PACIFIC GAS & ELECTRIC Co
Form DEF 14A
March 25, 2013

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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 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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 2013 Annual Meetings Joint Proxy Statement

March 25, 2013

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

You are cordially invited to attend the 2013 annual meetings of PG&E Corporation and Pacific Gas and Electric Company. The meetings will be held concurrently on Monday, May 6, 2013, at 10:00 a.m., at the PG&E Corporation and Pacific Gas and Electric Company headquarters, 77 Beale Street, San Francisco, California. Entry will be through the atrium on Beale Street, between Market Street and Mission Street.

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.

> PG&E Corporation and Pacific Gas and Electric Company shareholders will be asked to vote on the following matters: (i) nominees for director, (ii) ratification of the appointment of the independent registered public accounting firm for 2013, and (iii) advisory approval of executive compensation. 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 proposal submitted by an individual PG&E Corporation shareholder 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" this proposal.

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,

Anthony F. Earley, Jr.
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 25, 2013

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 Monday, May 6, 2013, at 10:00 a.m., at the PG&E Corporation and Pacific Gas and Electric Company headquarters, 77 Beale Street, San Francisco, California, for the purpose of considering the following matters:

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

To elect the following 12 and 13 individuals, respectively, nominated by the applicable Board of Directors to each serve as director on each Board for the ensuing year:

David R. Andrews	Maryellen C. Herringer	Forrest E. Miller
Lewis Chew	Christopher P. Johns*	Rosendo G. Parra
C. Lee Cox	Roger H. Kimmel	Barbara L. Rambo
Anthony F. Earley, Jr.	Richard A. Meserve	Barry Lawson Williams
Fred J. Fowler		

* 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 2013 for PG&E Corporation and Pacific Gas and Electric Company,

To provide an advisory vote on each company's 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 Bylaw requirements and other applicable requirements.

For PG&E Corporation shareholders only:

To act upon a proposal submitted by a PG&E Corporation shareholder and described beginning on page 68 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 6, 2013 and Notice of Annual Meeting of Shareholders" for PG&E Corporation or Pacific Gas and Electric Company, as applicable.

The Boards of Directors have set the close of business on March 7, 2013 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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2013 Proxy Statement Summary

This summary highlights information to assist you in your review of this Joint Proxy Statement. The summary does not contain all of the information that you should consider, and you should read the entire Joint Proxy Statement carefully before voting.

Annual Meetings of Shareholders

Time and Date	10:00 a.m., Pacific Daylight Time, on Monday, May 6, 2013
Place	PG&E Corporation and Pacific Gas and Electric Company headquarters, 77 Beale Street, San Francisco, California
Record Date	March 7, 2013
Voting	Shareholders as of the record date are entitled to vote. Each share of PG&E Corporation common stock, Pacific Gas and Electric Company common stock, and Pacific Gas and Electric Company preferred stock is entitled to cast one vote for the respective company's director nominees, and one vote for each of that company's other proposals.
Admission	All shareholders are invited to attend the meeting, but must have an admission ticket and valid photo identification before they are permitted to enter. Please see the instructions on page 79.

Meeting Agenda and Voting Recommendations

The following items are expected to be voted on at the annual meetings. No additional matters have been raised by shareholders.

PG&E Corporation

Item	Board's Voting Recommendation	Page Reference (for more detail)
Election of 12 directors	**FOR** all nominees	**2**
Ratification of Deloitte & Touche LLP as independent auditor for 2013	**FOR**	**26**
Advisory vote to approve executive compensation	**FOR**	**30**
Shareholder proposal: independent board chairman	**AGAINST**	**68**

Pacific Gas and Electric Company

Item	Board's Voting Recommendation	Page Reference (for more detail)

Election of 13 directors	**FOR** all nominees	**2**
Ratification of Deloitte & Touche LLP as independent auditor for 2013	**FOR**	**26**
Advisory vote to approve executive compensation	**FOR**	**30**

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Director Nominees

We are asking shareholders of each company to vote "FOR" all of the director nominees listed below. Each nominee currently serves as a director and is therefore seeking re-election. In 2012, each PG&E Corporation director attended at least 94 percent of the total number of applicable PG&E Corporation Board and Board committee meetings, and each Pacific Gas and Electric Company ("Utility") director attended at least 88 percent of the total number of applicable Utility Board and Board committee meetings. Each director is elected annually, by a majority of the votes represented and voting.

Below is summary information about each director nominee.

Nominee	Age	Director Since	Principal Occupation	Committee Memberships	Other Public Company Boards
David R. Andrews	71	August 2000	Retired Senior Vice President, Government Affairs, General Counsel, and Secretary, PepsiCo. Inc.	Audit Executive Nominating and Governance Nuclear, Operations, and Safety Public Policy	
Lewis Chew	50	September 2009	Executive Vice President and Chief Financial Officer, Dolby Laboratories, Inc.	Audit Public Policy	
C. Lee Cox	71	February 1996	Retired Vice Chairman, AirTouch Communications, Inc.	Compensation Executive Finance Nuclear, Operations, and Safety	
Anthony F. Earley, Jr.	63	September 2011 (PG&E Corporation) June 2012 (Utility)	Chairman of the Board, Chief Executive Officer, and President, PG&E Corporation	Executive	Ford Motor Company
Fred J. Fowler	67	March 2012	Chairman of the Board, Spectra Energy Partners, LP	Nuclear, Operations, and Safety	Encana Corporation
Maryellen C. Herringer	69	October 2005	Retired Executive Vice President, General Counsel, and Secretary, APL Limited	Audit Executive Nominating and Governance	ABM Industries Incorporated
Christopher P. Johns*	52	February 2010	President, Pacific Gas and Electric Company	Executive	
Roger H. Kimmel	66	January 2009	Vice Chairman, Rothschild Inc.	Finance Public Policy	Endo Health Solutions Inc.
Richard A. Meserve	68	December 2006	President, Carnegie Institution of Washington	Executive Nominating and Governance Nuclear, Operations, and Safety Public Policy	
Forrest E. Miller	60	February 2009	Retired Group President Corporate Strategy and Development, AT&T Inc.	Audit Compensation	

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Nominee	Age	Director Since	Principal Occupation	Committee Memberships	Other Public Company Boards
Rosendo G. Parra	53	September 2009	Retired executive, Dell, Inc.	Finance Nominating and Governance	Brinker International NII Holdings, Inc.
Barbara L. Rambo	60	January 2005	Chief Executive Officer, Taconic Management Services	Compensation Executive Finance Nominating and Governance	International Rectifier Corporation West Marine, Inc.
Barry Lawson Williams	68	September 1990	Retired Managing General Partner, Williams Pacific Ventures, Inc.	Audit Compensation Executive Finance	CH2MHill Companies, Ltd. The Simpson Manufacturing Company Inc. SLM Corporation

*Christopher P. Johns is a nominee for the Utility Board only and a member of the Utility Executive Committee only.

Corporate Governance Highlights

Substantial majority of independent directors (11 of 12 PG&E Corporation directors and 11 of 13 Utility directors)	**No supermajority vote requirements**
Independent key Board committees (excluding Executive Committees)	**Succession planning for CEO and senior management**
Independent lead director since 2003	**Executive and director stock ownership guidelines**
Executive sessions of independent directors at each regular Board meeting	**Board oversight of risk management**
Annual evaluation of CEO performance by independent directors	**Board oversight and transparent public disclosure of political activities**
Annual Board and committee self-assessments	**Policy against obtaining certain types of services from the independent registered public accountant**
Annual election of directors	**No poison pill; shareholder approval required for adoption**

Majority vote for directors, with mandatory resignation policy and plurality carve-out for contested elections	**Confidential voting policy**
One share one vote	

Auditors

As a matter of good corporate governance, we are asking shareholders of each company to ratify the selection of Deloitte & Touche LLP ("D&T") as each company's independent auditor for 2013. We provide information on fees paid to D&T on page 27.

Advisory Approval of Executive Compensation

We are asking shareholders of each company to approve on an advisory basis our named executive officer compensation. Each Board recommends a "FOR" vote because it believes that the companies' compensation policies and practices are effective in achieving the companies' goals of rewarding sustained financial and

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operating performance and excellence, aligning the executives' long-term interests with those of our shareholders, and motivating executives to remain with the companies for long and productive careers.

Below are significant developments from 2011 and 2012 regarding executive compensation.

- The officer severance policy was amended to eliminate gross-ups on payments made upon severance in connection with a change in control.

- The officer severance policy was amended to generally reduce the benefits payable upon termination without cause (both before and after a change in control).

- Executive stock ownership guidelines were increased to 6 times base salary for the PG&E Corporation CEO and 3 times base salary for the Utility President, the PG&E Corporation CFO, and the PG&E Corporation Senior Vice President and General Counsel.

- The Long-Term Incentive Plan ("LTIP") was amended to prohibit share recycling and cash buyouts for stock options and stock appreciation rights ("SARs").

Executive Compensation Elements

Named Executive Officers received the following types of compensation during 2012.

TYPE	FORM	TERMS
Cash	Salary	Determined annually, though merit increase adjustments may be made mid-year.
	Short-Term Incentive	Based on corporate performance against pre-established operational and performance goals that are set annually. Board and Compensation Committee have discretion to adjust payments (e.g., for external factors or individual performance) and to reduce awards to zero.
Equity	Restricted Stock Units	Generally vest after a four-year vesting period (20 percent in years 1-3, and 40 percent in year 4) while employed or after retirement.
	Performance Shares	Generally vest after three-year performance period. Payout based on Total Shareholder Return ("TSR") relative to 12 peer companies selected by the Compensation Committee.
	Special Incentive Stock Ownership Premiums ("SISOPs")	

		Phantom stock granted in connection with prior executive stock ownership program. Forfeited if executive does not meet ownership targets. SISOP program has been terminated.
Retirement	Pension	
		Benefits based on final average pay.
		Vested benefits payable at age 55.
		Benefits reduced unless at least 35 years of service or age 65.
	Supplemental pension	
		Benefits based on final average pay plus short-term incentive, and number of years of service.
		Benefit reduced unless at least 35 years of service or age 65 and by amounts payable from pension.
		Vested benefits payable at later of age 55 or separation from service.
Other	Perquisites	
		Limited perquisites include security-based transportation services for the PG&E Corporation CEO and the Utility President, on-site parking, executive health services, partial subsidy of financial services, and insurance.
		Also includes the following items that are available to other management employees: health club fee reimbursement and relocation services.
		Lump-sum annual cash stipend paid in lieu of providing broader perquisite benefits.

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Other Key Compensation Features

Since 2010, annual say-on-pay vote, and investor outreach to key institutions	Increased executive stock ownership guidelines with retention requirements
Clawback policy	Policy against granting additional credited service under the Supplemental Executive Retirement Plan ("SERP")
"Double trigger" for change-in-control severance	No tax gross-ups (except for programs generally available to all management employees)
Policy restricting hedging and pledging of either company's stock	Golden Parachute Restriction Policy
Use of tally sheets	Policy regarding independence of compensation consultant
Shareholder approval required for option repricing	Consideration of realizable pay

Shareholder Proposal

In accordance with Securities and Exchange Commission rules, this Joint Proxy Statement includes a proposal submitted by an individual PG&E Corporation shareholder. The PG&E Corporation Board carefully considered this proposal and recommends a vote "AGAINST" the proposal for the reasons set forth on page 68 of this Joint Proxy Statement.

2014 Annual Meeting

Deadline for submission of shareholder proposals for inclusion in the proxy statement:	November 25, 2013
Deadline for written notice of other business and nominations for director:	February 7, 2014

General Information About the Annual Meetings and Voting

Answers to many frequently asked questions about the annual meetings and voting, including how to vote shares held in employee benefit plans, can be found in the Q&A section beginning on page 77 of this Joint Proxy Statement.

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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 ("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 of Internet Availability") or a copy of the Joint Notice of Annual Meetings of Shareholders ("Joint Notice"), the Joint Proxy Statement, a proxy card or voting instruction card, and the PG&E Corporation and Pacific Gas and Electric Company 2012 Annual Report ("Annual Report") were mailed to shareholders beginning on or about March 25, 2013. 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 7, 2013. This date is the record date set by the Boards to determine which shareholders may vote at the annual meetings.

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

Shareholders are being asked to elect 12 directors to serve on the Board of PG&E Corporation and 13 directors to serve on the Board of the Utility. The 12 nominees for director of PG&E Corporation also are nominees for director of the Utility. Christopher P. Johns is a nominee for director of the Utility only.

All nominees for the PG&E Corporation Board are current directors who were elected by shareholders at the 2012 annual meeting. All nominees for the Utility Board are current directors who were elected by shareholders at the 2012 annual meeting, with the exception of Mr. Earley, who was elected as a director of the Utility in June 2012.

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.

