation's compensation practices favorably.

Starting with their annual meetings in 2010, PG&E Corporation and the Utility have voluntarily agreed to provide shareholders with the right to cast an advisory vote on the companies' executive compensation policies and practices and NEO compensation. (See pages 40-41 of this Joint Proxy Statement.) As described more fully in that section of this Joint Proxy Statement, PG&E Corporation and the Utility believe that their executive compensation program is transparent, is appropriately market-based, and reflects PG&E Corporation's and the Utility's philosophy of pay-for-performance and strong shareholder alignment. For these reasons, we believe shareholders should vote in favor of the proposal to approve PG&E Corporation's and the Utility's executive compensation policies and practices and NEO compensation. The Committee will take the results of this vote into consideration as it develops its executive compensation program for the following year.

What Factors Guided the Committee's 2009 Officer Compensation Program Goals and Objectives?

The Committee established its officer compensation program for 2009 to meet three primary goals:

To emphasize long-term incentives to further align shareholders' and officers' interests, and focus employees on enhancing total return for shareholders.

To attract, retain, and motivate employees with the necessary mix of skills and experience for the development and successful operation of PG&E Corporation's businesses.

To manage the delivery of compensation in a cost-efficient and transparent manner.

To meet these goals, the Committee determined that:

A significant component of every officer's compensation should be tied directly to PG&E Corporation's financial performance.

Target cash compensation (base salary and target short-term incentive) should be competitive with the average target cash compensation for comparable officers in the Pay Comparator Group (discussed more fully below).

Long-term compensation should be tied to PG&E Corporation's long-term performance for shareholders.

PG&E Corporation's compensation policies and practices described below and elsewhere in this Joint Proxy Statement are designed to meet these goals and objectives. These goals and objectives remain unchanged from 2008.

How Did the Committee Benchmark and Establish the 2009 Officer Compensation Program?

The Committee uses a primary Pay Comparator Group of publicly traded gas and electric utilities to evaluate market practice and assess PG&E Corporation's and the Utility's competitive pay position. In addition, the Committee uses a secondary general industry comparator group of companies having a revenue and market capitalization scope similar to that of PG&E Corporation. All elements of total direct pay (base pay and short-and long-term incentive targets) are compared individually and in the aggregate to the primary Pay Comparator Group in the case of all officers. Comparisons also are made to the secondary general industry comparator group for officers whose job scope and skills are easily transferable to other industries, such as officers responsible for corporate support functions.

The Committee annually reviews and approves the Pay Comparator Group, which consists of all companies listed in the Standard & Poor's Multi-Utilities Index and Electrics Index, as well as the Dow Jones Utility Index, providing objective criteria for determining the Pay Comparator Group. A total of 27 companies were listed in 2009:

AES Corporation

Allegheny Energy

Ameren Corporation

American Electric Power

CenterPoint Energy, Inc.

CMS Energy

Consolidated Edison

DTE Energy

Dominion Resources, Inc.

Duke Energy

Edison International

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Entergy Corporation

Exelon Corporation

FPL Group

First Energy

Integrus Energy Group, Inc.

NiSource, Inc.

PPL Corporation

Pinnacle West Capital

Progress Energy, Inc.

Public Service Enterprise Group

Sempra Energy

Southern Company

TECO Energy

TXU Corporation

Williams Companies

Xcel Energy, Inc.

For 2009, the secondary general industry comparator group was based on Hewitt's proprietary executive compensation database. The group included 84 companies with annual revenues between \$8 billion and \$20 billion (with median revenues of \$12.3 billion and median market capitalization of \$16.6 billion). A list of these 84 companies is included in Appendix B to this Joint Proxy Statement.

PG&E Corporation also identifies a Performance Comparator Group, which is a subset of the Pay Comparator Group. The Performance Comparator Group consists of companies with operating characteristics and business models comparable to PG&E Corporation and is used for evaluating relative TSR performance in connection with the LTIP. This subset of companies is not used separately to benchmark officer compensation. For 2009, the Performance Comparator Group consisted of the following 12 companies:

Ameren Corporation

American Electric Power

CenterPoint Energy, Inc.

Consolidated Edison

Entergy Corporation

FPL Group

NiSource, Inc.

Pinnacle West Capital

Progress Energy, Inc.

Southern Company

TECO Energy

Xcel Energy, Inc.

The Committee does not adhere strictly to formulas or survey data to determine the actual mix and amounts of compensation elements. The Committee considers various additional factors, including each NEO's scope of responsibility and organizational impact, experience, and performance, as well as PG&E Corporation's overall financial and operating results. This flexibility is important in supporting the overall pay-for-performance philosophy and in meeting the Committee's objectives of attracting, retaining, and motivating a talented executive leadership team.

In reviewing and establishing compensation for NEOs, the Committee reviewed tally sheets prepared by FWC.

The Committee appropriately weighs the tax deductibility limitations imposed by Section 162(m) of the U.S. Internal Revenue Code. The Committee in its discretion may award forms of compensation that are not deductible under Section 162(m) when it determines that such awards best carry out the goals and objectives of its officer compensation programs.

What Are the Components of the 2009 Officer Compensation Program?

Total annual compensation each year includes (1) base salary, (2) the annual cash incentive under the STIP, and (3) the value of equity awards granted under the LTIP. The following charts illustrate the percentage of target 2009 compensation allocated to base salary, short-term incentives, and long-term incentives for the PG&E Corporation CEO and for the other NEOs on average.

2009 PG&E Corporation CEO Target Compensation

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Average 2009 Target Compensation for Other NEOs

The Committee believes that these proportions of base salary relative to target short-term and long-term incentives provide the right mix to attract, retain, and motivate officers with the necessary skills and experience for the development and successful operation of PG&E Corporation's businesses. They also provide a direct connection between compensation and performance in both the achievement of key operating results and long-term shareholder value, as more fully described below.

As indicated by the charts above, a greater portion of the PG&E Corporation CEO's compensation is tied to the long-term performance of the company, which the Committee believes is appropriate given the CEO's role.

How Is Officer Compensation Aligned with the Competitive Market?

During the last quarter of fiscal year 2008, the Committee reviewed a market analysis conducted by Hewitt of each NEO's compensation levels for 2008 in order to determine whether to adjust any NEO's pay for 2009. In February 2009, the Committee (and the independent members of the applicable Boards in the case of Mr. Darbee, who was CEO of both PG&E Corporation and the Utility at the time) approved increases to the base salaries, target short-term incentive opportunities, and long-term incentives for NEOs effective March 1, 2009.

In setting 2009 compensation levels, base pay and short-term incentive targets were aligned with the market average. The target LTIP award values are designed to deliver long-term incentive compensation at approximately the 75th percentile level of the Pay Comparator Group of companies upon achievement

of 75th percentile TSR performance relative to our Performance Comparator Group. To the extent that the company performs at the 50th percentile level, LTIP payouts would be targeted at approximately the 50th percentile level of the Pay Comparator Group. Actual LTIP amounts realized by NEOs depend on company performance as measured by relative TSR performance as compared to the Performance Comparator Group. (TSR performance is discussed further under the Long-Term Incentives section on pages 50-53 of this Joint Proxy Statement.)

