



Electric and Gas Rates

What We Can Expect in the Short Term and Long Term

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Tom Bottorff

Senior Vice President, Regulatory Relations

Pacific Gas and Electric Company

Key Messages – Electric Rates

- Rise in natural gas prices continues to drive rate increases across the nation.
- PG&E's electric rates are currently forecasted to increase by about 4.4% on October 1, 2008, and by about another 11% on January 1, 2009.
- PG&E's resource mix is expected to act as a hedge against higher natural gas prices in the future.

Recent News Items

Here's a shocker: Electricity bills are heading up. Way up.

USA Today, June 16, 2008

POWER POINTS: Oil Rally Sets Stage For Electricity Rate Hikes – The next big sticker shock for American businesses and consumers could come with their utility bills.

Dow Jones News Wire, June 13, 2008

Brownout: Think runaway oil prices are upsetting? Wait till you see what's in store for electricity.

Forbes, June 30, 2008

Heating, Electricity Rates Rising as Prices for Natural Gas Surge

Investor's Business Daily, June 24, 2008

Utilities across the USA are raising power prices up to 29%, mostly to pay for soaring fuel costs, but also to build new plants and refurbish an aging power grid. Even more dramatic rate increases are ahead. ... "Consumers now face a tough reality on electricity," says Mark Cooper of Consumer Federation of America.

USA Today, June 16, 2008

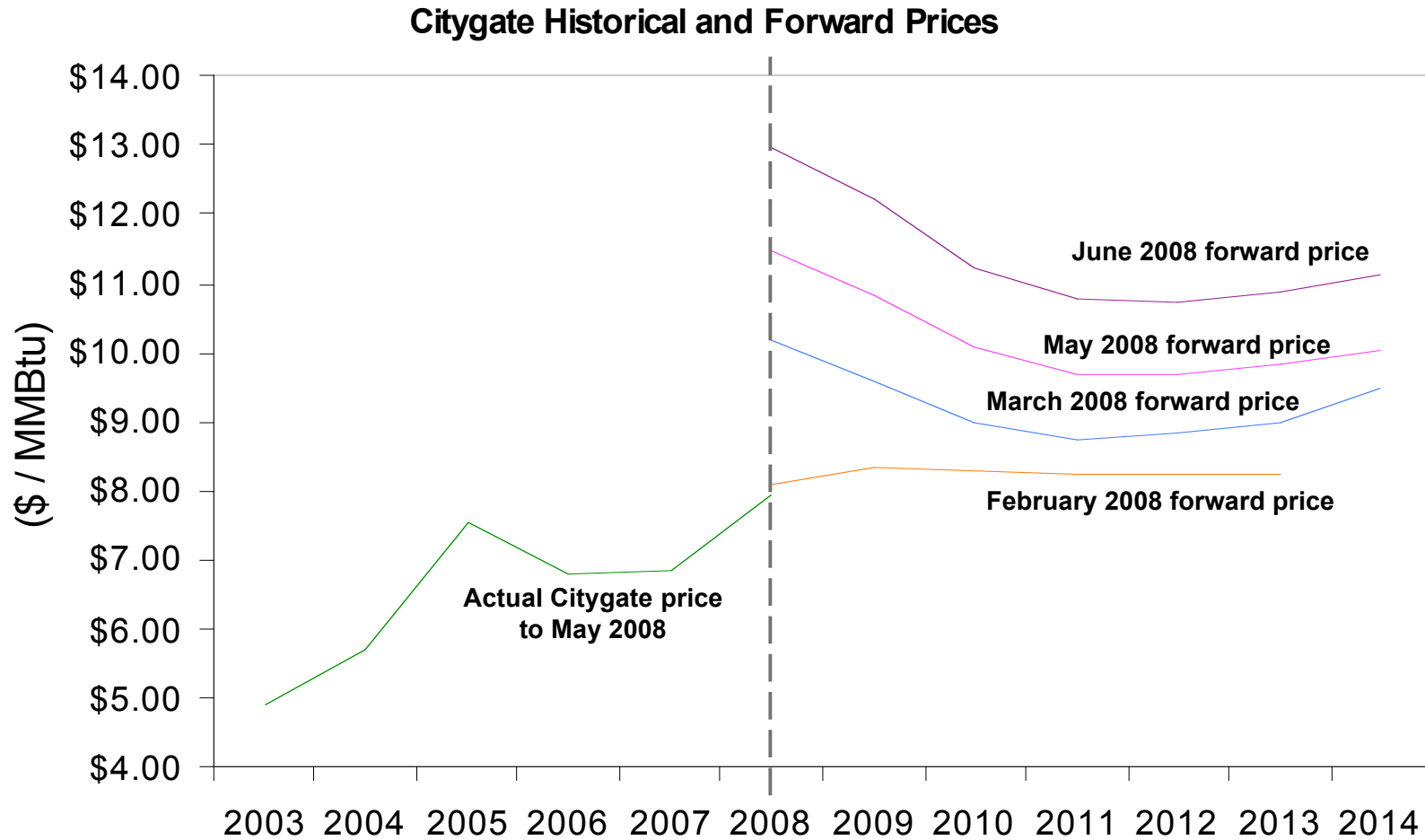
Proposed or Adopted Increases for Some Utilities