The following pages provide information 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 each nominee's ownership of PG&E Corporation and Utility stock is provided in the section entitled "Security Ownership of Management," which begins on page 71 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 select nominees for director, based on recommendations received from the Nominating and Governance Committee of the PG&E Corporation Board.

The Boards believe that each nominee for director is a qualified, dedicated, ethical, and highly regarded individual. The information provided below includes a chart and a description of each nominee's specific experience, qualifications, attributes, and skills that indicate why that person should serve as a director of the applicable company, in light of the company's business and structure. The Boards do not believe that each nominee must possess all of the characteristics shown in the chart below in order for each Board, as a whole, to function effectively.

Collectively, the distribution of the nominees' experience, skills, and expertise, among other characteristics, reflects a balanced and multi-disciplinary Board, and appropriately meets the needs of the companies.

*
Includes Christopher P. Johns, who is a nominee for the Utility only.

In considering whether to re-nominate Maryellen C. Herringer for election to the Boards of PG&E Corporation and the Utility, the PG&E Corporation Nominating and Governance Committee and each company's Board (with Ms. Herringer recusing herself) considered, among other factors, her former service on the board and the risk committee of Wachovia Corporation. The PG&E Corporation and Utility Boards concluded that, based on a number of factors, including shareholder support from at least approximately 80 percent of the shares voted at each of the companies' 2010, 2011, and 2012 annual meetings, as well as Ms. Herringer's overall experience, expertise, and skills, she is a valuable member of the Boards, her continued service would serve the best interests of the companies, and she should be nominated for re-election.

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David R. Andrews

Mr. Andrews is retired Senior Vice President, Government Affairs, General Counsel, and Secretary of PepsiCo, Inc. (food and beverage businesses). Prior to joining PepsiCo, Inc., he was a partner in the international law firm of McCutchen, Doyle, Brown & Enersen, LLP (now Bingham McCutchen) and served as Chairman of the firm. Mr. Andrews has been senior counsel to three federal agencies: the U.S. Department of State, the U.S. Department of Health and Human Services, and 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 on the supervisory and joint boards of directors of James Hardie Industries N.V. (fiber cement manufacturing) (2007 to 2009) and was chair of that company's compensation committee and a member of its nomination and governance committee.

Mr. Andrews, 71, has been a director of PG&E Corporation and the Utility since August 2000. He currently is a member of the PG&E Corporation and Utility Audit Committees and Executive Committees, and a member of the PG&E Corporation Nominating and Governance Committee, the PG&E Corporation Nuclear, Operations, and Safety Committee, and the PG&E Corporation Public Policy Committee. Mr. Andrews brings 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.

Lewis Chew

Mr. Chew is Executive Vice President and Chief Financial Officer of Dolby Laboratories, Inc. (audio, imaging, and voice technologies for the entertainment industry) and has held that position since 2012. He previously was Senior Vice President, Finance and Chief Financial Officer of National Semiconductor Corporation (design, manufacturing, and sale of semiconductor products) (2001 to 2011). Mr. Chew also was a Partner and certified public accountant at KPMG, LLP (accounting firm), where he served mainly technology and financial institution clients.

Mr. Chew, 50, has been a director of PG&E Corporation and the Utility since September 2009. He currently is Interim Chair of the PG&E Corporation Public Policy Committee and a member of the PG&E Corporation and Utility Audit Committees. As an executive of a large business customer in the Utility's service area, he brings insights from a customer's perspective to the Board. Mr. Chew has specific financial expertise and executive management and leadership skills gained from serving as a chief financial officer of other large public companies and as an audit partner at KPMG, LLP. He also has experience managing and overseeing all financial functions at a large public company, as well as information technology, 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 ("CEO") of AirTouch Cellular (cellular telephone services). He was an executive officer of AirTouch Communications, Inc. and its predecessor, PacTel Corporation (telecommunications utility). 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 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, 71, served as interim Chairman, Chief Executive Officer, and President of PG&E Corporation from May 1 to September 12, 2011, prior to Mr. Earley's election effective September 13, 2011. Mr. Cox has been a director of PG&E Corporation and the Utility since 1996 and served as the non-executive Chairman of the Board of the Utility from January 2008 to April 2011. He also served as the lead director of PG&E Corporation and the Utility from April 2004 to April 2011. He was reappointed as lead director of both companies and as the non-executive Chairman of the Board of the Utility effective September 13, 2011. He currently is Chair of the PG&E Corporation Compensation Committee and a member of the PG&E Corporation Finance Committee, the PG&E Corporation Nuclear, Operations, and Safety Committee, and the PG&E Corporation and Utility Executive Committees. As the lead director of each company, Mr. Cox has an in-depth knowledge of PG&E Corporation and the Utility, as well as experience in the companies' corporate governance, compensation, finance, and strategic planning matters. He brings executive management, business, and leadership skills gained as the chief executive officer and a director of other large public companies. Mr. Cox's experience and expertise also include managing and directing operations, corporate communications, and marketing functions at other large companies that are regulated by the California Public Utilities Commission.

Anthony F. Earley, Jr.

Mr. Earley is Chairman of the Board, Chief Executive Officer, and President of PG&E Corporation and has held that position since September 2011. Prior to joining PG&E Corporation, Mr. Earley was the Executive Chairman of DTE Energy Company (integrated energy company) (October 2010 to September 2011). He also served as that company's Chairman of the Board and Chief Executive Officer (1998 to 2010) and President and CEO. He previously served as President and Chief Operating Officer of Long Island Lighting Company (electric and gas utility in New York).

Mr. Earley has been a director of Ford Motor Company (global automotive and financial services company) since 2009 and serves on that company's compensation, nominating and governance, and sustainability committees. Previously, he was a director of Masco Corporation (home improvement and building products and services) (2001 to 2012) and a director of Comerica Incorporated (financial services) (2000 to 2009). Mr. Earley is a member of the executive committee of the Edison Electric Institute and is former Chairman of that association. He also serves as a director of the Nuclear Energy Institute and is a member of its executive committee and its organization and compensation committee. In addition, he has served as a director or trustee of many community organizations.

Mr. Earley, 63, has been a director of PG&E Corporation since September 2011 and a director of the Utility since June 2012. He currently is Chair of the PG&E Corporation and Utility Executive Committees. Mr. Earley has extensive knowledge and experience across all aspects of the energy industry, including electric and gas utility operations, nuclear energy, and energy policy and regulation. He brings executive management, business, and civic leadership skills gained from a significant number of years as a CEO and a director of other large public companies.

Fred J. Fowler

Mr. Fowler is Chairman of the Board of Spectra Energy Partners, LP (master limited partnership that owns natural gas transmission and storage assets) and has held that position since December 2008. He was President and Chief Executive Officer of Spectra Energy Corp (natural gas gathering and processing, transmission and storage, and distribution company) from 2006 to 2008, and served as a director of that company from 2006 to 2009. Previously, Mr. Fowler held various executive positions with Duke Energy Corporation (gas and electric energy company) and its subsidiaries and predecessor companies, including President and Chief Operating Officer of Duke Energy.

Mr. Fowler has been a director of Encana Corporation (natural gas producer) since 2010 and is a member of that company's corporate responsibility, environment, health and safety committee and its human resources and compensation committee. Previously, he was Chairman of the Board of DCP Midstream Partners, LP (owner, operator, and developer of midstream energy assets) (2007 to 2009) and a director of DCP Midstream, LLC (natural gas gatherer and processor and natural gas liquids producer) (2000 to 2009). He also is the former Chairman of the Board of the Interstate Natural Gas Association of America and a former director of the Gas Research Institute, the Gas Technology Institute, and the Institute of Nuclear Power Operations.

Mr. Fowler, 67, has been a director of PG&E Corporation and the Utility since March 2012. He currently is a member of the PG&E Corporation Nuclear, Operations, and Safety Committee. Mr. Fowler brings extensive knowledge, experience, and skills in gas and electric utility operations, nuclear power, and regulatory matters. He also brings leadership, management, and business skills developed as an executive and a director of numerous public and privately held companies.

Maryellen C. Herringer

Ms. Herringer is retired Executive Vice President, General Counsel, and Secretary of APL Limited (international transportation and logistics services company). She held various executive positions at APL Limited and was responsible for overseeing the legal, risk management, corporate communications, human resources, internal audit, tax, and community affairs functions. Prior to joining APL Limited, Ms. Herringer was a partner in the international law firm of Morrison & Foerster LLP, Senior Vice President and General Counsel of Transamerica Corporation (insurance and financial services), and a partner in the law firm of Orrick, Herrington & Sutcliffe LLP.

Ms. Herringer has been a director of ABM Industries Incorporated (facilities services) since 1993 and has served as that company's non-executive Chairman of the Board since March 2006. She is a member of that company's compensation committee and its executive 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 & Company in December 2008. She currently is a member of the boards of trustees of Mills College, Vassar College, and the San Francisco Museum of Modern Art.

Ms. Herringer, 69, served as interim lead director of PG&E Corporation and the Utility and interim non-executive Chairman of the Utility Board from May 1 to September 12, 2011. She 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 a member of the PG&E Corporation and Utility Audit Committees and Executive Committees. 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.

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Christopher P. Johns

Mr. Johns is President of Pacific Gas and Electric Company and has held that position since August 2009. During his career at the Utility, he has held the positions of Senior Vice President, Financial Services (May 2009 to July 2009), Senior Vice President and Treasurer (October 2005 through April 2009), and other officer positions within the finance and accounting functions. Mr. Johns also has held a number of executive positions at PG&E Corporation, including Chief Financial Officer (2005 through 2007).

Prior to becoming an officer of the Utility, Mr. Johns was a partner at KPMG Peat Marwick (accounting firm). Mr. Johns is a graduate of the Massachusetts Institute of Technology Reactor Technology Course for Utility Executives. He serves on the executive committees of the boards of the American Gas Association and the Western Energy Institute, and on the boards of directors of the Edison Electric Institute, the California Chamber of Commerce, The First Tee of San Francisco, and San Francisco RBI. He also is a member of the Board of Trustees of the San Francisco Ballet.

Mr. Johns, 52, has been a director of the Utility since February 2010. He currently is a member of the Utility's Executive Committee. He brings a detailed knowledge of the Utility's operations, including oversight of electric and gas operations, energy supply, information technology, shared services, strategy, and regulatory relations. He also has experience with the Utility's and PG&E Corporation's finance and accounting functions, along with 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.

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. Prior to joining Rothschild Inc., Mr. Kimmel was a partner in the international law firm of Latham & Watkins LLP, where his practice focused on mergers and acquisitions, capital markets, and corporate governance matters.

Mr. Kimmel has been non-executive Chairman of Endo Health Solutions Inc. (formerly Endo Pharmaceuticals Holdings Inc.) (pharmaceutical company) since May 2007, and also serves as chair of that company's nominating and governance committee and as a member of its audit committee and transactions committee. Previously, he served as a director of Schiff Nutrition International, Inc. (vitamins and nutritional supplements company) until that company was acquired in December 2012. Mr. Kimmel has been Chairman of the Board of Trustees of the University of Virginia Law School Foundation (not-for-profit) since 2009.

Mr. Kimmel, 66, 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. He has a Ph.D. in applied physics and a law degree, and has served on a part-time basis as Senior Of Counsel to the international law firm of Covington & Burling LLP since April 2004. Prior to joining the Carnegie Institution of Washington, Dr. Meserve was Chairman of the U.S. Nuclear Regulatory Commission. He also has served as a member of the Blue Ribbon Commission on America's Nuclear Future (chartered by the Secretary of Energy) (2010 to 2012), 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. He is the Chairman of the International Nuclear Safety Group, which is chartered by the International Atomic Energy Agency.

Dr. Meserve has served as chair of the nuclear committee of Energy Future Holdings Corporation since 2010, and also has been a director of Tri Alpha Energy, Inc. since 2012. He previously was a director of Luminant (competitive power generation subsidiary of Energy Future Holdings Corporation) (2008 to 2010). He is a member of the independent advisory committees of UniStar Nuclear Energy LLC (design, licensing, construction, and operation of new nuclear power plants) and Constellation Energy Nuclear Group, LLC (existing nuclear power plant owner and operator). Dr. Meserve also serves as a member of the board of trustees of Universities Research Association, Inc. (consortium of research-oriented universities), is President 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, 68, has been a director of PG&E Corporation and the Utility since December 2006. He currently is Chair of the PG&E Corporation Nuclear, Operations, and Safety Committee and a member of the PG&E Corporation Nominating and Governance Committee, the PG&E Corporation Public Policy Committee, and the PG&E Corporation and Utility Executive Committees. 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, and legal organizations.