Base Salary

For NEO compensation, the base salary component falls within a range of only 15% to 43% of target total compensation, depending on officer level. This is consistent with the Committee's objective of tying a significant component of every NEO's compensation directly to PG&E Corporation's performance for shareholders through short-term and long-term incentives.

For 2009, the Committee approved a base salary increase budget of 3.75%. Base pay increases to NEOs, excluding any internal equity or promotional adjustments, equaled approximately 4.0%. The comparative data indicated that the companies in the Pay Comparator Group expected to provide officers a 3.8% average salary increase in 2009, and that those companies' average salary increase in 2008 was 3.8% percent. Lump-sum payments may be used in lieu of increases to base pay in those cases where an officer's current salary is well above competitive market pay levels and continued increases to base pay could place the officer's salary outside of a market average pay range. Mid-year increases could also occur in the case of promotions, or where an officer's compensation does not reflect appropriate internal equity when compared to the salaries of officers whose roles are viewed to be comparable. For NEOs, mid-year salary increases are subject to Committee approval.

In the case of NEOs with positions that could be benchmarked, base pay at PG&E Corporation and the Utility is generally within a range of between 15% above and 15% below (the 15% band) the average pay of the appropriate benchmark position in the Pay Comparator Group at the time of benchmarking. The Committee believes that this level of comparability to the market is appropriate and consistent with the pay

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philosophy of aligning compensation with market average, while taking into consideration other factors relative to establishing individual pay levels. Based on analysis of competitive salary levels of comparable roles, Rand L. Rosenberg, Senior Vice President, Corporate Strategy and Development of PG&E Corporation, was given a lump-sum payment in lieu of an increase to base pay. For the position of Vice President, Finance and CFO of the Utility, held by Barbara L. Barcon, a base pay increase of 3.0% was provided in addition to a lump-sum payment of \$2,000 to ensure adherence to the salary increase budget and appropriate alignment to market.

Effective August 1, 2009, the annual base salary for Kent M. Harvey was increased to \$525,000 from \$408,168. This increase reflects his increased responsibilities following his election and promotion to the positions of Senior Vice President and CFO of PG&E Corporation and Senior Vice President, Financial Services of the Utility. Prior to that time, Mr. Harvey served as Senior Vice President and Chief Risk and Audit Officer of PG&E Corporation. Effective August 1, 2009, the annual base salary for Christopher P. Johns was increased to \$635,000 from \$572,271. This increase reflects his increased responsibilities following his election and promotion to the position of President of the Utility. Prior to that time, Mr. Johns served as Senior Vice President and CFO of PG&E Corporation and Senior Vice President, Financial Services of the Utility.

Short-Term Incentives

NEOs and other eligible employees may earn annual performance-based cash incentive compensation under the STIP.

STIP payments are calculated by multiplying an individual's target STIP award (measured as a percentage of base salary that varies by officer level, or the participation rate) by the overall STIP performance score. The STIP performance score is the overall score for performance on each of the STIP measures, and can range from zero if minimum performance goals are not met to 2.0 if maximum performance goals are met.

For 2009, the Committee approved NEO participation rates that ranged from 45% of base

salary to 100% of base salary (the 100% participation rate applies only to the CEO of PG&E Corporation). This range is within the 15% band of the Pay Comparator Group's average annual incentive participation rates.

Effective March 1, 2009, Christopher P. Johns and John S. Keenan's STIP participation rates were increased from 55% to 70%. This increase followed a recommendation by Hewitt that the annual incentive levels for the positions then held by Mr. Keenan (Utility Chief Operating Officer) and Mr. Johns (PG&E Corporation CFO) be increased accordingly based on benchmarking data from the Pay Comparator Group. 2009 STIP participation rates for all other NEOs remained the same as for 2008.

Effective August 1, 2009, Mr. Johns' STIP participation rate was increased from 70% to 75%, reflecting his increased responsibilities following his election and promotion to the position of President of the Utility. Also effective August 1, 2009, Kent M. Harvey's STIP participation rate was increased from 50% to 65%, reflecting his increased responsibilities following his election and promotion to the positions of Senior Vice President and CFO of PG&E Corporation and Senior Vice President, Financial Services of the Utility. Both Mr. Johns and Mr. Harvey's 2009 STIP participation rates were prorated based on the number of months at each participation rate during the year.

2009 STIP Structure and Results

In 2008, the Committee established 2009 STIP financial and operational performance goals at minimum (or threshold), target, and maximum levels, and determined the relative weightings of each component (the STIP Structure). The Committee designed the 2009 STIP Structure with the objective of aligning officer compensation with the goal of delivering financial results for the benefit of shareholders, as well as delivering safe, reliable, and exceptional service to Utility customers.

Under the 2009 STIP Structure, 50% of the overall STIP performance score is based on corporate financial performance, as measured by earnings from operations, which is PG&E Corporation's basis for reporting and providing guidance to the financial community. Meeting the earnings from operations target continues to be an important objective for management; therefore, this component is a primary

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element of the 2009 STIP Structure. For 2009, the Committee increased the weighting of the earnings from operations measure from 40% (in 2008) to 50%. PG&E Corporation believes that using earnings from operations as the STIP metric gives executives line of sight to key financial drivers in the business.

The Committee has adopted threshold, target, and maximum STIP financial performance goals that correspond to STIP financial performance scores ranging from 0.5 to 2.0. The threshold goal is met if earnings from operations are at least 93% of budgeted earnings from operations, resulting in a minimum STIP financial performance score of 0.5. The target goal is met if earnings from operations are equal to budgeted earnings from operations, resulting in a target STIP financial performance score of 1.0. The maximum goal is met if earnings from operations equal or exceed 105% of budgeted earnings from operations, resulting in a maximum STIP financial performance score of 2.0. To meet the maximum goal, 2009 earnings from operations must be 15.4% greater than the 2008 earnings from operations results.

Based on 2009 earnings from operations of \$1,223 million, the Committee determined that the 2009 STIP corporate financial performance score was 1.574. This result was due to additional revenues generated by new capital investments in the Utility's infrastructure, the recovery of previously incurred costs through the regulatory process, and improved operational performance.

In addition to corporate financial performance, 50% of the overall 2009 STIP score was determined by PG&E Corporation's performance against key operational objectives aligned with the delivery of safe, reliable, and exceptional service to customers.

2009 STIP Operational Performance Measures

Measure	Relative Weight	2009 Target Goal (1.0)	2009 Results
Customer Satisfaction and Brand Health Survey Index	17.5%	76.1	76.8
Reliable Energy Delivery Index	17.5%	1.000	1.775
Employee Engagement Premier Survey Results Index	5.0%	69.50%	66.70%
Safety Performance ²	10.0%	2.755	2.382
Total Weightings:	50%		

These four measures have the following definitions:

Customer Satisfaction and Brand Health Survey Index (17.5% weighting) The Customer Satisfaction and Brand Health Index measures Utility customer perceptions of the Utility's performance in delivering services, such as reliability, pricing of services, customer service experience, and favorability toward the Pacific Gas and Electric Company brand. These scores are derived from the results of surveys conducted by an independent third party. The 2009 target goal is the 2008 result of 76.1. In light of declining economic conditions throughout the Utility's service territory, the Committee determined that maintaining a result of 76.1 represented a significant challenge. For 2009, PG&E Corporation's Customer Satisfaction and Brand Health Survey Index result was 76.8, which exceeded the target goal of 76.1. Management believes that this positive outcome resulted from strong reliability performance and improved community and customer outreach on payment assistance options.