- Examples of already enacted or proposed electric rate increases:*

➤ Xcel	+25%
➤ Appalachian Power	+25%
➤ Potomac Edison	+29%
➤ Public Service of Oklahoma	+25%
➤ Con Edison	+18%
➤ Dominion Virginia Power	+18%
➤ Palo Alto	+14%*

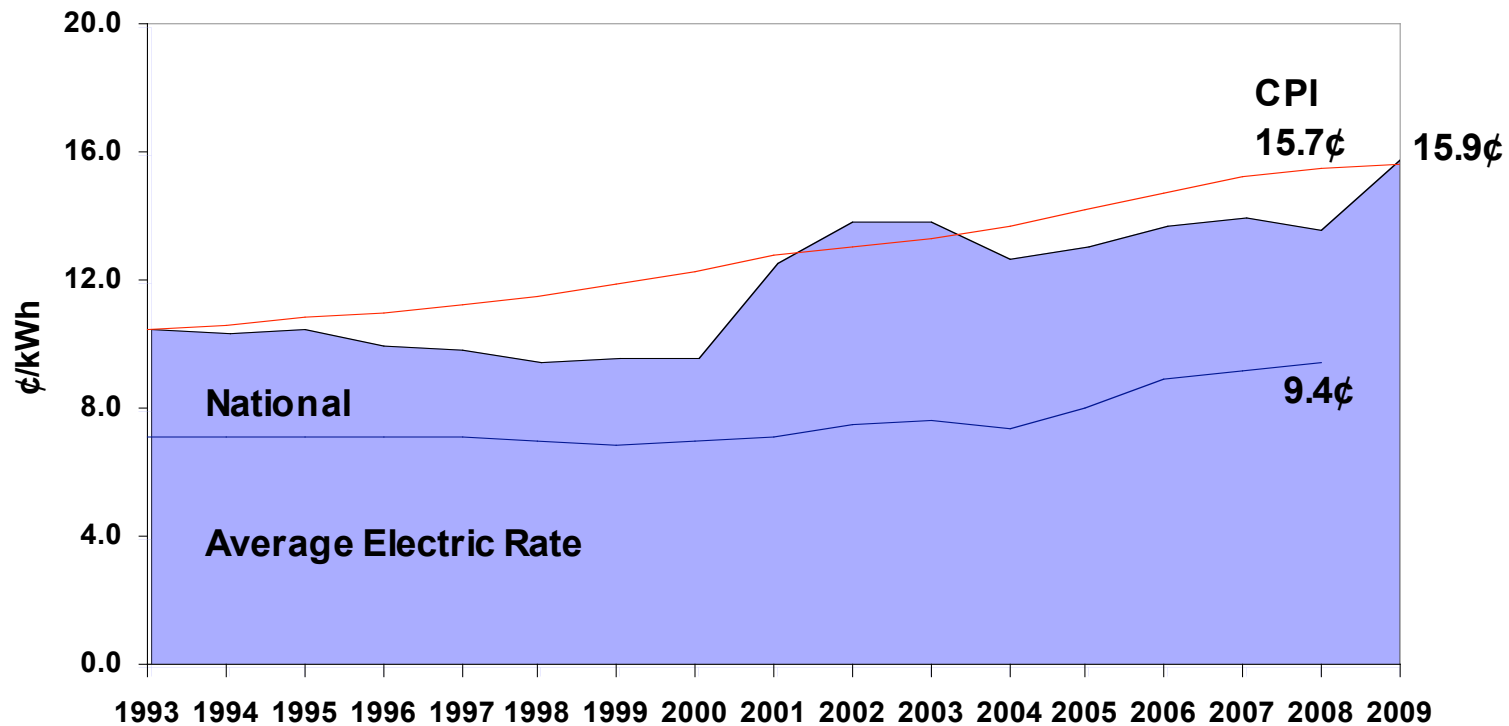
**as reported in the media*

Natural Gas Price Trend



How PG&E's System Average Electric Rate Has Changed Over Time

PG&E Bundled System Average Rate and National Average Electric Rate Compared to Consumer Price Index