Forrest E. Miller

Mr. Miller served as Group President-Corporate Strategy and Development of AT&T Inc. (communications holding company) from 2007 until his retirement in March 2012. In that position, he was responsible for enterprise-wide strategic planning, business development, and mergers and acquisitions. Mr. Miller also has served as Group President-Strategic Initiatives and Human Resources of AT&T Inc. and Group President of AT&T Corp., the Global Enterprise division of AT&T Inc., and held a variety of executive positions at SBC Communications (communications holding company) and its predecessor Pacific Telesis Group.

Mr. Miller has been a director of YP Holdings, LLC (print and digital media company) since April 2012 and serves on that company's finance committee. He currently serves as a trustee of Trinity University in San Antonio, Texas, the Dallas Museum of Art, and the Baylor Health Care System Foundation in Dallas, Texas.

Mr. Miller, 60, 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, audit, mergers and acquisitions, government and regulatory affairs, and human resources.

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Rosendo G. Parra

Mr. Parra is a retired executive of Dell Inc. (international information technology company). He held various executive and senior management positions at Dell Inc., including Senior Vice President for the Home and Small Business Group and Senior Vice President and General Manager, Dell Americas. In those roles, he led Dell Inc.'s activities in the Americas, including marketing, sales, manufacturing, logistics/distribution, call center operations, and services to all customer segments in the Americas. 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.

Mr. Parra has been a director of Brinker International (casual restaurant dining company) since December 2004 and is chair of that company's compensation committee and a member of 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 chair of that company's corporate governance and nominating committee and a member of its compensation committee.

Mr. Parra, 53, 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.

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 CEO, Vice Chair, and a director of Nietech Corporation (payments technology company) (during the period 2002 to 2009). Ms. Rambo previously held various executive and management positions at Bank of America, including Group Executive Vice President and head of Commercial Banking.

Ms. Rambo has been a director of International Rectifier Corporation (power management technologies) since December 2009 and serves on that company's compensation and governance committees. She also has been a director of West Marine, Inc. (boating supply retailer) since November 2009 and is chair of that company's governance and compensation committee and a member of its audit committee. In addition, Ms. Rambo has been a director of UnionBanCal Corporation (financial holding company) and Union Bank, N.A. (commercial bank, formerly Union Bank of California) since October 2007 and is a member of those companies' audit and compensation committees.

Ms. Rambo, 60, 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 (having served as its interim Chair from May 1 to September 12, 2011), the PG&E Corporation Nominating and Governance Committee, and the PG&E Corporation and Utility Executive Committees. Ms. Rambo 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 investment and consulting) and also has served as President of that company since 1987. 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) since 1996 and is chair of that company's audit committee and a member of its compensation and risk committees. In addition, he has been a director of The Simpson Manufacturing Company Inc. (building construction products) since 1995 and is chair of that company's acquisitions and strategy committee and a member of its compensation and leadership development committee and its governance and nominating committee. Mr. Williams also has been a director of SLM Corporation (student loans and financial services) since July 2000 and is a member of that company's finance and operations committee. He has been a member of the Board of Trustees of The Northwestern Mutual Life Company (life and disability insurance and annuities) since 1986 and is a member of that company's marketing and agency committee. Previously, Mr. Williams was a director of Ameron International Corporation (2010 to 2011) and R.H. Donnelley Corporation (1998 to 2010). He also is a director or trustee of numerous not-for-profit organizations.

Mr. Williams, 68, has been a director of the Utility since September 1990 and a director of PG&E Corporation since December 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. Mr. Williams brings management, leadership, and business skills developed as an executive and a director of numerous public and privately held companies. He has experience in numerous areas, including 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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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. These practices are reviewed against industry trends and input from the companies' top institutional investors. The following section discusses the companies' key corporate governance practices, and focuses on:

- Corporate Governance Guidelines
- Board Leadership Structure
- Board and Director Independence
- Board Committee Duties and Composition
- Committee Membership
- Compensation Committee Interlocks and Insider Participation
- Director Meeting Attendance During 2012
- Director Nomination Process
- Executive Compensation-Setting Process
- Risk Management
- Board Oversight of Political Contributions and Advocacy
- Board Oversight of Management Succession
- Board and Committee Self-Evaluations
- Director Orientation and Continuing Education
- Director and Officer Communications

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. The Guidelines are reviewed and updated from time to time as recommended by the Nominating and Governance Committee of the PG&E Corporation Board. Other corporate governance practices also are set forth in the charters of the various committees of the PG&E Corporation and Utility Boards.

Many of the practices discussed in this "Corporate Governance" section are set forth in each company's Corporate Governance Guidelines or other Board-level governance documents.

Board Leadership Structure

Independent Lead Director; Executive Session Meetings

PG&E Corporation and the Utility each have an independent lead director, who is elected from among the independent chairs of the standing PG&E Corporation and Utility Board committees. The lead director must have at least one year of experience as a director of the respective company, and serves a term of three years (as lead director) and may be re-elected to consecutive terms. Specific duties for the lead director are substantially similar at both companies.

The lead director schedules and presides over executive session meetings at all meetings of the companies' Boards or any other meeting at which the Chairman is not present. Each such executive session meeting has an agenda that includes standing items for discussion by the independent directors without management present. These executive session meetings are used to, among other things, review the performance of the PG&E Corporation CEO, review executive development for management succession planning, discuss corporate governance issues, and provide feedback to the CEO. The lead director also actively participates in the planning of the regular meetings of the Boards, including suggesting and reviewing agenda topics and approving information sent to the Boards, and otherwise acting as a liaison between management (including any executive Chairman) and the Boards.

The lead director may receive written communications (in care of the Corporate Secretary) from the company's shareholders and other interested parties. The lead director also is available for consultation and direct communication with major shareholders.

C. Lee Cox is the independent lead director of both PG&E Corporation and the Utility, and held that position throughout 2012.

Chairman of the Board

At both PG&E Corporation and the Utility, the Chairman of the Board is a member of the Board of Directors. The primary duty of the Chairman is to preside over meetings of the Board, including special meetings. The Chairman also is consulted regarding nominees for the Board and the composition and chairmanship of Board committees. If the Chairman is not an independent director, then following each executive session meeting of the independent directors,

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the lead director, or his or her designee, has a discussion with the Chairman regarding the executive session meeting.

PG&E Corporation and the Utility each believe that it is in the best interests of the company and its shareholders to have a flexible rule regarding whether the offices of Chairman and CEO should be separate. When a vacancy occurs in the office of either the Chairman or the CEO, the applicable 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 elected from management or from among the non-management directors. 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.

At PG&E Corporation, Anthony F. Earley, Jr. has served as the Chairman, CEO, and President since September 13, 2011. The PG&E Corporation Board believes that having Mr. Earley serve concurrently as the company's Chairman and CEO is the appropriate Board leadership structure at this time because, among other things, his extensive utility and leadership experience allows him to serve as an effective link between the Board and management, and to raise key issues (including those related to various business risks overseen by the Boards) and stakeholder interests to the Board's attention as the Board carries out its duties. Because the CEO bears primary responsibility for managing the Corporation's day-to-day business issues, he is well positioned to chair regular Board meetings and help ensure that key issues, business risks, and stakeholder interests are addressed by the Board. Further, the presence of an independent lead director enhances the Board's authority to act independently from management, notwithstanding the fact that the Chairman also is an executive officer of the company.

At the Utility, the positions of Chairman and principal executive officer have been separated. The Chairman of the Utility is C. Lee Cox, the independent lead director. Christopher P. Johns is President of the Utility, serving as the principal executive officer. The Utility Board believes that by separating the roles of Chairman and principal executive officer, the Utility is able to benefit from the complementary skill sets and business experiences of Messrs. Cox and Johns. As a subsidiary of PG&E Corporation, the Utility also benefits from Mr. Earley's position as Chairman and CEO of PG&E Corporation. Mr. Earley, however, may not serve in either capacity at the Utility. In conformance with certain rules of the California Public Utilities Commission, the same individual may not serve as Chairman of the Board, CEO, or President, or in a functionally equivalent position, of both PG&E Corporation and the Utility.

Board and Director Independence

The PG&E Corporation Corporate Governance Guidelines set forth a policy that at least 75 percent of the directors should be independent, as defined in the Guidelines. The New York Stock Exchange ("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 at least 75 percent of the directors should be independent, as defined in the Guidelines. The NYSE MKT (formerly Amex) rules also require that the Utility's independent directors meet regularly. The Utility Board is exempt from NYSE MKT 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 percent 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 NYSE MKT definitions.

The Boards of PG&E Corporation and the Utility each have affirmatively determined that each of the following directors is independent: David R. Andrews, Lewis Chew, C. Lee Cox, Fred J. Fowler, Maryellen C. Herringer, Roger H. Kimmel, Richard A. Meserve, Forrest E. Miller, Rosendo G. Parra, Barbara L. Rambo, and Barry Lawson Williams. The Boards have determined that each is independent because he or she:

- Does not have any relationship with either PG&E Corporation or the Utility that would interfere with the exercise of independent judgment,
- Is "independent" as defined by applicable NYSE and NYSE MKT rules, and

Satisfies each of the categorical standards adopted by the Boards for determining whether a specific relationship is "material" and a director is independent. These categorical standards are set forth in Exhibit A to each company's Corporate Governance Guidelines.

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 certain 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 served as an executive officer until March 2012) utility services at rates or charges fixed in conformity with law or governmental authority, and other telecommunications services and related equipment purchased 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 on a part-time basis), 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 and did not affect Dr. Meserve's independence.

Committee Membership Requirements

Each of the permanent standing committees (other than the Executive Committees) must be composed entirely of independent directors, as defined in the applicable company's Corporate Governance Guidelines and the Committee's charters. In addition, the PG&E Corporation Compensation Committee and the PG&E Corporation Nominating and Governance 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 percent of the voting power of the Utility, the Utility is a "controlled subsidiary" of PG&E Corporation and is not subject to certain rules of NYSE MKT that otherwise would impose requirements on the Utility's director nomination and compensation-setting processes and require that the Utility's Board committees responsible for executive compensation and governance be comprised of "independent" directors, as defined by NYSE MKT.

Each member of the PG&E Corporation and Utility Audit Committees is subject to heightened audit committee independence rules, as set forth in the applicable company's Corporate Governance Guidelines, in Securities and Exchange Commission ("SEC") rules regarding audit committee independence, or in applicable stock exchange rules. Each member of the PG&E Corporation and Utility Audit Committees must be financially literate, and at least one member of each Audit Committee also must have accounting and related financial management expertise and financial sophistication. 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 respective subsidiaries, that Committee member must inform the applicable company's Board. In order for that member to continue serving on the PG&E Corporation and Utility Audit Committees, each Board must affirmatively determine that the simultaneous service does not impair that committee member's ability to serve effectively on the applicable Audit Committee.

Each company's Board and its committees satisfy the applicable independence and qualification standards. No member of either Audit Committee serves on more than three other public companies' audit committees.

Board Committee Duties and Composition

The 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, the Nuclear, Operations, and Safety Committee, and the Public Policy Committee. The Utility Board has two standing committees: the Executive Committee and the Audit Committee. For each of the standing committees listed above, the applicable company's Board has adopted a formal charter that sets forth the committee's duties and responsibilities, and that is available on the companies' websites (see "Website Availability of Governance Documents" on page 76 of this Joint Proxy Statement). The duties and responsibilities of each committee are described below.

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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 applicable 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

The PG&E Corporation and Utility Boards each have an Audit Committee that advises and assists the applicable Board with respect to, among other things:

- The integrity of the respective company's financial statements,
- Financial and accounting practices,
- Internal controls, and external and internal auditing programs,
- Selection and appointment of the applicable 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,
- Related party transactions, and
- Guidelines and policies for managing and assessing major risks, and, to the extent that any aspect of risk assessment and management is delegated to another Board committee, review of processes by which such risk assessment and management are undertaken.

Compensation Committee

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

- Compensation of directors,
- Employment, compensation, and benefits policies and practices,
- Potential risks arising from compensation policies and practices,
- Development, selection, and compensation of policy-making officers,
- Evaluation of management and long-range planning for officer development and succession, and
- Retention and oversight of any of the Committee's independent compensation consultants, legal counsel, or other advisors.

Among other things, the Compensation Committee:

- 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 applicable 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).

The Performance Award Subcommittee of the Compensation Committee takes action regarding executive compensation that is intended to qualify for exemption under Internal Revenue Code Section 162(m). This Subcommittee consists solely of "outside directors," as defined in federal income tax laws and regulations.

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) merger and acquisition transactions considered by the Committee, and (iii) selected risks identified in

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consultation with the PG&E Corporation and Utility Boards and their respective committees and assigned by the Audit Committee to the Finance Committee for discussion.