² For Safety Performance, a lower year-over-year result indicates improved performance.

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Reliable Energy Delivery Index (17.5% weighting) The Reliable Energy Delivery Index measures electric and gas reliability performance. The index is composed of the following three subcomponents, each with equal weighting:

System Average Interruption Frequency Index (SAIFI) measures the average frequency of utility electric service outages. The 2009 SAIFI target goal is the 2008 result of 1.197 and represents a 5.0% improvement from the 2008 target goal of 1.257. The result for 2009 of 1.111 was approximately 7.2% better than the target of 1.197.

Customer Average Interruption Duration Index (CAIDI) measures the average duration of utility electric service outages. The 2009 CAIDI target goal of 124.3 represents a 3.0% improvement from the 2008 result of 128.1. The result for 2009 of 118.2 was approximately 4.9% better than target of 124.3.

Gas System Leak Resurvey measures progress against milestones on the Utility's gas system leak resurvey program, which accelerates the resurvey of approximately 1.2 million gas services by April 30, 2010. The 2009 resurvey target goal of 1,050,000 represents the number of resurveys to be completed during 2009. The result for 2009 of 1,114,878 resurveys was approximately 6.1% better than target.

For 2009, PG&E Corporation's result on the Reliable Energy Delivery Index was 1.775. This result exceeded the target goal of 1.000. Management believes that this positive outcome was driven by reliability improvements. Fewer storms in 2009 than in 2008 also positively affected both SAIFI and CAIDI. Positive performance on the gas system leak resurvey work was driven by more aggressive planning, focus, and effective execution assisted by good weather.

Employee Engagement Premier Survey Results Index (5% weighting) This index is an average of responses to 40 questions in the company's Employee Engagement Premier Survey. The survey is the primary tool used to measure employee engagement and organizational health, and is conducted by an independent third party. Engaged employees are those who understand the organization's vision, feel a sense of ownership for the company success, and actively contribute to improve performance at PG&E Corporation and the Utility.

The target goal of 69.50% was an increase from the 2008 result of 68.60%, requiring a significant improvement in performance for this metric. For 2009, PG&E Corporation's result on the Employee Engagement Premier Survey Results Index was 66.70%, which was below the target. As a result, the 2009 STIP rating on this measure was 0.000. Management believes that this decrease in performance reflects a challenging year for employees, including continued focus on performance and cost management. While survey scores declined overall compared to 2008, there were improvements in several areas, including work group collaboration and intent to remain employed by PG&E Corporation or the Utility.

Safety Performance (10% weighting) This measures the Occupational Safety and Health Administration (OSHA) Recordable Rate, which is based on the number of OSHA recordable injuries, illnesses, or exposures that (1) result in medical treatment beyond first aid or result in work restrictions, death, or loss of consciousness, and (2) occur in the current year. The 2009 target goal for the OSHA Recordable Injury Rate is a 15% improvement from 2008 performance, which is consistent with the annual targeted reductions for 2007 and 2008. For 2009, PG&E Corporation's Safety Performance result was 2.382. This result exceeded the target of 2.755. Management believes that this positive result was driven by the high degree of focus placed on safety during 2009.

The combined 2009 operational performance results yielded a combined 2009 STIP operational performance score of 1.721. This score was combined with the corporate financial performance score of 1.574 to yield an overall 2009 STIP score of 1.648. The 2009 STIP payments to the NEOs are shown in the Summary Compensation Table.

Under the STIP, the Committee has full discretion to lower the final STIP payments from the amount that would be paid based on achievement of the targets.

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The Committee did not exercise its discretion to modify any 2009 STIP payments.

2010 STIP Structure

In February 2010, the Committee approved the structure, measures, and their relative weightings for the 2010 STIP.

For 2010, the corporate financial performance goal for STIP will be PG&E Corporation's earnings from operations and will comprise 50% of the overall STIP score.

The 2010 STIP financial performance score has a threshold of 95% (compared to 93% in 2009) of budgeted earnings from operations to 105% at maximum, representing a minimum STIP financial performance score of 0.5 to a maximum STIP financial performance score of 2.0. To meet the maximum goal, 2010 earnings from operations would have to increase by at least 14.9% above 2009 earnings from operations. The Committee believes that this presents a significant challenge to management and, if achieved, would justify a maximum STIP financial performance score of 2.0.

For 2010, STIP operational performance measures have been expanded to include environmental leadership as a new fifth goal. The target operational performance goals for the 2010 STIP are set forth in the table below.

2010 STIP Operational Performance Goals

Performance Measures	Weight	2010 Target Goal
Customer Satisfaction and Brand Health Survey Index	15.0%	77.7
Reliable Energy Delivery Index	15.0%	1.00
Safety Index	10.0%	1.00
Employee Engagement Premier Survey Results Index	5.0%	68.70%
Environmental Leadership Index	5.0%	1.0
Total Weightings:	50%	

The Customer Satisfaction and Brand Health Index, Reliable Energy Delivery Index, and the Employee Engagement Premier Survey Results Index are largely the same as those used for the 2009 STIP. Changes for 2010 are highlighted below.

Safety Index The safety measure is now expressed as an index because it includes an additional measure. For 2010, the Safety Index includes (1) OSHA Recordable Rate, and (2) Motor Vehicle Incident (MVI) Rate. The MVI rate represents the number of motor vehicle incidents per 1 million miles driven, where the company driver could have prevented an accident, but failed to do so. For 2009, only the OSHA Recordable Rate measure was used in the STIP. In addition, for 2010, if the Utility experiences any employee fatality during the year, the overall STIP score for the Safety Index will be capped at a maximum score of 1.00. These measures reinforce PG&E Corporation's and the Utility's commitment to their employees and the importance of safety to the companies' performance.

The **Environmental Leadership Index** is a new performance measure. Including this measure in the STIP increases alignment with PG&E Corporation's and the Utility's strategic goals for environmental leadership. The Environmental Leadership Index is a composite score of two equally weighted subcomponents: (1) Environmental Compliance, measured by the Notice of Violation (NOV) rate defined as the rate of Notices of Violations per 100 agency inspections, and (2) the companies' Operational Footprint, which measures the percent reduction of energy and water use in a subset of the Utility's facilities, and the increase in the diversion rate of solid waste from landfills.

Long-Term Incentives

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For 2009 compensation, the Committee (and, with respect to Mr. Darbee, the independent members of the PG&E Corporation Board) approved LTIP guidelines that include the range of target LTIP award values based on officer level, the terms and conditions of all LTIP awards, and the grant date for annual LTIP awards. Actual awards (both annual and

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mid-year) are made within the range of target LTIP values previously approved by the Committee and granted consistent with the PG&E Corporation Equity Grant Date Policy, which was first adopted in June 2007 and last amended in December 2009.