Source: National data from Edison Electric Institute, (2008 escalated by CPI)
PG&E 2009 rate of 15.9¢ based on currently projected 1/1/09 rate.

Change in PG&E's Electric Revenue Requirement

	<u>10/1/2008*</u>	<u>1/1/2009*</u>
Fuel/Purchases	\$482 million	\$1,068 million
Other	N/A	\$616 million

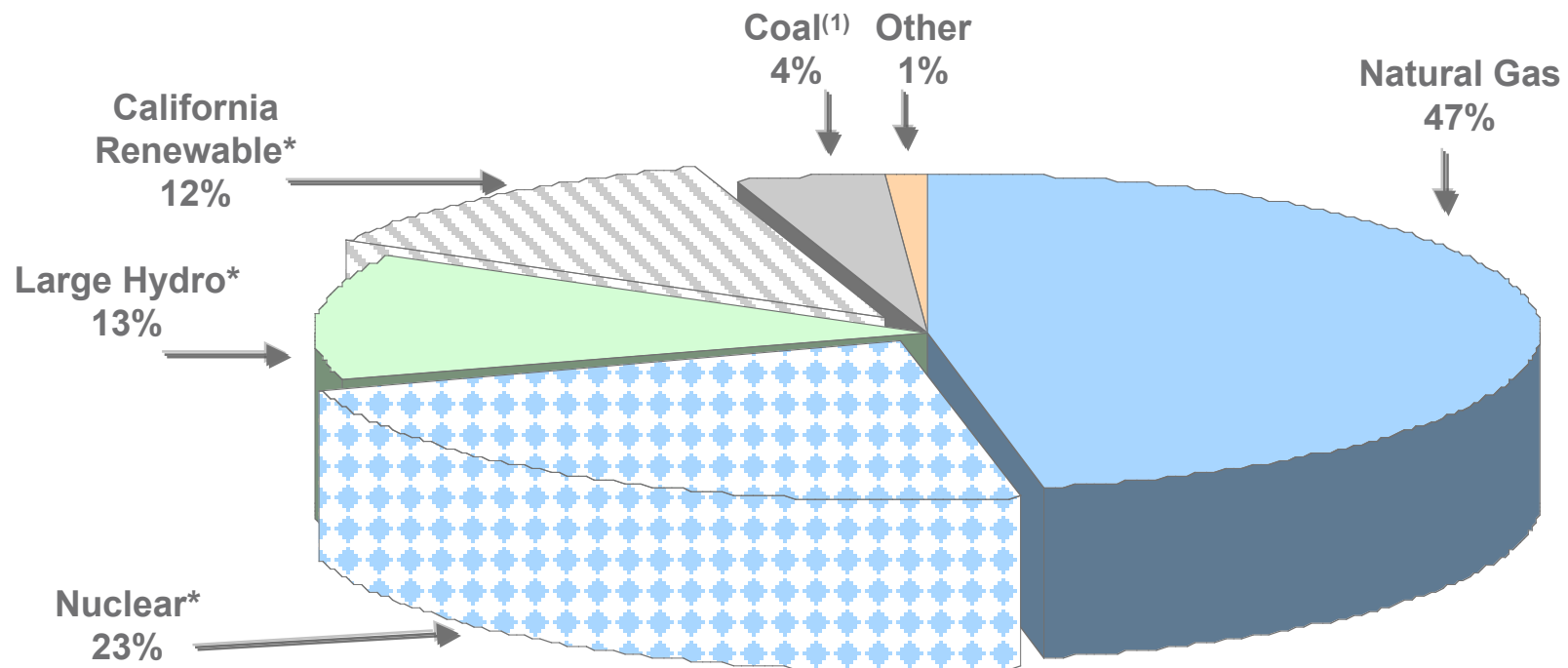
**Actual revenue requirements for 10/1/08 and 1/1/09 are subject to change based on the volatility of natural gas prices and electric costs and other factors.*