Each year, the Finance Committee also presents for the PG&E Corporation and Utility Boards' review and concurrence (1) a multi-year outlook for PG&E Corporation and its subsidiaries that, among other things, summarizes projected financial performance and establishes the basis for the annual budget, and (2) an annual financial performance plan that establishes financial objectives and sets operating expense and capital spending budgets that reflect the first year of the approved multi-year outlook. Members of the Boards receive a monthly report that compares actual to budgeted financial performance and provides other information about financial performance.

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.

Nuclear, Operations, and Safety Committee

The Nuclear, Operations, and Safety Committee of PG&E Corporation advises and assists the Boards of PG&E Corporation and the Utility with respect to the oversight and review of (i) significant safety (including public and employee safety), operational performance, and compliance issues related to the Utility's nuclear, generation, gas and electric transmission, and gas and electric distribution operations and facilities ("Operations and Facilities"), and (ii) risk management policies and practices related to the Operations and Facilities.

Among other things, the Nuclear, Operations, and Safety Committee:

- Reviews safety and operational issues related to (1) the impact of new or changing laws, regulations, policies, and practices, (2) continuous improvement in the Operations and Facilities, and (3) incorporation of safety and operational goals into executive compensation programs,
- Reviews the principal risks arising out of the Operations and Facilities, the process used by management to analyze and identify these risks, and the effectiveness of programs to manage or mitigate these risks,
- Reviews the results of the Utility's goals, programs, policies, and practices with respect to promoting a strong safety culture, and
- Periodically visits the Utility's nuclear and other operating facilities.

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 contributions and community investment programs and activities,
- Political contributions and political activities,
- 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.

Committee Membership

The current membership of PG&E Corporation's and the Utility's standing Board committees is shown in the table below.

	Executive Committees	Audit Committees	Compensation Committee	Finance Committee	Nominating and Governance Committee	Nuclear, Operations, and Safety Committee	Public Policy Committee
Independent Non-Employee Directors:							
D. R. Andrews	X	X			X	X	X
L. Chew(1)		X					X*
C. L. Cox(2)	X		X*	X		X	
F. J. Fowler						X	
M. C. Herringer	X	X			X*		
R. H. Kimmel				X			X
R. A. Meserve	X				X	X*	X
F. E. Miller(1)		X	X				
R. G. Parra				X	X		
B. L. Rambo	X		X	X*	X		
B. L. Williams(1)	X	X*	X	X			
Employee Directors:							
A. F. Earley, Jr.	X*						
C. P. Johns(3)	X						
Number of Meetings in 2012 (PG&E Corporation/Utility where applicable)	0/0	6/6	4	5	6	5	3

* Committee Chair

(1) Independent audit committee financial expert, as defined by the SEC and applicable stock exchanges, and as determined by the Boards. Background information on each audit committee financial expert can be found in the director biographies beginning on page 4 of this Joint Proxy Statement.

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

(3) Member of the Utility Executive Committee only.

Compensation Committee Interlocks and Insider Participation

C. Lee Cox., Forrest E. Miller, Barbara L. Rambo, and Barry Lawson Williams served on the PG&E Corporation Compensation Committee during 2012. None of the Compensation Committee members served as an employee of PG&E Corporation or the Utility during 2012, nor has any of those individuals ever served as an officer of either company, with the exception of Mr. Cox, who served as interim Chairman, Chief Executive Officer, and President of PG&E Corporation from May 1 to September 12, 2011, following the retirement of the former PG&E Corporation CEO and prior to election of Mr. Earley as Chairman, CEO, and President of PG&E Corporation. During that period, Mr. Cox did not serve on the Compensation Committee. In September 2011, following his resignation as interim Chairman, CEO, and President of PG&E Corporation, Mr. Cox rejoined the Compensation Committee as an independent member. During 2012, none of the executive officers of PG&E Corporation or the Utility served as a director or member of the compensation committee (or other committee performing similar functions) of any other entity of which an executive officer served on the PG&E Corporation Compensation Committee.

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Director Meeting Attendance During 2012

During 2012, there were 8 meetings of the PG&E Corporation Board and 29 meetings of the PG&E Corporation standing Board committees. Each incumbent PG&E Corporation director attended at least 94 percent of the total number of applicable Board and Board committee meetings held during the period of his or her service on the Board and Board committees during 2012.

During 2012, there were 8 meetings of the Utility Board and 6 meetings of the Utility standing Board committees. Each incumbent Utility director attended at least 88 percent of the total number of applicable Board and Board committee meetings held during the period of his or her service on the Board and Board committees during 2012.

Each member of the Board of PG&E Corporation or the Utility is expected to attend that company's annual meetings. All 12 then-current directors attended PG&E Corporation's 2012 annual meeting, and all 12 then-current directors attended the Utility's 2012 annual meeting.

Director Nomination Process

The Boards of PG&E Corporation and the Utility each select nominees for director 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 Chairman of PG&E Corporation or the Utility, as applicable, and the PG&E Corporation CEO.

Qualifications and Characteristics

The Nominating and Governance Committee's goal is to create 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 factors such as diversity, age, skills, and any other factors that it deems appropriate, and annually reviews and recommends to the Boards the appropriate skills and characteristics required of Board members, given the current composition and needs of each company's Board. In addition to the skills and characteristics noted above, for 2013, the Committee also considered the extent to which the nominees (both individually and as a group) possessed the experience, skills, and expertise shown in the chart on page 3 of this Joint Proxy Statement.

Although the Boards may not designate any person as a candidate for election or re-election as a director after such person has reached the age of 72, this policy may be waived if the Committee and the applicable company's Board determine that it is in the best interests of the company to re-nominate a director who is 72 years old or older.

In general, the Nominating and Governance Committee will recommend, and the Boards will re-nominate, an existing director for re-election if, among other things, the Committee and Board each believe that the individual would continue to be a productive and effective contributor to the Board, and that his or her continued service would serve the best interests of the company.

With respect to diversity, the 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.

Sources of Nominees

The Nominating and Governance 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.

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.

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Recommended candidates may be required to provide additional information.

Executive Compensation-Setting Process

Details regarding the compensation-setting process can be found below, as well as in the Compensation Discussion and Analysis section of this Joint Proxy Statement.

Executive Officer Compensation

Each year, the independent members of the applicable Board, based on the PG&E Corporation Compensation Committee's recommendation, approve the amounts of total target compensation for the CEO of PG&E Corporation and the CEO or the President of the Utility. Such approvals are made following a review of comparative data and advice from the Compensation Committee's independent compensation consultant. The Compensation Committee approves the amounts of total target compensation for all other senior executive officers based upon a review of comparative data, advice from its independent compensation consultant, and recommendations from the PG&E Corporation CEO. 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.

If required with respect to compensation that is intended to be "qualified performance-based compensation" under Internal Revenue Code Section 162(m), the Compensation Committee's Performance Award Subcommittee takes action with respect to such compensation.

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. In addition, the PG&E Corporation Board has delegated to the PG&E Corporation CEO the authority to grant LTIP awards to certain eligible participants within the guidelines adopted by the Compensation Committee.

The PG&E Corporation CEO generally attends a portion of each Compensation Committee meeting, but absents himself from the Committee's deliberations or decisions with respect to his pay. No other officer attends Compensation Committee meetings to provide input into executive compensation decisions. At the Committee's request, the CEO reviews with the Committee the performance of the other officers named in the Summary Compensation Table (the "named executive officers" or "NEOs"). The CEO also recommends adjustments, if any, in base pay, annual incentive awards, and LTIP 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 NEO. The Committee may exercise 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 the peer group, as well as PG&E Corporation's overall financial and operating performance.

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 Committee also oversees other employee benefit plans.

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, and 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.

Consultants and Advisors

The Compensation Committee retains an independent compensation consultant to advise on compensation programs and practices, including pay levels for non-employee directors and for officers. Under a policy adopted by the Committee, this consultant must be "independent," i.e., (1) the consultant must be retained by, and report solely to, the Compensation Committee, and (2) the consultant and its affiliates may 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.

For 2012, the Compensation Committee retained Frederic W. Cook & Co., Inc. ("FWC") as its independent consultant. FWC does not provide services to management of PG&E Corporation, the Utility, or their affiliates, although FWC maintains a working relationship with management in order to fulfill FWC's primary role as advisor to the Compensation Committee. FWC is a nationally

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recognized independent firm providing consulting assistance to corporations in order to develop compensation programs for senior executives, key employees, and boards of directors. FWC was first selected as the Compensation Committee's independent consultant for 2010, following the Committee's review of numerous candidate firms.

During 2012, FWC advised the Compensation Committee on the following matters:

- Non-employee director compensation,
- Executive compensation competitive market,
- Executive compensation emerging trends and best practices,
- Shareholder advisory firms' pay and performance analyses,
- Proxy disclosures,
- Severance and change-in-control practices and policies,
- Risk issues relative to compensation policies and practices, and
- Corporate governance best practices.

The Compensation Committee also has discretion to engage other compensation consultants, as well as legal counsel and other advisors, taking into account whether the work of such advisors and consultants will raise any conflict of interest. PG&E Corporation pays the reasonable compensation costs for such advisors.

Management also may retain compensation consultants to assist management and the Compensation Committee in determining or recommending the amount or form of executive and director compensation. During 2012, management engaged Aon plc's subsidiary Aon Hewitt to assist in the review of executive pension benefits. Aon Hewitt researched competitive market trends and practices and provided pension plan alternatives for review.

The Compensation Committee has determined that no conflicts of interest were raised by the work of FWC or Aon Hewitt during 2012.

Shareholder Outreach

PG&E Corporation and the Utility believe 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.

PG&E Corporation is committed to investor engagement and listening to investor views on corporate governance matters and executive compensation policies and programs. Since 2009, management has annually contacted PG&E Corporation's top institutional investors to discuss executive compensation and any other corporate governance matters of interest to them.

Prior to the SEC ruling that required large public companies to provide advisory say-on-pay votes, in 2010, PG&E Corporation and the Utility provided its shareholders with the right to cast an annual advisory vote on the compensation paid to the NEOs. In 2012, the companies' NEO compensation for 2011 was approved by 80.7 percent and 99.8 percent, respectively, of PG&E Corporation and Utility shares that voted on this proposal. The Compensation Committee considers these votes as part of its review of executive compensation programs and practices.

Risk Management

As part of their oversight functions, the PG&E Corporation and Utility Boards generally oversee the companies' risk management policies and programs. Oversight for specific risk categories is allocated to various Board committees, consistent with the substantive scope of each committee's charter. Each such committee provides a report of its activities to the applicable Board.

Management has the day-to-day responsibility for assessing and managing PG&E Corporation's and the Utility's exposure to various risks.

As described below, the risk management governance structures also allow risks to be investigated both under a Board-directed review process and also from a "bottoms-up" approach that allows operational experts to add their knowledge and identify emerging issues for the companies.

Board-Level Duties

The Boards and their respective committees have specific oversight responsibility for risk management in the following areas:

- 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

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for assessing and managing major risks (including the Enterprise and Operational Risk Management ("EORM") program that is discussed in more detail below), allocates to other Board committees the specific responsibility to oversee identified enterprise risks, generally oversees regulatory and legal compliance risks, and considers risk issues associated with overall financial reporting and disclosure processes.

The PG&E Corporation Finance Committee discusses risk exposures related to energy procurement, including energy commodities and derivatives, and other enterprise risks, as assigned by the Audit Committees.

The PG&E Corporation Nuclear, Operations, and Safety Committee discusses risks related to the safety of the Utility's nuclear, electric, gas, and other operations and facilities, and oversees other enterprise risks, as assigned by the Audit Committees.

The PG&E Corporation Compensation Committee oversees potential risks arising from the companies' compensation policies and practices.

Other risk oversight responsibilities also have been allocated, consistent with the overall substantive scope and duties of each Board and their respective committees.

This allocation of Board-level risk oversight was last reviewed by the PG&E Corporation and Utility Audit Committees in November 2012.

The Boards' role in risk oversight has had no significant effect on either Board's leadership structure.

Management-Level Duties

Management has day-to-day responsibility for assessing and managing PG&E Corporation's and the Utility's exposure to various risks. With respect to supporting the Board's oversight activities:

Management provides various reports to the Boards and their respective committees regarding different elements of corporate risk management programs and activities, as requested by the Boards and the committees.

The companies' EORM program identifies and evaluates potential risks facing the enterprise, and nominates specific enterprise risks for Board-level oversight. EORM is conducted under the supervision of the PG&E Corporation Risk Policy Committee (which was established by the PG&E Corporation Board) and the Utility Risk Management Committee. The EORM program as a whole is overseen by the PG&E Corporation and Utility Audit Committees, which assign Board-level responsibility for oversight of specific enterprise risks to committees of either company's Board.

Each line of business ("LOB") within the companies has its own risk and compliance committee. These LOB committees review all major operational and safety risks within that LOB, including public safety, review and approve risks analysis and mitigation strategies, and track mitigation progress. Each LOB risk and compliance committee is led by a senior officer and must include at least one appointed risk manager. All LOBs will review their risks with the entire senior management team in 2013 as part of the companies' integrated planning process, and plan to continue to do so thereafter on an annual basis.