In December 2008, the Committee (and the independent members of each Board in the case of Mr. Darbee) approved the recommended 2009 target LTIP award values for the NEOs, ranging from \$300,000 to \$5,300,000 (the upper end applicable only to Mr. Darbee). The 2009 annual LTIP awards granted to the NEOs, with the exception of Mr. Darbee, were comprised of 50% restricted stock units (RSUs) and 50% performance shares. The independent members of each company s Board determined that a higher percentage of Mr. Darbee s long-term incentives should be tied directly to PG&E Corporation s long-term performance for shareholders. Therefore, they approved an LTIP award comprised of approximately 40% RSUs and 60% performance shares. Prior to 2009, Mr. Darbee s annual LTIP award was comprised of 50% RSUs and 50% performance shares.

The Committee believes that this allocation of equity balances the interests of shareholders and officers by linking the value of long-term compensation to stock price appreciation and relative TSR. Details regarding restricted stock units and performance share grants are provided below.

Restricted stock units. RSUs are hypothetical shares of stock that are settled in an equal number of shares of PG&E Corporation common stock. RSUs align officers interests with those of shareholders (i.e., stock price appreciation and dividends). RSUs also serve as a retention mechanism, because RSUs generally only vest if the officer remains employed over the vesting period.

The number of RSUs granted to each NEO in 2009 was determined by dividing one-half of that NEO s target LTIP award value (40% in the case of Mr. Darbee) by the average daily closing price of a share of PG&E Corporation common stock for the first five business days of March 2009 (or the closing price on the grant date for non-annual grants), as

reported on the New York Stock Exchange. RSUs granted in 2009 are shown in the Grants of Plan-Based Awards in 2009 table on page 61 of this Joint Proxy Statement. RSUs vest in 20% increments on the first, second and third anniversary of the date of grant. The remaining 40% vests on the fourth anniversary of the date of grant.

Performance shares. Performance shares are hypothetical shares of PG&E Corporation common stock that are tied directly to PG&E Corporation s performance for shareholders. The number of performance shares granted in 2009 to each NEO was determined by dividing one-half of that NEO s actual LTIP award value (60% in the case of Mr. Darbee) by the average daily closing price of a share of PG&E Corporation common stock for the first five business days of March 2009, as reported on the New York Stock Exchange. Performance shares granted in 2009 are shown in the Grants of Plan-Based Awards in 2009 table below.

Performance shares granted in 2009 will vest, if at all, on the third business day of March 2012 following completion of the three-year performance period starting January 1, 2009 and ending December 31, 2011. The payout value of any vested performance share will be based on PG&E Corporation s TSR relative to the Performance Comparator Group for the period. The payment for performance shares will be in cash and will be calculated by multiplying (1) the number of vested performance shares by (2) the average closing price of PG&E Corporation common stock over the last 30 calendar days of the year preceding the vesting date, and by (3) a payout factor based on PG&E Corporation s relative TSR performance against the Performance Comparator Group.

As shown in the LTIP Performance Share Payout Scale below, there will be no payout if PG&E Corporation s TSR falls below the 25th percentile of the Performance Comparator Group; there will be a 25% payout if PG&E Corporation s TSR is at the 25th percentile; there will be a 100% payout if PG&E Corporation s TSR is at the 75th percentile; and there will be a 200% payout if PG&E Corporation s TSR ranks first in the Performance Comparator Group.

Table of Contents**LTIP Performance Share Payout Scale****Number of Companies in Total****(including PG&E Corporation) = 13**

Company	Company	Rounded
Rank	Performance	Payout
	Percentile	
1	100	200%
2	92	170%
3	83	130%
4	75	100%
5	67	90%
6	58	75%
7	50	65%
8	42	50%
9	33	35%
10	25	25%
11	17	0%
12	8	0%
13	0	0%

In 2009, PG&E Corporation marked the end of the three-year performance cycle for annual performance share awards offered under the LTIP that were granted in 2007. For the three years ended December 31, 2009, PG&E Corporation's TSR, as measured by stock price appreciation and dividends, ranked 5th among the 13 companies in the Performance Comparator Group. That rank represents performance at the 67th percentile, resulting in a payout of 90% of the original target share award. PG&E Corporation's TSR performance for the three years was 5.6%, which was better than the median among the comparator group of companies of 1.9% and the (15.9%) negative return of the S&P 500 for the same period.

Beginning with the March 2010 LTIP awards, performance shares will be settled in shares of PG&E Corporation common stock and will no longer be settled in cash. This change facilitates greater stock ownership at both the officer and non-officer levels. This change also will cause the performance shares to be treated as equity awards (rather than liability awards) for accounting purposes.

Executive Stock Ownership Guidelines

The Executive Stock Ownership Program is designed to encourage senior executive officers to achieve and maintain a minimum investment in PG&E Corporation common stock at levels set by the

Committee, and further aligns executive interests with those of PG&E Corporation's shareholders. Executive stock ownership guidelines have been adopted by most of the companies in the Pay Comparator Group, and are increasingly viewed as an important element of a company's governance policies.

The stock ownership target for the PG&E Corporation CEO is three times base salary. The target ownership level for other NEOs is two times base salary. Officers are encouraged to meet their stock ownership target within five years after becoming subject to the Program.

The Committee also authorized the use of Special Incentive Stock Ownership Premiums (SISOPs), which are designed to provide incentives to eligible officers to assist in achieving minimum stock ownership targets established by the Committee, prior to the end of the five-year period. SISOPs are awarded to eligible officers if they achieve and maintain stock ownership levels early, prior to the end of the third year following the year in which an officer first became an eligible executive. SISOPs are stock units awarded under the LTIP and are credited to the officer's deferred compensation account in the 2005 PG&E Corporation Supplemental Retirement Savings Plan (SRSP).

If at the end of five years, an executive officer fails to meet or maintain the applicable stock ownership target, then that officer's future cash-based awards (such as a STIP payment) may be deferred as stock units and credited to the officer's account under the SRSP until the stock ownership target is met.

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All NEOs have met or exceeded their stock ownership targets under the Program with the exception of the former Vice President, Finance and Chief Financial Officer of Pacific Gas and Electric Company, who was not subject to the guidelines. For additional details regarding SISOPs, please see the narrative accompanying the table Grants of Plan-Based Awards in 2009.

Equity Grant Dates

Consistent with the PG&E Corporation Equity Grant Date Policy, annual equity awards for 2009 were granted on March 9, 2009 in order to take into account the timing of PG&E Corporation's investor conference relating to PG&E Corporation

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performance and to enable the market price of PG&E Corporation common stock to reflect the disclosure of all material information, including the information presented at the investor conference. The policy generally provides that annual LTIP awards are granted when the market price of PG&E Corporation common stock reflects the disclosure of all material information.