Comparison of PG&E's Current and Proposed Electric Rates

<u>Rate</u>	<u>Present</u> (¢/kWh)	<u>10/1/08*</u> (¢/kWh)	<u>Change</u> %	<u>1/1/09*</u> (¢/kWh)	<u>Change</u> %
Residential	15.0	15.6	4.1%	17.3	11.2%
Small L&P	16.1	16.7	3.9%	18.4	10.5%
A-10	13.8	14.4	4.8%	16.1	11.6%
E-19	11.9	12.6	5.1%	14.0	11.9%
E-20	9.9	10.4	5.7%	11.6	11.7%
System average	13.7	14.3	4.4%	15.9	11.0%

**Actual rates for 10/1/08 and 1/1/09 are subject to change based on the volatility of natural gas prices and electric costs and other factors.*

PG&E's 2007 Electric Power Mix



*These resources – about 50% of PG&E's mix on average – are climate neutral and/or renewable.

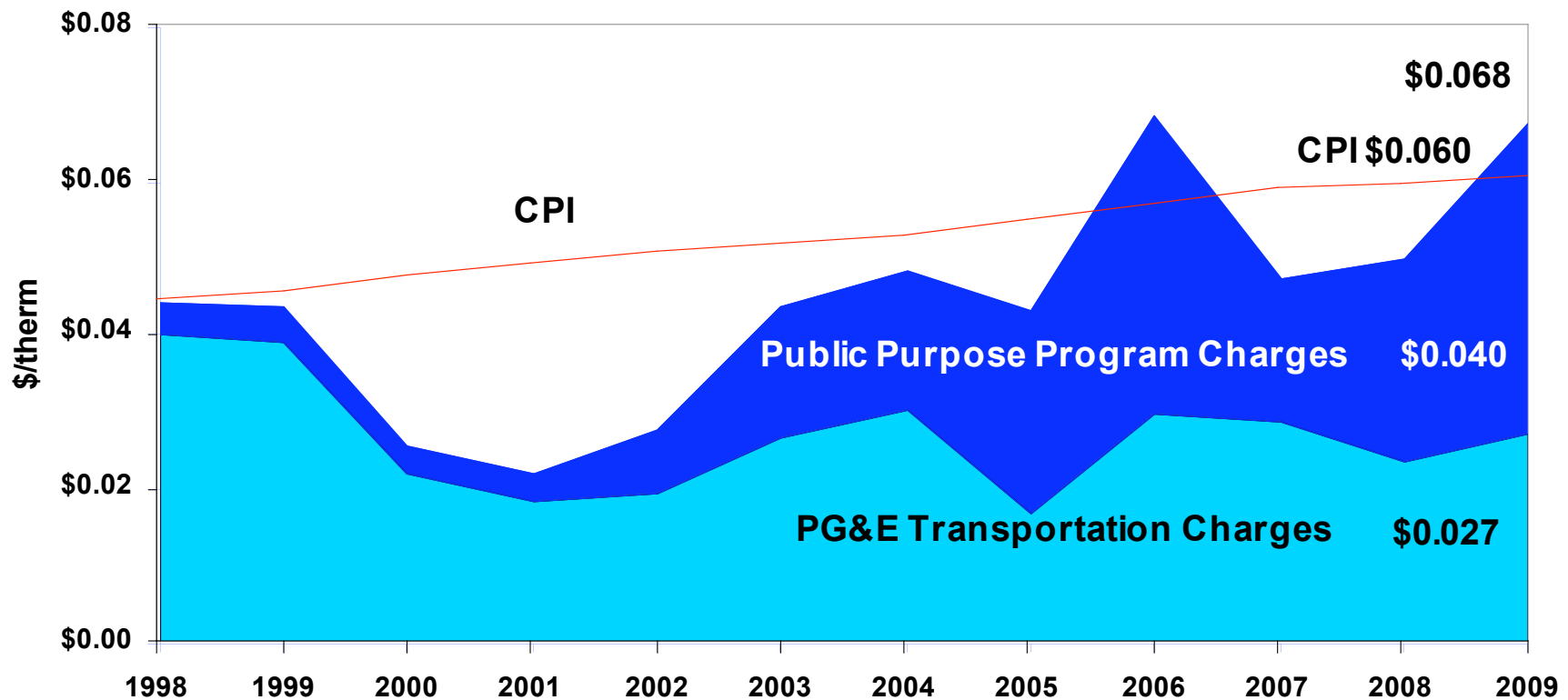
(1) Due to a dry winter and resulting reduction in the availability of hydroelectric generation, PG&E increased its power market purchases in 2007. Because California regulators require us to automatically assume that a certain portion of these market purchases are coal-fired generation, this chart shows an increase over 2006 in that area. However, PG&E's direct purchases of coal have not increased, and remain at 1.6 percent.