PG&E Corporation and the Utility each have a Chief Risk and Audit Officer who functionally reports to the PG&E Corporation and Utility Audit Committees.

Compensation Risk Analysis

For 2012, FWC served as the independent compensation consultant for the PG&E Corporation Compensation Committee and assisted the companies with a review of the design of PG&E Corporation's and the Utility's incentive plans relative to general compensation plan risk factors (or the potential for unintended consequences).

The companies examined the balance between fixed and variable pay, the mix of equity-based awards, the existence of caps on incentive compensation, the composition and balance of performance metrics and the various performance thresholds, and stock ownership requirements. The analysis also considered the existence of governance practices, auditing oversight, and counterbalancing policies such as the Committee's retention of discretion to adjust incentive awards, the clawback policy authorizing recoupment of certain incentive-based compensation following a restatement of company financial statements, stock retention requirements, and restrictions on hedging.

The companies also noted that, to further ensure appropriate incentive metrics, the Compensation Committee receives advice regarding appropriate safety and operational incentive measures from the PG&E Corporation Nuclear, Operations, and Safety Committee.

FWC concluded that the companies' incentive plans are reasonably well aligned with compensation design principles, and that there are no significant risk areas from a compensation risk perspective.

Based on the foregoing, PG&E Corporation and the Utility concluded that the risks arising from the companies' overall compensation policies and practices are not reasonably likely to have a material adverse effect on either PG&E Corporation or the Utility.

Board Oversight of Political Contributions and Advocacy

The PG&E Corporation Public Policy Committee reviews PG&E Corporation's and the Utility's political contributions and recommends Board approval limits for political contributions from the companies to candidates, measures, initiatives, political action committees, and certain other organizations that may engage in activities involving elections. The Boards are apprised of significant advocacy efforts taken by the companies. The Public Policy Committee also directs preparation of an annual report detailing political contributions and certain other expenditures made by the companies during the preceding year. Additional information regarding each company's political engagement policies and political expenditures is available on PG&E Corporation's website at http://www.pgecorp.com/aboutus/corp_gov/political_engagement/political_engagement.shtml.

Board Oversight of Management Succession

At least annually, and often more frequently, the PG&E Corporation and Utility Boards each review the applicable company's plan for CEO succession, both in the ordinary course of business and in response to emergency situations. Each company's Board also develops a profile of appropriate responsibilities, attributes, and requirements for the position of CEO, which reflects PG&E Corporation's and the Utility's business functions, vision, and strategy. Potential candidates for CEO may be identified internally within the companies in consultation with the PG&E Corporation Compensation Committee (which oversees the evaluation of management) and the CEO, as well as externally through various sources, including independent third-party consultants.

The succession planning process also addresses the continuing development of appropriate leadership skills for internal candidates for CEO, as well as candidates for other leadership positions within the company. The Compensation Committee also is responsible for reviewing the CEO's long-range plans for officer development and succession for PG&E Corporation and the Utility.

Throughout 2012, the Compensation Committee addressed management succession and executive development in connection with its review of officer elections, promotions, and compensation matters during the year. In addition, the Boards reviewed and discussed CEO and management succession planning and executive development at their meeting in February 2013.

Board and Committee Self-Evaluations

The PG&E Corporation Nominating and Governance Committee oversees the process for evaluating and assessing the performance of the Boards, including Board committees. At least annually, each Board or the Nominating and Governance Committee conducts an evaluation to determine whether the Board as a whole and its committees are functioning effectively.

If the evaluation is conducted by the Nominating and Governance Committee, that Committee presents its conclusions to the applicable full Board for review and concurrence.

The Board evaluation includes an assessment of the Board's contribution as a whole and of specific areas in which the Board and/or management believes that a better contribution could be made. The Audit Committees, the Compensation Committee, the Finance Committee, the Nominating and Governance Committee, the Nuclear, Operations, and Safety Committee, and the Public Policy Committee conduct annual evaluations. The Board committees provide the results of any evaluation to the Nominating and Governance Committee. These results are considered in the overall Board evaluation.

Director Orientation and Continuing Education

New directors receive information on subjects that would assist them in discharging their duties. All directors periodically receive briefing sessions or materials on such subjects. Each director also receives information regarding opportunities for continuing education, and is encouraged to stay current on important developments pertaining to such director's function and duties to the companies by attending such programs as appropriate or otherwise.

Director and Officer Communications

Correspondence to directors and executive officers should be sent to the applicable company's principal executive office, in care of the Corporate Secretary. The Corporate Secretary will forward to the independent lead director any communications

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addressed to the Board of Directors as a body, to all the directors in their entirety, or to a subset of the directors, and such other communications as the Corporate Secretary, in his or her discretion, determines is appropriate. The Corporate Secretary also will receive communications directed to individual directors or officers, and will forward those as appropriate.

The address of the principal executive office for each company is:

PG&E Corporation
Pacific Gas and Electric Company
77 Beale Street, P.O. Box 770000
San Francisco, California 94177

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Compensation of 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 PG&E Corporation Compensation Committee and considering 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, considering the compensation paid to directors of other comparable U.S. companies. As part of this review, the Committee reviews the compensation provided to the companies' non-employee directors as compared to peer companies, with the objective of ensuring that non-employee director compensation is:

- Market-competitive in terms of annual compensation value, and

- Consistent with emerging best practices and trends.

Compensation for 2012 reflected the results of reviews conducted in December 2010. The Compensation Committee's most recent review was conducted in December 2012, and results of the review are reflected in compensation paid to non-employee directors starting in January 2013.

2012 Director Compensation

The following table summarizes the principal components of compensation paid or granted during 2012 to the non-employee directors of PG&E Corporation and the Utility.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)(4)	Total ($)
D. R. Andrews	120,000	89,967		95	210,062
L. Chew	92,500	89,967		2,595	185,062
C. L. Cox	155,250	89,967		95	245,312
F. Fowler(5)	66,935	89,967		71	156,973
M. C. Herringer	107,750	89,967		2,595	200,312
R. H. Kimmel	84,750	89,967		95	174,812
R. A. Meserve	103,500	89,967		2,595	196,062
F. E. Miller	92,500	89,967		95	182,562
R. G. Parra	90,000	89,967		2,595	182,562
B. L. Rambo	105,250	89,967		3,393	198,610
B. L. Williams	153,000	89,967		893	243,860

(1)
Represents receipt of retainers and meeting fees consistent with the schedule described in the narrative following this table. Retainers paid to Mr. Fowler reflect his election to the Boards effective March 1, 2012. Total meeting fees were: Mr. Andrews $55,000, Mr. Chew $37,500, Mr. Cox $40,250, Mr. Fowler $21,000, Ms. Herringer $42,750, Mr. Kimmel $29,750, Dr. Meserve $38,500, Mr. Miller $37,500, Mr. Parra $35,000, Ms. Rambo $40,250, and Mr. Williams $48,000.

(2)
Represents the grant date fair value of restricted stock units ("RSUs") granted in 2012 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 on the date of grant. In 2012, each non-employee director received 2,041 RSUs with a grant date value of $89,967. The aggregate number of stock awards outstanding for each non-employee director at December 31, 2012 was: Mr. Andrews 6,352, Mr. Chew 3,897, Mr. Cox 13,525, Mr. Fowler 2,084, Ms. Herringer 8,963, Mr. Kimmel 5,142, Dr. Meserve 8,443, Mr. Miller 5,142, Mr. Parra 3,897, Ms. Rambo 10,702, and Mr. Williams 10,091.

(3)

No stock options were granted in 2012. The aggregate number of option awards outstanding for each non-employee director at December 31, 2012 was: Mr. Andrews 34,327, Mr. Chew 0, Mr. Cox 0, Mr. Fowler 0, Ms. Herringer 2,491, Mr. Kimmel 4,090, Dr. Meserve 0, Mr. Miller 4,090, Mr. Parra 0, Ms. Rambo 0, and Mr. Williams 14,905.

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(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: Mr. Chew $2,500, Ms. Herringer $2,500, Dr. Meserve $2,500, Mr. Parra $2,500, and Ms. Rambo $2,500, and (iii) the cost of iPads provided for the purpose of accessing Board materials, as follows: Ms. Rambo $798 and Mr. Williams $798.

(5)
Mr. Fowler was elected a director of PG&E Corporation and the Utility effective March 1, 2012.

Director Retainers and Fees

The following retainers and fees were provided during 2012 to each director who was not an employee of PG&E Corporation or the Utility.

Board Retainer	$13,750 per quarter ($55,000 annually)
Board and Committee Meeting Fees	$1,750 per meeting
	Other than: $2,750 per Audit Committee meeting
Shareholder Meeting Fees	$1,750 per meeting (if not held on the same day as a Board meeting)
Lead Director Retainer	$12,500 per quarter ($50,000 annually)
Committee Chair Retainers	$2,500 per quarter ($10,000 annually)
(Permanent Standing Committees)	*Other than:* Audit: $12,500 per quarter ($50,000 annually)

Any director who serves on the PG&E Corporation Board, Audit Committee, or Executive Committee does not receive additional retainers for concurrent service on the Utility Board, Audit Committee, or Executive Committee, as applicable. Separate meeting fees are paid for each meeting of the Utility Board, Audit Committee, or Executive Committee that is not held concurrently or sequentially with a corresponding meeting of the PG&E Corporation Board, Audit Committee, or Executive Committee. Because it is the usual practice that such meetings are held concurrently, in most cases a single meeting fee is paid to each director for each set of meetings.

Non-Employee Director Stock-Based Compensation

Under the LTIP, each non-employee director of PG&E Corporation is entitled to receive annual awards of stock-based compensation.

Awards for 2012 were granted on May 14, 2012. Such grants had a total aggregate value of $90,000 and consisted of RSUs that were granted to each non-employee director upon election to the Board. These RSUs vest after one year at the end of the director's elected term. RSUs also will vest upon the director's death or disability, and otherwise are forfeited if the director ceases to be a member of the Board during his or her elected one-year term.

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. Previously granted restricted stock and stock options become payable upon vesting. RSUs become payable in accordance with the normal settlement schedule.

2013 Non-Employee Director Compensation

In 2012, the Compensation Committee conducted a review of non-employee director compensation. Based on that review, the Committee recommended, and the Boards of both PG&E Corporation and Utility approved, the following changes effective January 1, 2013:

The Board retainer increased to $15,000 per quarter, and the Compensation Committee Chair retainer increased to $3,750 per quarter.

The aggregate value of annual LTIP awards for non-employee directors increased to $105,000. Directors may now defer payment of vested LTIP awards.

Director Stock Ownership Guidelines

Non-employee directors are expected to own shares of PG&E Corporation common stock having a dollar value of at least five times the value of the then-applicable annual Board retainer. Ownership will be measured annually as of December 31 of each calendar year, based on the closing price of PG&E Corporation common stock at the end of that year. Directors generally have five years to meet the guidelines. Ownership includes beneficial ownership of common stock, as well as RSUs and common stock equivalents.

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Directors' 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 of their retainers, all of their meeting fees, or both. 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 (which is described in the narrative following the "Non-Qualified Deferred Compensation 2012" table beginning on page 59 of this Joint Proxy Statement).

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 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. 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.

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Item No. 2: Ratification of the 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 Pacific Gas and Electric Company ("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, 2013, and to audit the effectiveness of internal control over financial reporting as of December 31, 2013. 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. However, the Boards of Directors have determined that it is desirable to request shareholder ratification of this selection as a matter of good corporate governance. If the shareholders of either PG&E Corporation or the Utility do not ratify the appointment, the applicable Audit Committee will investigate the reasons for rejection by the shareholders and will reconsider the appointment. Even if a company's shareholders ratify the selection, the applicable Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of that company and its shareholders.

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 controlled 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: Fees Billed to PG&E Corporation
(Amounts include Fees Billed to Pacific Gas and Electric Company and its Subsidiaries shown in Table 2 below)

	2012	2011
Audit Fees	$4.7 million	$4.6 million
Audit-Related Fees	$0.4 million	$0.5 million
Tax Fees	$0	$0
All Other Fees	$0	$0

Table 2: Fees Billed to Pacific Gas and Electric Company and its Subsidiaries
(Amounts are included in Fees Billed to PG&E Corporation shown in Table 1 above)

	2012	2011
Audit Fees	$3.9 million	$3.9 million
Audit-Related Fees	$0.3 million	$0.5 million
Tax Fees	$0	$0
All Other Fees	$0	$0

Audit Fees

Audit fees billed for 2012 and 2011 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 2012 and 2011 relate to services rendered by Deloitte & Touche for 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.

Tax Fees

Deloitte & Touche provided no services in this category during 2012 and 2011.