Under this policy, the grant date for non-annual equity awards to employees (such as for newly hired or newly promoted officers) shall be the later of (1) the date that the non-annual award is approved by the independent members of the PG&E Corporation or Utility Board, the Committee, or PG&E Corporation CEO, as applicable, (2) the date that the LTIP award recipient becomes an employee, if applicable, or (3) the date otherwise specified by the applicable Board, the Committee, or the PG&E Corporation CEO.

In addition, if the grant date of any LTIP award would occur during a trading blackout period, as defined under the PG&E Corporation Insider Trading Policy, then the actual grant date will be the first business day after the trading blackout period ends.

Special Awards

On the first business day of January 2009, a modification was made to Mr. Darbee's January 3, 2007 restricted stock award to avoid an unintended tax consequence. Under the original grant, if Mr. Darbee retired or was terminated without cause, a prorated portion of the restricted stock award would have vested. That prorated portion was not subject to a substantial risk of forfeiture and became taxable as income, even if Mr. Darbee still was employed by PG&E Corporation and the prorated portion did not actually vest or become payable. The replacement of restricted stock with RSUs avoids this consequence. Therefore, Mr. Darbee's remaining 12,693 shares of restricted stock from his January 3, 2007 LTIP award were cancelled. In lieu of the cancelled shares, Mr. Darbee was granted 12,693 RSUs (the Replacement RSU Grant) that contain the same general terms and conditions as those applicable to the cancelled portion of the restricted stock award, and have the same vesting date as the original award (i.e., the first business day of January 2012). The vesting period of the Replacement RSU Grant began on the first business day of January 2009. Mr. Darbee will be entitled to receive dividend equivalents associated with all the RSUs subject to the vesting of the RSU awards.

Effective August 10, 2009, in connection with his promotion to his new position, Mr. Johns received a prorated supplemental LTIP award of \$279,000, representing an annualized value of \$500,000. Also effective August 10, 2009, in connection with his promotion to his new position, Mr. Harvey received a prorated supplemental LTIP award of \$140,000, with an annualized value of \$250,000. These awards reflected the additional LTIP value that would be deliverable to these officers based on their promotions to new positions.

Executive Incentive Compensation Recoupment (Clawback) Policy

At their February 17, 2010 meeting, the Boards adopted a formal policy authorizing recoupment of certain incentive compensation if either PG&E Corporation or the Utility restates its financial statements that are filed with the SEC, with respect to any fiscal year within the three-year period preceding the filing of the restatement (a Restatement Year). In case of such a restatement, the Committee (or with respect to the CEO, the full Board of the applicable company) may, in good-faith exercise of its reasonable discretion and to the extent permitted by law, seek to recoup long-term and short-term incentive compensation previously paid with respect to each Restatement Year to any individual who was a Section 16 Officer of that company during that Restatement Year. (A Section 16 Officer includes an officer of either PG&E Corporation or the Utility who is subject to the reporting and short swing profit liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.) Compensation may be recouped to the extent that such compensation would have been lower when computed using the restated financial statements, and the Committee and the Boards have discretion to recoup such compensation on a tax-neutral basis. The policy applies only to compensation paid after the effective date of the policy, February 17, 2010. The policy provides additional leverage for the companies to restore shareholder value that may be lost due to a financial restatement.

What Are the Other Elements of Executive Compensation?

Perquisites and Related Compensation

In general, the NEOs receive a limited range of perquisite benefits, typically encompassing a partial subsidy for financial planning services from a

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third-party financial advisory firm, partial reimbursement of certain health club fees, certain life insurance subsidies, parking reimbursement, and executive health services. Mr. Darbee and Mr. Johns also receive car transportation services. The magnitude of these perquisites, including the lump-sum payment described in the following paragraph, is comparable to that provided to executive officers of companies in the Pay Comparator Group, and the value of these services are taxable to the recipient.

The Committee (and the independent members of the Boards of PG&E Corporation and the Utility in the case of Mr. Darbee) also approved a 2009 lump-sum annual stipend amount for each executive officer, which ranged from \$15,000 to \$35,000 (the upper end applicable only to the CEO of PG&E Corporation). This stipend is provided in lieu of providing the NEO with additional benefits. The NEOs have discretion to use this stipend as they see fit.

Elimination of Tax Restoration (Gross-up) Payments

During the first quarter of 2009, the Committee elected to eliminate tax gross-up payments made in connection with executive compensation, with two exceptions: (1) tax gross-up obligations that are part of benefit programs offered to all employees (e.g., certain expenses associated with relocation programs and temporary housing), and (2) obligations under pre-existing change in control agreements to reimburse excise taxes triggered by payments in connection with a change in control.

The PG&E Corporation Officer Severance Policy, first adopted in 1998, provides for the gross-up of excise tax payments associated with a change in control. No other officer policies or arrangements provide gross-up provisions. Therefore, neither PG&E Corporation nor the Utility has entered into any new excise tax gross-up arrangements associated with a change in control.

Post-Service Benefits

Retirement/Pension

NEOs are eligible to receive retirement benefits under the Utility's tax-qualified defined benefit plan (pension plan), which also provides benefits to other eligible employees of PG&E Corporation and the

Utility. NEOs also are eligible to receive benefits under the PG&E Corporation Supplemental Executive Retirement Plan (SERP), which is a non-tax-qualified defined benefit pension plan that provides officers and key employees of PG&E Corporation and its subsidiaries, including the Utility, with a pension benefit. These plans are described in the section entitled "Pension Benefits 2009" on pages 65-66 of this Joint Proxy Statement.

With respect to the SERP, the Committee has adopted a policy against crediting additional years of service for participants under this plan.

NEOs and other officers and employees also are eligible to participate in the PG&E Corporation Retirement Savings Plan (RSP), a tax-qualified 401(k) plan. PG&E Corporation provides a maximum matching contribution of 75 cents for each dollar contributed up to 6% of base salary. To the extent that matching contributions cannot be made to an NEO's RSP account because the Internal Revenue Code limits would be exceeded, PG&E Corporation contributes the excess amount to the NEO's account in the SRSP.

The majority of companies in the Pay Comparator Group provide tax-qualified defined benefit plans (e.g., pensions or similar plans), other tax-qualified defined contribution plans (i.e., 401(k) plans), and non-tax-qualified retirement plans. The Committee believes that these plans offer significant recruiting and retention incentives. The magnitude of PG&E Corporation's retirement programs is generally comparable to that of the Pay Comparator Group.

Additional details regarding the retirement programs and the value of pension benefits accumulated as of December 31, 2009 for the executive officers named in the Summary Compensation Table are reported in the table entitled "Pension Benefits 2009" below.

What Compensation Is Payable Upon Termination and/or a Change in Control of PG&E Corporation?

Termination Generally Absent a Change in Control

General Severance Benefits The PG&E Corporation Officer Severance Policy provides certain officers of PG&E Corporation and the Utility, including the NEOs, with severance benefits if their employment is terminated without cause. The purpose of the severance policy is to (1) attract and retain senior management by providing severance

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benefits that are part of a competitive total compensation package, (2) provide consistent treatment for all terminated officers, and (3) by conditioning payments upon a general release of claims, minimize potential litigation costs in connection with terminations of employment. These severance benefits are described below under the section entitled "Potential Payments – Termination Without Cause" on page 71 of this Joint Proxy Statement.