Key Messages – Gas Rates

- Rise in natural gas prices continues to drive rate increases across the nation
- PG&E's gas transportation rates (transmission level) are expected to decrease if PG&E's proposed reallocation of public purpose charges is adopted; otherwise gas transportation rates (transmission level) will rise by 36%.

How PG&E's Gas Industrial Transportation Rate Has Changed Over Time

Transmission Level Rate Compared to Consumer Price Index
(No Public Purpose Program Cost Reallocation)



Note: Total rate of \$0.038 (versus \$0.068) with Public Purpose Program cost reallocation

Change in PG&E's Natural Gas Revenue Requirement

	<u>1/1/2009**</u>
Commodity* (July '08 \$15.41 vs. Jan. '09 \$13.59)	-\$1.82 (\$/Dth)
Transportation	\$51 million
Public Purpose Programs	\$70 million

**Procurement prices are updated monthly.*

*** Actual revenue requirements for 1/1/09 are subject to change based on the volatility of natural gas prices and other factors.*

Comparison of Presented and Proposed PG&E Natural Gas Rates

Projected rates if Public Purpose Program reallocation proposal is adopted.

<u>Rate</u>	<u>Present 7/1/08</u> (\$/Dth)	<u>Proposed 1/1/09**</u> (\$/Dth)	<u>% Change</u>
<u>Bundled Rates*</u>			
Residential	20.58	19.12	-7.1%
Small Commercial	18.13	17.72	-2.3%
<u>Transportation & PPP Rates</u>			
Large Commercial	1.50	1.74	16.0%
Industrial Distribution	1.37	1.43	4.4%
Industrial Transmission	0.50	0.38	-24.0%

**Procurement prices are updated monthly.*

*** Actual revenue requirements for 1/1/09 are subject to change based on the volatility of natural gas prices and other factors.*

Comparison of Present and Proposed PG&E Natural Gas Rates

Projected rates if Public Purpose Program reallocation proposal is denied.

<u>Rate</u>	<u>Present 7/1/08</u> <u>(\$/Dth)</u>	<u>Proposed 1/1/09**</u> <u>(\$/Dth)</u>	<u>% Change</u>
<u>Bundled Rates*</u>			
Residential	20.58	18.94	-8.0%
Small Commercial	18.13	17.57	-3.1%
<u>Transportation & PPP Rates</u>			
Large Commercial	1.50	2.21	47.3%
Industrial Distribution	1.37	1.58	15.3%
Industrial Transmission	0.50	0.68	36.0%

* Procurement prices are updated monthly.

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Questions?



Thank you.