All Other Fees

Deloitte & Touche provided no services in this category during 2012 and 2011.

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.

Annual Review and Pre-Approval of Services

For each fiscal year, the PG&E Corporation and Utility Audit Committees approve a list of services that will be obtained by the companies and their controlled subsidiaries and affiliates from the independent registered public accounting firm during that year. The Audit Committees also approve maximum fee amounts for each approved service.

Three types of services may be obtained from the independent registered public accounting firm:

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., 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 evaluating any proposed 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.

Mid-Year Review and Approval of Additional Services

The Audit Committees also must pre-approve or ratify (1) any proposed engagement of the independent registered public accounting firm for services that were not approved during the annual review process, and (2) any increase in the authorized fee amounts for services that already have been approved.

In addition, management has adopted a policy under which PG&E Corporation, the Utility, and their respective controlled subsidiaries may not enter into new engagements with Deloitte & Touche and its affiliate, Deloitte Consulting, for any services other than audit services, audit-related services, and tax services that Deloitte & Touche and its affiliates are allowed to provide to Deloitte & Touche's audit clients under the Sarbanes-Oxley Act.

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 or ratify audit, audit-related, 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 applicable full Audit Committee at the next regularly scheduled Committee meeting.

Monitoring Pre-Approved Services

During the year, management periodically updates each Audit Committee as to which of the pre-approved auditing and non-auditing services have already been provided by the independent public accounting firm.

Services Provided During 2012 and 2011

During 2012 and 2011, all services provided by Deloitte & Touche to PG&E Corporation, the Utility, and their respective consolidated affiliates were approved or ratified under the applicable pre-approval procedures.

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Report of the Audit Committees

The Audit Committees ("Committees") of PG&E Corporation and Pacific Gas and Electric Company ("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 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 Committees reviewed and discussed these audited consolidated financial statements with management and the independent registered public accounting firm. The Committees also discussed with the independent registered public accounting firm matters that are required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Deloitte & Touche LLP was the independent registered public accounting firm for PG&E Corporation and the Utility in 2012. Deloitte & Touche LLP provided to the Committees the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding an independent registered public accounting firm's communications with an audit committee concerning independence, and the Committees discussed with Deloitte & Touche LLP 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, 2012 filed with the Securities and Exchange Commission.

March 25, 2013

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

Item No. 3: Advisory Vote on Executive Compensation for PG&E Corporation and Pacific Gas and Electric Company

PG&E Corporation and Pacific Gas and Electric Company ("Utility") each ask their respective shareholders to approve the following:

> RESOLVED that the compensation paid to the executive officers named in the Summary Compensation Table of this Joint Proxy Statement, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and the accompanying narrative discussion, is hereby APPROVED.

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 executives, and aligns the interests of our executive officers with those of our shareholders.

In establishing PG&E Corporation's officer compensation programs for 2012 (which also cover officers of the Utility), the PG&E Corporation Compensation Committee established three objectives. These objectives, and how these objectives were met for 2012, are discussed in the Compensation Discussion and Analysis ("CD&A"), which can be found immediately following this Item No. 3. These objectives are summarized below.

A significant portion of every officer's compensation should be tied directly to PG&E Corporation's performance, without promoting excessive risk-taking.

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. For Anthony F. Earley, Jr., the PG&E Corporation Chief Executive Officer, approximately 86 percent of 2012 target compensation was tied to corporate performance. For the other named executive officers listed in the Summary Compensation Table, more than 75 percent of 2012 target average compensation was tied to corporate performance.

The Compensation Committee's independent compensation consultant, Frederic W. Cook & Co., Inc., has advised that PG&E Corporation's executive incentive compensation plans were reasonably well aligned with compensation design principles, and that the compensation risk from incentive plans is low.

A significant component of officer compensation should be tied to PG&E Corporation's long-term performance for shareholders, in the form of long-term incentive awards.

The 2012 LTIP awards were comprised equally of restricted stock units ("RSUs") and performance shares, except that Mr. Earley received 40 percent RSUs and 60 percent performance shares. RSU awards vest over a four-year period, and their value is tied directly to the price of PG&E Corporation common stock. Performance shares vest, if at all, at the end of a three-year period, and their value is tied to the relative three-year performance of PG&E Corporation common stock price appreciation and dividends paid, or total shareholder return ("TSR") as compared to the TSR of companies in the Performance Comparator Group (see the CD&A for a discussion of the Performance Comparator Group). Mr. Earley's 2012 LTIP awards 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.

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

Target cash compensation for 2012 generally was within a range of 15 percent above to 15 percent below the corresponding market median for companies in the Pay Comparator Group (see the CD&A for a discussion of the Pay Comparator Group).

This vote is non-binding and is required by Section 14A of the Securities Exchange Act of 1934. PG&E Corporation and the Utility each currently plan

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to submit this vote to shareholders again in connection with next year's annual shareholder meeting. 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 disapproval 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 the Compensation of Each Company's Executive Officers Named in the Summary Compensation Table, as Described in This Joint Proxy Statement.

Compensation Discussion and Analysis ("CD&A")

The purpose of this CD&A is to explain the compensation philosophy for PG&E Corporation and Pacific Gas and Electric Company ("Utility"), and describe the design and operation of compensation programs for the named executive officers ("NEOs") listed in the Summary Compensation Table. Their compensation is disclosed in the tables following this CD&A.

Corporate Financial Performance

In 2012, PG&E Corporation's earnings per share from operations were $3.22[(1)] as compared to $3.58 per share for 2011. This represents a 10.1 percent decrease compared to 2011 but was within the guidance range of $3.10 to $3.30 that the company provided at the beginning of 2012 with respect to 2012 earnings per share from operations.

The companies' financial and operational performance for 2012 resulted in a calculated payout level of 137.2 percent of target under the Short-Term Incentive Plan ("STIP"), which measures financial and operating performance on an annual basis. Please refer to the "2012 STIP Structure and Results" section of this CD&A for information regarding the companies' financial and operational performance results as they relate to the STIP.

PG&E Corporation's financial performance for the three-year period from 2010 to 2012 also determined vesting and the payout percentage for performance shares granted in 2010 under the PG&E Corporation 2006 Long-Term Incentive Plan ("LTIP"). Performance for these purposes was determined by comparing PG&E Corporation's total shareholder return ("TSR") for the three years ended December 31, 2012 to that of its Performance Comparator Group of companies (see the section entitled "Benchmarking Details Pay Comparator Group and Performance Comparator Group" in this CD&A for a discussion of the Performance Comparator Group).

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(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 are not a substitute or alternative for income available for common shareholders presented in accordance with Generally Accepted Accounting Principles ("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).

For the performance period January 1, 2010 through December 31, 2012, PG&E Corporation's TSR ranked 12th in comparison to these companies. As a result, the performance shares granted in 2010 did not meet the minimum threshold performance level, and no payouts were made in 2013 with respect to these performance shares.

Corporate Governance and Compensation Developments

The PG&E Corporation Compensation Committee ("Committee") or the PG&E Corporation and Utility Boards of Directors (upon the Committee's recommendation) have adopted certain new programs, practices, and policies that reflect the Committee's and the Boards' continuing commitment to align to best practices and their commitment to sound corporate governance. Examples of recent enhancements made before 2012 include:

- Annual review of tally sheets for NEOs,
- Increased stock ownership guidelines and adoption of a policy requiring retention of 50 percent of net earned equity awards until the guidelines are met,
- Implementation of the Executive Incentive Compensation Recoupment Policy (or clawback policy),

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

Amendment of the LTIP to prohibit cash buyouts and share recycling for stock options and stock appreciation rights ("SARs"), and

Amendment of the officer severance policy to eliminate excise tax gross-ups on severance payments made in connection with a change in control.

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In February 2012, the PG&E Corporation Board modified the officer severance program to generally reduce the benefits payable in the event of a termination without cause (both before and after a change in control). During 2012, the Committee also reviewed the structure and amount of executive retirement plans and policies provided to NEOs, and recommended structural changes that further bring benefits in line with competitive market practice. In February 2013, the Committee reviewed total compensation for the PG&E Corporation Chief Executive Officer ("CEO") and compared these realizable values to the total compensation values as disclosed in the "Summary Compensation Table" for the same years.

Each of these initiatives is discussed in more detail throughout this CD&A.

Information in the CD&A

This CD&A discusses the compensation for 2012 that was awarded to, earned by, or paid to the following NEOs whose compensation is reported in the tables in this Joint Proxy Statement.

Named Executive Officers of PG&E Corporation for 2012

Anthony F. Earley, Jr. Chairman, CEO, and President, PG&E Corporation

Christopher P. Johns President, Pacific Gas and Electric Company

Kent M. Harvey Senior Vice President and Chief Financial Officer, PG&E Corporation, and Senior Vice President, Financial Services, Pacific Gas and Electric Company

Hyun Park Senior Vice President and General Counsel, PG&E Corporation

John R. Simon Senior Vice President, Human Resources, PG&E Corporation and Pacific Gas and Electric Company

Named Executive Officers of Pacific Gas and Electric Company for 2012

Messrs. Earley, Johns, and Harvey are considered NEOs of the Utility, as well as being NEOs of PG&E Corporation. The other NEOs of the Utility for 2012 are:

Edward D. Halpin Senior Vice President and Chief Nuclear Officer (as of April 2, 2012)

Dinyar B. Mistry Vice President, Chief Financial Officer, and Controller

2012 Officer Compensation Program Objectives

The Committee established its officer compensation program for 2012 to meet three primary objectives:

Performance-Based Pay A significant portion of every officer's total compensation is at risk in both short-term and long-term performance-based pay. These awards will reflect short- and long-term performance against financial, operational, safety, and strategic goals, and long-term shareholder returns, without promoting excessive risk-taking.

Shareholder Alignment A significant component of every officer's compensation should be tied directly to PG&E Corporation's performance for shareholders in the form of long-term incentive awards. Performance is defined as total shareholder return ("TSR"), measured by stock price appreciation and dividends paid relative to companies in the Performance Comparator Group.

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

PG&E Corporation's 2012 compensation policies and practices described below and elsewhere in this Joint Proxy Statement are designed to meet these objectives. These objectives are largely unchanged from 2011.

The Committee also considers shareholder advisory votes as part of its review of executive compensation programs and practices. In 2012, PG&E Corporation's and the Utility's shareholders approved the companies' NEO compensation for 2011 with votes of 80.7 percent and 99.8 percent, respectively.

What Are the Components of the 2012 Officer Compensation Program?

Total annual compensation for NEOs included:

- Base salary,
- Annual cash incentive under the STIP, and
- The value of equity awards granted under the LTIP.

The following charts illustrate the percentage of target 2012 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. (Short-term incentives are shown at target payout levels, and long-term equity incentives are shown at 100 percent payout.)

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2012 PG&E Corporation CEO Target Compensation Earley

Average 2012 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.

A greater portion of the PG&E Corporation CEO's 2012 target compensation is tied to the long-term performance of the company, which the Committee believes is appropriate given the CEO's role.

How Was 2012 Officer Compensation Aligned with the Competitive Market?

For 2012, the Committee used (1) a 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, and (2) a 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) for all officers were compared individually and in the aggregate to the Pay Comparator Group. Comparisons also were made to the 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. Additional details regarding the Pay Comparator Group, the general industry comparator group, and the Performance Comparator Group (used to determine payouts under the performance shares) can be found beginning on page 45 under "Benchmarking Details Pay Comparator Group and Performance Comparator Group."

The Committee does not adhere strictly to formulas or survey data to determine the actual mix and amounts of compensation. 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 February 2012, the Committee (and the independent members of the PG&E Corporation and Utility Boards in the case of Mr. Earley and Mr. Johns, respectively), in consultation with the Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("FWC"), approved the base salaries, target short-term incentive opportunities, and long-term incentives for NEOs effective March 1, 2012. Additional information regarding FWC is provided in the section entitled "Executive Compensation-Setting Process," which begins on page 18 of this Joint Proxy Statement.

In setting 2012 compensation levels, base pay and short-term incentive targets were aligned with the market median.

Target LTIP award values were designed to (1) provide LTIP payouts commensurate with PG&E Corporation's TSR performance as compared to the Performance Comparator Group of companies, and (2) deliver long-term incentive compensation at approximately the 75th percentile level of the Pay Comparator Group, upon achievement of 75th percentile TSR performance as compared to the Performance Comparator Group. If the company's TSR performance is at the 50th percentile level of the Performance Comparator Group, LTIP payouts would be realized at approximately the 50th percentile level of the Pay Comparator Group. Actual LTIP amounts realized by NEOs depend on company performance, as measured by stock price and relative TSR performance as compared to the Performance Comparator Group.

Base Salary

For NEO compensation, the base salary component falls within a range of 14 percent to 40 percent of target total compensation, depending on officer level.