LTIP Awards – Treatment of 2009 LTIP awards upon severance is set forth in the individual LTIP award agreements. In general, if an NEO is terminated without cause,

Any unvested RSU or restricted stock that would have vested within 18 or 24 months following separation (depending on the NEO's officer level) will continue to vest and will be settled pursuant to the normal vesting schedule in the agreement, and

Any unvested performance shares will vest proportionately based on the number of months during the applicable performance period in which the NEO was employed, divided by 36 (the number of months in the performance period), and will be paid, if at all, pursuant to the normal payment schedule, multiplied by the performance payout percentage applicable to that grant. If an NEO resigns or is terminated for cause (i.e., for dishonesty, a criminal offense, or violation of a work rule), the NEO forfeits any unvested restricted stock, RSUs, or performance shares, and would not receive any associated dividends.

Termination in Connection with a Change in Control

The PG&E Corporation Board has determined that the provision of change in control benefits is a key part of PG&E Corporation's officer compensation program. In a hostile takeover or other change in control situation, it is important for management to remain focused on maximizing shareholder value and aligning management's interests with shareholders' interest, and not be distracted by concerns about the security of their jobs. The benefit levels provided to the covered officers, including the NEOs, under different termination circumstances reflect competitive market practices among the Pay Comparator Group that the Committee benchmarks.

Shareholder approval is required for certain severance payments provided in connection with a change in control, as described further under "Golden Parachute Restriction Policy" below.

Golden Parachute Restriction Policy – The Golden Parachute Restriction Policy requires shareholder approval of certain executive severance payments provided in connection with a change in control of PG&E Corporation, to the extent that those payments exceed 2.99 times the sum of a covered officer's base salary and target STIP award.

Officer Severance Policy – The PG&E Corporation Officer Severance Policy provides certain NEOs with compensation if (1) there is a Change in Control of PG&E Corporation (as defined in the Policy), and (2) that NEO is terminated without cause or terminates for good reason in connection with the Change in Control or Potential Change in Control (as defined in the Policy) of PG&E Corporation. The Policy applies to officers of PG&E Corporation with the title of Senior Vice President or higher, and the principal executive officers of the Utility and of any other participating subsidiary. Specific benefits are described in the section entitled "Potential Payments – Change in Control with Other Triggering Events" on pages 71-74 of this Joint Proxy Statement.

LTIP Awards – Upon a Change in Control of PG&E Corporation, the vesting schedule for LTIP awards may be accelerated if (1) the successor company fails to continue previously granted awards in a manner that preserves the value of those awards, or (2) the award recipient is terminated in connection with a Change in Control during a specified period of time before or after the Change in Control. This practice aligns PG&E Corporation with market trends and (1) better balances the interests of award recipients and shareholders, (2) provides security for award recipients in a time of uncertainty, and (3) preserves the incentive for award recipients to stay with PG&E Corporation even following a transaction.

Details regarding the specific termination provisions are discussed in the section entitled "Potential Payments – Change in Control with Other Triggering Events" below.

Are There Material Differences Between Compensation Paid to the Different NEOs?

There is no material difference in compensation policy among the NEOs. The compensation

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philosophy and policies discussed throughout the CD&A apply equally to all executive officers. There are no differences in the types of compensation nor the methodology used to establish compensation levels among the NEOs. The differences that exist in the amounts of compensation generally relate to each NEO's position and the pay differences determined from the benchmarking study conducted for the Committee.

For example, when determining total target compensation for the PG&E Corporation CEO, the Committee first uses competitive market data in assessing appropriate levels of base pay and total annual cash compensation, focusing on how the CEO's base pay and total cash compensation compare to the market average. Next, to determine the appropriate amount of long-term incentive opportunities, the Committee considers the annual LTIP value range, which is established based on competitive market data and comprised of a minimum, target, and maximum LTIP value. The Committee then evaluates the CEO's leadership, accomplishments, personal development, and PG&E Corporation's performance results to arrive at final total compensation recommendations for the independent members of the Board to review and approve. As part of this process, the Committee

considers whether the CEO has achieved his annual objectives that are reviewed and approved by the Committee at the beginning of each year. These objectives closely track short-term and long-term financial and operational goals for PG&E Corporation, which have previously been reviewed and approved by the Board. The individual objectives may relate to corporate financial performance and shareholder returns, operational performance, investment in utility infrastructure, corporate culture, and effective communications with key stakeholders.

Conclusion

The Committee believes that the amount and design of executive compensation provided in 2009 to the NEOs of PG&E Corporation and the Utility are consistent with the Committee's compensation objectives and policies to (1) provide long-term incentives to align shareholders' and officers' interests and enhance total return for shareholders, (2) attract, retain, and motivate employees with the necessary mix of skills and experience for the development and successful operation of PG&E Corporation's businesses, and (3) compensate NEOs in a competitive, cost-efficient, and transparent manner.

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Reconciliation of PG&E Corporation's Earnings from Operations to Income Available for Common Shareholders in Accordance with Generally Accepted Accounting Principles ("GAAP")

For the year ended December 31, 2009

(in millions, except per share amounts)

	Earnings	Per Share Amounts
PG&E Corporation Earnings from Operations ⁽¹⁾	\$ 1,223	\$ 3.21
Items Impacting Comparability: ⁽²⁾		
Tax benefit ⁽³⁾	66	0.18
Recovery of hydro divestiture costs ⁽⁴⁾	28	0.07
Accelerated work on gas system ⁽⁵⁾	(59)	(0.16)
Severance costs ⁽⁶⁾	(38)	(0.10)
PG&E Corporation Earnings on a GAAP basis	\$ 1,220	\$ 3.20

(1) Earnings from operations is not calculated in accordance with GAAP and excludes items impacting comparability as described in Note (2) below.

(2) Items impacting comparability reconcile earnings from operations with Income Available for Common Shareholders as reported in accordance with GAAP.

(3) PG&E Corporation recognized \$66 million, after-tax, for the interest and state tax benefit associated with a federal tax refund, for 1998 and 1999.

(4) PG&E Corporation recognized \$28 million, after-tax, following the California Public Utilities Commission's decision authorizing the Utility to recover costs previously incurred in connection with its hydroelectric generation facilities.

(5) PG&E Corporation incurred \$59 million, after-tax, representing costs incurred by the Utility to perform accelerated system-wide natural gas integrity surveys and associated remedial work.

(6)

PG&E Corporation accrued \$38 million, after-tax, of severance costs related to the elimination of approximately 2% percent of the Utility's workforce.

Compensation Committee Report

The Compensation Committee of PG&E Corporation is comprised of independent directors and operates under a written charter adopted by the PG&E Corporation Board. The Compensation Committee is responsible for overseeing and establishing officer compensation policies for PG&E Corporation, the Utility, and their subsidiaries.