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This is consistent with the Committee's objective of tying a significant portion of every NEO's compensation directly to PG&E Corporation's performance for shareholders through short-term and long-term incentives.

For 2012, the Committee approved a base salary increase budget of 3 percent. The comparative data indicated that the companies in the Pay Comparator Group expected to provide officers a 2.8 percent average salary increase in 2012.

In the case of NEOs, base pay at PG&E Corporation and the Utility is generally within a range of between 15 percent above and 15 percent below (the "15 percent band") the median base 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 philosophy of aligning compensation with market median, while taking into consideration other factors relative to establishing individual pay levels.

Short-Term Incentives

The STIP is an at-risk component of pay. NEOs and other eligible employees may earn annual performance-based cash incentive compensation under the STIP based on achievement of financial and operational goals approved by the Compensation Committee and an individual executive's achievements for the year. The Committee retains complete discretion to determine and pay all STIP awards to NEOs and other eligible employees. This includes discretion to reduce the final score on any and all measures downward to zero.

2012 STIP Structure and Results

For 2012, the Committee adopted a STIP structure that placed a greater emphasis on the achievement of operational performance goals and, in particular, on improving public and employee safety. As a result of this shift in emphasis, the extent to which safety goals were met had a 40 percent weighting, the extent to which goals relating to customer satisfaction were met had a 30 percent weighting, and the achievement of corporate financial performance targets represented 30 percent of the total STIP score.

The safety component was structured to strengthen the focus on the safety of employees, customers, and communities. It was made up of four subcomponents: (1) Nuclear Operations Safety, (2) Electric Operations Safety, (3) Gas Operations Safety, and (4) Employee Safety. The customer satisfaction measures were designed to incent employees to be more responsive to our customers' needs. As in prior years, corporate financial performance was measured by PG&E Corporation's actual earnings from operations compared to budget.

Each STIP measure has a threshold, target, and maximum level of performance used to arrive at a score ranging from zero to 2.0 for that measure. Performance below the minimum threshold level results in a zero score. Performance at the minimum established level, or threshold, results in a STIP score of 0.5. Target performance results in a STIP score of 1.0, and performance at or above the maximum established level results in a score of 2.0. A score of 1.0 provides 100 percent of an executive's target payout before any adjustment for individual performance, following recommendation by the PG&E Corporation CEO. Performance at the threshold and maximum levels delivers 50 percent and 200 percent of targeted payout respectively, prior to any performance adjustment.

An NEO's final STIP score also may be increased or decreased by an individual performance modifier, which can range from 75 percent to 125 percent. The individual performance modifier is an adjustment of up to +/- 25 percent based upon the CEO's assessment of an executive's performance, or the Committee's assessment in the case of the CEO's performance, for the year.

The STIP overall performance score is the sum of the weighted cumulative score for performance on each of the STIP measures.

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For 2012, the measures and related weightings, thresholds, targets, maximums, and results for calculating the STIP performance score were as follows:

2012 STIP Measures	Weight	Threshold	Target	Maximum	Result	Score	Weighted Average Score
SAFETY COMPONENT (40%)							
Nuclear Operations Safety							
Institute of Nuclear Power Operations (INPO) Performance							
Unit 1 Performance Indicator	4%	2nd Quartile Midpoint	1st Quartile Minimum	99.0 or 1st Decile	97.379	1.506	.060
Unit 2 Performance Indicator	4%	2nd Quartile Midpoint	1st Quartile Minimum	99.0 or 1st Decile	99.458	2.000	.080
Electric Operations Safety							
Transmission and Distribution (T&D) Wires Down	4%	2%	3%	6%	(10.3%)	0.000	.000
911 Emergency Response	4%	74.5%	77.0%	87.8%	84.1%	1.656	.066
Gas Operations Safety							
Leak Repair Performance	4%	90% by Dec. 31	100% by Dec. 31	100% by Oct. 31	100% by Oct. 31	2.000	.080
Gas Emergency Response							
Within 30 minutes	2%	60% in 4th Quarter	75% in 4th Quarter	75% in 3rd and 4th Quarters	85.3% in 3rd and 4th Quarters	2.000	.040
Within 60 minutes	2%	98% in 4th Quarter	99% in 4th Quarter	99% in 3rd and 4th Quarters	99.2% in 3rd and 4th Quarters	2.000	.040
Employee Safety							
Lost Workday Case Rate	8%	0.251	0.240	0.221	0.319	0.000	.000
Preventable Motor Vehicle Incident (MVI) Rate	8%	1.994	1.952	1.889	1.787	2.000	.160
CUSTOMER SATISFACTION COMPONENT (30%)							
Customer Satisfaction Score	10%	73.7	74.1	75.1	74.5	1.400	.140
System Average Interruption Duration Index (SAIDI)	10%	137.7	133.1	126.5	131.5	1.242	.125
Gas Asset Mapping	10%	35	30	20	20	2.000	.200
FINANCIAL COMPONENT (30%)							
Earnings from Operations	30%	95% of Budget	Budget	105% of Budget	$1,367.40	1.272	.382
	100%						1.372

The measures in the foregoing table are defined below.

Institute of Nuclear Power Operations (INPO) Performance Indicators Year-end score of 12 performance indicators reported to INPO for the Utility's Diablo Canyon Power Plant Units 1 and 2.

Transmission and Distribution (T&D) Wires Down Percent improvement over 2011 performance in the number of unplanned sustained outage events involving at least one downed overhead electric transmission or primary distribution conductor.

911 Emergency Response Percentage of time that Utility personnel are on site within 60 minutes after receiving a 911 call of a potential Utility electric hazard.

Leak Repair Performance Percentage of certain leaks found prior to January 1, 2012 and repaired by December 31, 2012.

Gas Emergency Response Percentage of time that Utility personnel are on site within one hour and within 30 minutes of receiving an immediate response gas emergency order.

Lost Workday Case Rate Number of lost workday cases incurred per 200,000 hours worked (or for approximately every 100 employees).

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Preventable Motor Vehicle Incident (MVI) Rate Number of motor vehicle incidents that the driver could have reasonably avoided, per 1 million miles driven.

Customer Satisfaction Score Overall satisfaction of customers with the products and services offered by the Utility, as measured through a quarterly survey.

System Average Interruption Duration Index (SAIDI) Total time that the average customer is without electric power during a given time period (measured in number of minutes).

Gas Asset Mapping Longest duration in days at year-end of pending complete gas project job packages received by the Gas Asset Mapping organization.

Earnings from Operations (EFO) PG&E Corporation's actual earnings from operations, excluding items impacting comparability compared to budget. The measurement is non-GAAP. Please see Exhibit A for a reconciliation of PG&E Corporation's earnings from operations to income available for common shareholders in accordance with GAAP.

Individual Awards Determination

STIP cash awards to NEOs are calculated as follows:

1. Determine the executive's individual participation rate, which is the NEO's base salary earned during the year multiplied by the individual's STIP target percentage.

2. Calculate the overall company-wide STIP performance score, which can range from 0 to 2.0 and is calculated based on final results compared to the threshold, target, and maximum of each measure.

3. Multiply the participation rate by the performance score to determine the 2012 calculated company award.

4. Multiply the 2012 calculated company award by the executive's individual performance modifier, if any.

5. The Compensation Committee, or the PG&E Corporation and Utility Boards of Directors in the case of the CEO and President of the respective companies, approves all final awards, and has discretion to adjust all STIP awards.

For 2012, the Committee approved NEO participation rates that ranged from 45 percent to 100 percent of base salary (the 100 percent participation rate applies only to the PG&E Corporation CEO). This range is within the 15 percent band of the Pay Comparator Group's median annual incentive participation rates. For 2012, NEO participation rates generally remained the same as for 2011, except for the Senior Vice President and General Counsel and the Senior Vice President, Human Resources. After a review of comparative market data and advice of the Committee's independent compensation consultant, the Committee determined that the participation rate for the Senior Vice President and General Counsel should be raised from 55 percent to 60 percent of base salary, and for the Senior Vice President, Human Resources, the Committee determined that the participation rate should be raised from 50 percent to 55 percent.

For 2012, after adjusting for individual performance, STIP awards for the NEOs ranged from 100 percent to 115 percent of the 2012 calculated company award. The final awards for 2012 were paid to each of the NEOs in early 2013 and are reported in the Non-Equity Incentive Plan Compensation column of the "Summary Compensation Table" on page 49.

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2013 STIP Structure

The STIP remains an important component of at-risk pay. The Committee approved a STIP structure for 2013 that further enhances PG&E Corporation's focus on improving public and customer safety and customer satisfaction. Achievement of safety goals will again have a 40 percent weighting, while achievement of customer satisfaction goals has been increased to a 35 percent weighting, and the weighting for the achievement of corporate financial performance targets has been reduced from 30 percent to 25 percent of the total STIP score. For 2013, the measures and related weighting are as follows:

2013 STIP Measures	**Weight**
SAFETY COMPONENT (40%)	
Nuclear Operations Safety	
Institute of Nuclear Power Operations (INPO) Performance	8%
Electric Operations Safety	
Transmission and Distribution (T&D) Wires Down	4%
911 Emergency Response	4%
Gas Operations Safety	
Leak Repair Performance	4%
Gas Emergency Response	
Revised measure: average response time	4%
Employee Safety	
Lost Workday Case Rate	8%
Serious Preventable Motor Vehicle Incident Rate	
Revised measure: consider only serious incidents	8%
CUSTOMER SATISFACTION COMPONENT (35%)	
Customer Satisfaction Score	10%
Gas and Electric Dig-ins Reduction	
New measure for 2013	5%
System Average Interruption Duration Index (SAIDI)	10%
Gas Asset Mapping	5%
Execute Gas Pipeline Safety Work Index	
New measure for 2013	5%
FINANCIAL COMPONENT (25%)	
Earnings from Operations	30%

As in prior years, corporate financial performance will be measured based on PG&E Corporation's earnings from operations. The Committee has adopted threshold, target, and maximum 2013 STIP financial performance goals that correspond to STIP financial performance scores ranging from 0.5 to 2.0. The goals are consistent with the publicly disclosed financial guidance for 2013 based on earnings per share from operations. The threshold goal will be met if PG&E Corporation's 2013 earnings from operations are at least 95 percent of budgeted earnings from operations. The target goal will be met if PG&E Corporation's 2013 earnings from operations are equal to budgeted earnings from operations, and the maximum goal will be met if 2013 earnings from operations are at least equal to 105 percent of budgeted earnings from operations. The Committee believes that the maximum goal presents a significant challenge to management and, if achieved, would justify a maximum STIP financial performance score of 2.0.

Upon recommendation of the CEO, based on the CEO's assessment of individual performance after year-end, the Committee may apply an individual performance modifier from 0 percent to 150 percent to individual officer awards. The Committee retains complete discretion to determine and pay all STIP awards to NEOs and all other eligible employees. This includes discretion to reduce the final score on any and all measures downward to zero.

Long-Term Incentives

Long-Term Incentives Awarded in 2012

LTIP awards (both annual and mid-year) are made within the range of target LTIP values approved by the Committee, and are granted consistent with the PG&E Corporation Equity Grant Date Policy (see discussion below under "Equity Grant Dates").

In February 2012, the Committee (and the independent members of the PG&E Corporation and Utility Boards in the case of Mr. Earley and Mr. Johns, respectively) approved LTIP awards, which generally were granted in March 2012. In addition, in February 2012, the Committee approved LTIP awards for Mr. Halpin, which were granted in May 2012 (see discussion below under "Compensation Decisions in Connection with Individuals Who Became NEOs During the Year").

The 2012 target LTIP award values for the NEOs ranged from $300,000 to $5,500,000 (the upper end applicable only to Mr. Earley). These values were determined based on competitive market data, internal equity considerations, and advice from FWC. The 2012 annual LTIP awards granted to the NEOs in March 2012 (with the exception of Mr. Earley's awards) and the new-hire award for Mr. Halpin were comprised of 50 percent restricted stock units ("RSUs") and 50 percent performance shares. The independent members of the PG&E Corporation Board determined that a higher percentage of the CEO's long-term incentives should be tied directly to PG&E Corporation's long-term performance for shareholders. Therefore, for Mr. Earley, the independent members of the PG&E Corporation Board approved 2012 annual LTIP awards comprised of approximately 40 percent RSUs and 60 percent performance shares. Mr. Halpin

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received a $1,000,000 supplemental award in May consisting entirely of RSUs, in connection with his hiring (see discussion below under "Compensation Decisions in Connection with Individuals Who Became NEOs During the Year").