The Compensation Committee has reviewed and discussed the section of this Joint Proxy Statement entitled "Compensation Discussion and Analysis" with management. Based on its review and

discussion with management, the Compensation Committee has recommended to the Boards of PG&E Corporation and the Utility that the "Compensation Discussion and Analysis" section be included in this Joint Proxy Statement.

March 31, 2010

C. Lee Cox, Chair

Forrest E. Miller

Barbara L. Rambo

Barry Lawson Williams

Table of Contents**Executive Officer Compensation Information****Summary Compensation Table 2009**

This table summarizes the principal components of compensation paid or granted during 2009. The NEOs consist of the principal executive officers and the principal financial officers of PG&E Corporation and the Utility, and the next three most highly compensated executive officers during the past year. This table also includes information disclosed in the 2009 and 2008 Joint Proxy Statements for compensation paid or granted to certain officers during 2008 and 2007, respectively.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Award(s) (\$)	Non-Equity Incentive Plan Compensation (\$) ⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Peter A. Darbee*	2009	\$ 1,135,633	\$ 0	\$ 6,285,392	\$ 0	\$ 1,871,524	\$ 1,131,494	\$ 135,385	\$ 10,559,428
Chairman, Chief Executive Officer, and President, PG&E Corporation (NEO for both PG&E Corporation and the Utility)	2008	\$ 1,090,833	\$ 0	\$ 5,733,999	\$ 0	\$ 1,285,002	\$ 1,461,189	\$ 150,210	\$ 9,721,233
	2007	\$ 1,050,000	\$ 0	\$ 5,283,601	\$ 0	\$ 1,250,550	\$ 1,295,034	\$ 174,364	\$ 9,053,549
Christopher P. Johns**	2009	\$ 593,866	\$ 0	\$ 1,880,357	\$ 0	\$ 684,431	\$ 268,077	\$ 70,999	\$ 3,497,730
President, Pacific Gas and Electric Company (NEO for both PG&E Corporation and the Utility)	2008	\$ 541,457	\$ 0	\$ 893,206	\$ 0	\$ 350,809	\$ 193,500	\$ 89,819	\$ 2,068,791
	2007	\$ 523,640	\$ 0	\$ 832,935	\$ 0	\$ 343,010	\$ 156,155	\$ 88,486	\$ 1,944,226
Kent M. Harvey***	2009	\$ 454,106	\$ 0	\$ 564,322	\$ 0	\$ 428,259	\$ 432,377	\$ 50,507	\$ 1,929,571
Senior Vice President and Chief Financial Officer, PG&E Corporation (NEO for PG&E Corporation only)									
Hyun Park	2009	\$ 524,493	\$ 0	\$ 1,319,499	\$ 0	\$ 475,401	\$ 109,210	\$ 274,781	\$ 2,703,384
Senior Vice President and General Counsel, PG&E Corporation (NEO for both PG&E Corporation and the Utility)	2008	\$ 498,091	\$ 500,000	\$ 893,206	\$ 0	\$ 322,713	\$ 63,744	\$ 46,173	\$ 2,323,927
	2007	\$ 475,000	\$ 1,000,000	\$ 761,152	\$ 0	\$ 311,149	\$ 32,256	\$ 486,492	\$ 3,066,049
Rand L. Rosenberg	2009	\$ 519,714	\$ 0	\$ 967,649	\$ 0	\$ 471,068	\$ 184,154	\$ 72,169	\$ 2,214,754
Senior Vice President, Corporate Strategy and Development, PG&E Corporation (NEO for PG&E Corporation only)	2008	\$ 515,825	\$ 0	\$ 894,263	\$ 0	\$ 334,203	\$ 129,376	\$ 47,612	\$ 1,921,279
	2007	\$ 496,380	\$ 0	\$ 785,363	\$ 0	\$ 325,154	\$ 80,744	\$ 45,613	\$ 1,733,254
John S. Keenan	2009	\$ 583,333	\$ 0	\$ 1,695,670	\$ 0	\$ 652,333	\$ 359,153	\$ 96,511	\$ 3,387,000
Senior Vice President and Chief Operating Officer, Pacific Gas and Electric Company (NEO for the Utility only)	2008	\$ 500,000	\$ 0	\$ 918,705	\$ 0	\$ 323,950	\$ 183,160	\$ 44,544	\$ 1,970,359
Barbara L. Barcon****	2009	\$ 307,500	\$ 0	\$ 295,139	\$ 0	\$ 228,042	\$ 45,615	\$ 98,223	\$ 974,519
Vice President, Finance and Chief Financial Officer, Pacific Gas and Electric Company (NEO for the Utility only)	2008	\$ 232,143	\$ 125,000	\$ 463,825	\$ 0	\$ 123,059	\$ 20,505	\$ 120,136	\$ 1,084,668

* Mr. Darbee also served as President and CEO of the Pacific Gas and Electric Company through July 31, 2009. Mr. Darbee did not receive separate compensation for his services as an officer of Pacific Gas and Electric Company.

** Mr. Johns became President of Pacific Gas and Electric Company on August 1, 2009.

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*** Mr. Harvey became Senior Vice President and Chief Financial Officer of PG&E Corporation on August 1, 2009

**** Ms. Barcon resigned on March 1, 2010.

- (1) Includes base salary deferred at the election of the officer.
- (2) Includes amounts deferred under the terms of the award.
- (3) Represents the grant date fair value of restricted stock, RSUs, performance shares, and SISOPs measured in accordance with FASB ASC Topic 718, without taking into account an estimate of forfeitures related to service-based vesting. For restricted stock, RSUs, and SISOPs, grant date fair value is measured using the closing price of PG&E Corporation common stock on the grant date. For performance shares, the grant date fair value is based on the probable outcome of the applicable performance conditions, measured using a Monte Carlo simulation valuation model. The assumed per-share value for the March 9, 2010 annual grants was \$44.78, and the assumed per-share value for the August 10, 2009 grants to Mr. Johns and Mr. Harvey is \$37.48. The simulation model applies a risk-free interest rate and an expected volatility assumption. The risk-free rate is assumed to equal the yield on a three-year treasury bond on the grant date. Volatility is based on historical volatility for the 36-month period preceding the grant date. Because performance shares granted in 2009 are settled in cash rather than shares, the grant date fair value described here is not used for financial statement purposes, and assumptions regarding valuation are not included in PG&E Corporation's or the Utility's financial statements. In addition, assuming that the highest level of performance conditions would be achieved, the estimated maximum grant date value of performance shares awarded in 2009 would be: Mr. Darbee \$7,818,096, Mr. Johns \$2,318,751, Mr. Harvey \$711,032, Mr. Park \$1,537,751, Mr. Rosenberg \$1,153,073, Mr. Keenan \$1,922,428, and Ms. Barcon \$352,102.
- (4) Amounts represent payments received or deferred in 2009, 2008, and 2007 for achievement of corporate and organizational objectives in 2008, 2007, and 2006, respectively, under the STIP.
- (5) Amounts reported for 2009 consist of (i) the change in pension value during 2009 (Mr. Darbee \$1,124,207, Mr. Johns \$267,974, Mr. Harvey \$432,241, Mr. Park \$109,210, Mr. Rosenberg \$184,154, Mr. Keenan \$359,153, and Ms. Barcon \$45,615), and (ii) the above-market earnings on deferred compensation in the PG&E Corporation Supplemental Retirement Savings Plan (SRSP) (Mr. Darbee \$7,287, Mr. Johns \$103, and Mr. Harvey \$136). The SRSP earnings for the Utility Bond Fund are based on Moody's Investors Service's long-term Aa bond rate for utilities. The above-market earnings are calculated as the difference between actual earnings from the Utility Bond Fund investment option of the SRSP and hypothetical earnings that would have resulted using an interest rate equal to 120% of the applicable federal rate.
- (6) Amounts reported for 2009 consist of (i) perquisites and personal benefits, as detailed below (Mr. Darbee \$47,480, Mr. Johns \$18,377, Mr. Harvey \$6,232, Mr. Park \$226,685, Mr. Rosenberg \$5,803, Mr. Keenan \$45,261, and Ms. Barcon \$46,445), (ii) tax reimbursement payments (Mr. Darbee \$1,801, Mr. Johns \$898, Mr. Harvey \$923, Mr. Park \$1,379, Mr. Rosenberg \$1,379, and Ms. Barcon \$23,191), (iii) a lump-sum annual stipend paid in lieu of providing perquisite benefits, with the exception of perquisite benefits noted in the chart below (Mr. Darbee \$35,000, Mr. Johns \$25,000, Mr. Harvey \$22,917, Mr. Park \$25,000, Mr. Rosenberg \$25,000, Mr. Keenan \$25,000, and Ms. Barcon \$15,000), (iv) company contributions to defined contribution retirement plans (Mr. Darbee \$51,104, Mr. Johns \$26,724, Mr. Harvey \$20,435, Mr. Park \$21,717, Mr. Rosenberg \$23,387, Mr. Keenan \$26,250, and Ms. Barcon \$11,587), and (v) lump-sum merit payments (Mr. Rosenberg \$16,600 and Ms. Barcon \$2,000).

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The following chart provides additional information regarding perquisites and personal benefits that are included in the Summary Compensation Table.

	Transportation Services	Life Insurance	Parking	Fitness	Executive Health	Financial Services	Relocation	Total
P. A. Darbee	\$ 34,387		\$ 1,595	\$ 964	\$ 3,171	\$ 7,363		\$ 47,480
C. P. Johns	\$ 3,874		\$ 3,350		\$ 3,495	\$ 7,658		\$ 18,377
K. M. Harvey			\$ 4,460		\$ 1,772			\$ 6,232
H. Park		\$ 1,721	\$ 4,460	\$ 1,598	\$ 1,780	\$ 7,459	\$ 209,667	\$ 226,685
R. L. Rosenberg			\$ 4,460		\$ 1,343			\$ 5,803
J. S. Keenan		\$ 3,564	\$ 2,120		\$ 3,577		\$ 36,000	\$ 45,261
B. L. Barcon		\$ 3,174	\$ 406				\$ 42,865	\$ 46,445

The above perquisites and personal benefits consist of the following:

Transportation services for Mr. Darbee and Mr. Johns, consisting of car transportation for commute and incidental non-business travel. Amounts include the prorated salary and burden of the drivers and vehicle costs. Amounts include tax reimbursement payments provided to Mr. Darbee (\$625) with respect to this benefit prior to the PG&E Corporation Compensation Committee's decision to discontinue such payments in early 2009. Such reimbursement payments also are reflected in section (ii) of footnote 6 above.

The cost of life insurance coverage exceeding amounts available to all employees (i.e., \$50,000).

The cost of parking. Amounts include tax reimbursement payments provided to Mr. Darbee (\$1,176), Mr. Johns (\$898), Mr. Harvey (\$923), Mr. Park (\$1,379) and Mr. Rosenberg (\$1,379) with respect to this benefit prior to the Compensation Committee's elimination of such payments in early 2009. Such reimbursement payments also are reflected in section (ii) of footnote 6 above.

The cost of executive health services provided to executive officers. Amounts vary among officers, reflecting the decisions of each individual officer regarding the specific types of tests and consultations provided, and the exact value of reimbursed expenses.

The value of reimbursements for health club fees, pursuant to a program available to certain management employees, including non-officers.

Fees paid for financial services provided by an independent contractor selected by PG&E Corporation to provide such services.

The cost to PG&E Corporation of relocation assistance, which may include moving services, payments to a third-party home sale assistance firm (which may include inspection, appraisal, and other costs related to sale of the home, net loss on sale of the officer's home, third-party service fees, etc.), mortgage subsidies, and commuting expenses during the relocation process. Such amounts include tax reimbursement payments provided to Ms. Barcon (\$23,191) with respect to this benefit in accordance with a broad-based program that provides relocation benefits to all employees. Such payment is reflected in section (ii) of footnote 6 above.

In addition to the perquisite benefits described above, NEOs are given a set stipend that each NEO may use as the officer sees fit. The stipend is intended to cover miscellaneous items in each NEO's discretion (such as organizational dues). The amount of this stipend is included in the Summary Compensation Table in the "All Other Compensation" column.

Please see the Compensation Discussion and Analysis (CD&A) on pages 42-56 of this Joint Proxy Statement for additional information regarding the elements of compensation discussed above, including salary, short-term incentives, and long-term incentives. Additional

information regarding grants of LTIP awards can be found following the table entitled Grants of Plan-Based Awards in 2009.

Table of Contents**Grants of Plan-Based Awards in 2009**

This table provides information regarding incentive awards and other stock-based awards granted during 2009 to individuals named in the Summary Compensation Table.

Name	Committee	Grant Date	Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards Number of Shares or Units (#) ⁽³⁾	Grant Date Fair Value of Stock and Option Awards
				Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
P. A. Darbee				\$ 0	\$ 1,135,633	\$ 2,271,266					
		3/9/2009	2/18/2009				20,400	81,600	163,200		\$ 3,654,048
		3/9/2009	2/18/2009							60,195	\$ 2,138,728
C. P. Johns		1/2/2009	4/16/2008							12,693	\$ 492,616
				\$ 0	\$ 415,310	\$ 830,620					
		3/9/2009	2/17/2009				5,016	20,065	40,130		\$ 898,511
		3/9/2009	2/17/2009							20,065	\$ 712,909
		8/10/2009	7/1/2009				864	3,455	6,910		\$ 129,493
K. M. Harvey		8/10/2009	7/1/2009							3,455	\$ 139,444
				\$ 0	\$ 259,866	\$ 519,732					
		3/9/2009	2/17/2009				1,338	5,350	10,700		\$ 239,573
		3/9/2009	2/17/2009							5,350	\$ 190,086
		8/10/2009	7/1/2009				433	1,730	3,460		\$ 64,840
H. Park		8/10/2009	7/1/2009							1,730	\$ 69,823
				\$ 0	\$ 288,471	\$ 576,942					
		3/9/2009	2/17/2009				4,013	16,050	32,100		\$ 718,719
		3/9/2009	2/17/2009							16,050	\$ 570,257
	1/2/2009	n/a ⁽⁴⁾							786		