The Committee believes that this allocation of RSUs and performance shares for NEOs balances the interests of shareholders and officers by linking the value of long-term compensation to stock price appreciation and relative TSR. Additional details regarding RSUs 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 granted for 2012 generally vest after a four-year vesting period (20 percent in each of the first three years and 40 percent in the fourth year), and only if the officer remains employed over the vesting period. Because the value of the RSU award varies with the price of PG&E Corporation common stock, RSUs align officers' interests with those of shareholders (i.e., stock price appreciation and dividends). The multi-year vesting period also serves as a retention mechanism.

The number of RSUs granted in March 2012 to each NEO was determined by dividing one-half of that NEO's actual LTIP award value (40 percent in the case of Mr. Earley) by the average daily closing price of a share of PG&E Corporation common stock from February 24, 2012 through March 1, 2012.

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 and generally vest only at the end of a three-year performance period.

The number of performance shares granted in March 2012 to each NEO was determined by dividing one-half of that NEO's actual LTIP award value (60 percent in the case of Mr. Earley) by the average daily closing price of a share of PG&E Corporation common stock from February 24, 2012 through March 1, 2012.

Performance shares granted in March 2012 will vest, if at all, on March 2, 2015 following completion of the three-year performance period starting January 1, 2012 and ending December 31, 2014. The payout value of any vested performance shares 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 the form of stock and will be calculated by multiplying (1) the number of vested performance shares by (2) a payout factor based on PG&E Corporation's relative TSR performance compared to the Performance Comparator Group. Performance share awards granted prior to 2010 were settled in cash.

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 percent payout if PG&E Corporation's TSR is at the 25th percentile; there will be a 100 percent payout if PG&E Corporation's TSR is at the 75th percentile; and there will be a 200 percent payout if PG&E Corporation's TSR ranks first in the Performance Comparator Group.

LTIP Performance Share Payout Scale
Number of Companies in Total
(Including PG&E Corporation) = 13

Company Rank	Company Performance Percentile	Rounded Payout
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%

Performance Shares Granted in 2009 and 2010

The three-year performance cycle for annual performance share awards that were granted in 2009 under the LTIP ended on December 31, 2011. For that period, PG&E Corporation's TSR, as measured by stock price appreciation and dividends, ranked 11th among the 13 companies in the 2009 Performance Comparator Group. As a result, during 2012 no payout was made with respect to performance shares granted in 2009. PG&E Corporation's TSR performance for the three-year period was 20.7 percent, as compared to the median of 69.1 percent among the 2009 Performance Comparator Group companies and the negative 48.6 percent return of the S&P 500 for the same period.

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The three-year performance cycle for annual performance share awards that were granted in 2010 under the LTIP ended on December 31, 2012. For that period, PG&E Corporation's TSR, as measured by stock price appreciation and dividends, ranked 12th among the 13 companies in the 2010 Performance Comparator Group. This ranking represents performance at the 8th percentile, resulting in no payout with respect to the 2010 performance share awards. PG&E Corporation's TSR performance for the three-year period was 2.1 percent, as compared to the median of 42.7 percent among the 2010 Performance Comparator Group companies and the 36.3 percent return of the S&P 500 for the same period.

Long-Term Incentives Granted in 2013

In February 2013, the Committee (and the independent members of the PG&E Corporation and Utility Boards in the case of Mr. Earley and Mr. Johns, respectively) approved LTIP awards, which were granted in March 2013. The design of the 2013 LTIP program generally parallels that of the 2012 program (with equal weighting of performance shares and RSUs, including Mr. Earley's award). A more complete discussion of the 2013 LTIP awards will be provided in the 2014 Joint Proxy Statement.

Equity Grant Dates

The PG&E Corporation Equity Grant Date 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. Annual equity awards for 2012 were granted on March 1, 2012, which was consistent with this policy. Under the policy, the grant date for non-annual equity awards to employees (such as for newly hired or newly promoted officers) will 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 Compensation Committee, or the 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. 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.

Compensation Decisions in Connection with Individuals Who Became NEOs During the Year

On February 3, 2012, the Utility entered into an agreement with Mr. Halpin, pursuant to which he became the Senior Vice President and Chief Nuclear Officer. In addition to the provisions normally applicable to the employment of senior executives, the terms of Mr. Halpin's employment agreement provided:

- An annual base salary of $510,000, participation in the 2012 STIP at a target rate of 55 percent, and a 2012 LTIP award with an aggregate value of $550,000, divided equally between RSUs and performance shares, and

- A sign-on bonus of $750,000 and a supplemental RSU award with a value of $1,000,000, and an additional $150,000 cash retention bonus and $200,000 RSU award on each of the first and second anniversaries of his hire date (subject to the Equity Grant Date Policy) if he is an active employee at that time. One-half of the RSUs will vest on the first anniversary of the date of grant, and the remainder will vest on the second anniversary of the grant date. The terms of the supplemental RSU award otherwise mirror those of the 2012 RSU awards granted to other NEOs.

Other Elements of Executive Compensation

Perquisites and Related Compensation

NEOs generally receive a limited range of perquisite benefits, typically encompassing a partial subsidy for financial planning services from a third-party financial advisory firm, partial reimbursement of certain health club fees, on-site parking, and executive health services. The PG&E Corporation CEO and the Utility President 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 is taxable to the recipient.

The Committee (and the independent members of the PG&E Corporation and Utility Boards in the case of the PG&E Corporation CEO and the Utility President, respectively) also approved a 2012 lump-sum annual stipend amount for each executive officer (consistent with 2011), which ranged from $15,000 to $35,000 (the upper end applicable only to the PG&E Corporation CEO). This stipend is provided in lieu of providing the NEOs with additional perquisite benefits. The NEOs have discretion to use this stipend as they see fit. This stipend is consistent with amounts paid historically.

The PG&E Corporation CEO is authorized to use private aircraft for business travel under appropriate circumstances. The Utility's Corporate Aircraft Use policy prohibits use of the company aircraft for personal travel.

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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 2012" beginning on page 57 of this Joint Proxy Statement.

With respect to the SERP, in February 2010, the Committee adopted a policy against crediting additional years of service for participants under this plan.

During 2012, after reviewing comparative market data, the Committee approved changes to the retirement plans and policies for NEOs and other officers. Effective January 1, 2013, new pension plan participants will be provided with a cash balance benefit replacing the final average pay pension benefit provided to current pension plan participants. Individuals currently eligible for a final average pay pension benefit will be given an opportunity to irrevocably select to switch to the cash balance benefit, effective January 1, 2014.

Also during 2012, the PG&E Corporation Board amended the SERP such that, effective January 1, 2013, SERP participation will be closed to new participants and to current participants who choose to switch to the cash balance benefit effective January 1, 2014. Individuals who do not participate in the SERP but who are newly hired or promoted to officer after January 1, 2013, as well as SERP participants who choose to switch to the cash balance benefit effective January 1, 2014, may be eligible for non-tax-qualified defined contribution pension payments under the 2013 PG&E Corporation Defined Contribution Executive Supplemental Retirement Plan ("DC-ESRP").

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 percent of base salary for individuals eligible for the final average pay pension benefit and up to 8 percent of base salary for individuals eligible for a cash balance pension benefit. To the extent that the Internal Revenue Code limits prevent an NEO from making contributions to his or her RSP account and, as a result, company matching funds are not contributed to that NEO's RSP account, the matching funds will instead be contributed to the NEO's account in the PG&E Corporation 2005 Supplemental Retirement Savings Plan ("SRSP"), a non-qualified deferred compensation plan.

Upon retirement, NEOs also may be eligible for post-retirement health, welfare, and similar benefits, pursuant to plans that generally provide benefits to all employees. Additional details regarding the retirement programs and post-retirement benefits, and the value of pension benefits accumulated as of December 31, 2012 for the NEOs, can be found in the table entitled "Pension Benefits 2012" beginning on page 57 of this Joint Proxy Statement and in the section entitled "Potential Payments Resignation/Retirement" on page 63 of this Joint Proxy Statement.

The majority of companies in the Pay Comparator Group provide tax-qualified pensions or similar plans, other tax-qualified defined contribution plans (i.e., 401(k) plans), and non-tax-qualified retirement plans for NEOs. The Committee believes that these defined benefit and defined contribution plans offer significant recruiting and retention incentives.

Severance

General severance benefits are provided to NEOs through the PG&E Corporation Officer Severance Policy ("Predecessor Severance Policy"), the 2012 PG&E Corporation Severance Policy ("2012 Severance Policy"), and specific LTIP award agreements and guidelines. Upon severance (other than for cause), officers may be eligible for cash severance payments, continued or accelerated vesting for LTIP awards, and other post-employment benefits. If an NEO is terminated for cause (i.e., for dishonesty, a criminal offense, or violation of a work rule) or resigns before becoming retirement-eligible, the NEO forfeits any unvested restricted stock, RSUs, and performance shares, as well as Special Incentive Stock Ownership Premiums ("SISOPS"), and would not receive any associated dividends.

Officer Severance Policies

The purpose of the officer severance policies is to (1) attract and retain senior management by providing severance benefits that are part of a competitive total compensation package, (2) provide consistent treatment for all terminated officers, and (3) minimize potential litigation costs in connection with terminations of employment by conditioning payments upon a general release of claim.

During 2011, the Compensation Committee extensively reviewed the officer severance program in order to

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assess current market practices and to determine whether any modifications to the program were appropriate in order to align it with best practices. As a result of this review, in February 2012, the PG&E Corporation Board of Directors (upon the recommendation of the Compensation Committee) made changes to the officer severance program and adopted the 2012 Severance Policy.

As required by the Predecessor Severance Policy, to the extent that these changes reduce the aggregate benefits provided to a participant, the changes become effective three years after the participant is notified of the changes, which notice was provided in February 2012.

Prior to adoption of the 2012 Severance Policy in February 2012, the Predecessor Severance Policy, in combination with provisions in the LTIP award agreements, generally provided the following benefits in the case of senior executives who had been employed for two or more years in the case of a termination without cause: (1) cash severance equal to (a) two times the sum of base salary plus target STIP bonus and (b) a prorated STIP bonus for the year of termination if more than six months of employment had occurred, (2) continued vesting for two years in any unvested RSUs, pro rata vesting of performance shares, the right to exercise any vested stock options for up to five years, and continued vesting for either one-third or two-thirds of unvested SISOPS (the amount depending on officer level at termination), and (3) limited COBRA benefits and outplacement services.

The 2012 Severance Policy made the following key changes to benefits available to officers upon termination without cause:

- Cash severance benefits were reduced to one times base salary plus target STIP bonus.
- The right to exercise stock options was limited to one year.
- Continued vesting of unvested RSUs was limited to one year, unless otherwise specified in the equity award agreement. (Pro rata vesting of performance shares is not impacted by the February 2012 modifications.)

Additional details regarding severance benefits can be found in the section entitled "Potential Payments Termination Without Cause" beginning on page 64 of this Joint Proxy Statement.

Change in Control

The PG&E Corporation Board has determined that providing 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' interests, and not to be distracted by concerns about job security.

Change-in-control benefits require a "double trigger" and are not payable based on a change-in-control event alone. In other words, benefits under the officer severance policies also require that the NEO be severed. LTIP award agreements and guidelines require that either the NEO be severed, or that the successor entity fail to assume or continue the LTIP awards.

The Predecessor Severance Policy provides enhanced cash severance benefits if the officer is terminated in connection with a Change in Control (as defined in the Policy). These enhanced benefits replace general severance benefits and are available only to officers of PG&E Corporation at the level of Senior Vice President or above, or to the President of the Utility. These covered officers are eligible to receive (1) change-in-control cash severance benefits equal to three times the sum of base salary and target annual STIP bonus, and (2) target STIP bonus for the year of termination. Other NEOs receive general severance benefits only.

The 2012 Severance Policy made the following key changes to benefits available to covered officers upon termination in connection with a Change in Control:

- Cash severance benefits are reduced to two times base salary plus target STIP bonus.
- STIP bonus payment is prorated in the year of termination.

The scope of officers who are eligible to receive such benefits was changed by adding Utility officers in bands 1 and 2 (which includes Executive Vice Presidents) and limiting eligibility of PG&E Corporation officers to bands 1 and 2 (PG&E Corporation Senior Vice Presidents who are in band 3 are no longer eligible).

All LTIP award agreements contain the same change-in-control provisions, which accelerate vesting of all awards if there is a Change in Control, *and* either the award is not continued or assumed, or the recipient is terminated in connection with a 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.

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Additional details regarding the officer severance program can be found in the section entitled "Potential Payments Severance in Connection with Change in Control" on page 65 of this Joint Proxy Statement.

Elimination of Excise Tax Gross-Up In February 2011, the Committee eliminated excise tax gross-ups on change-in-control severance benefits. Eligible officers will be responsible for paying any excise tax levied pursuant to Internal Revenue Code Section 4999, or the officer's aggregate change-in-control benefits will be reduced to a level that does not trigger the excise tax, but only if doing so would be more beneficial to the officer on an after-tax basis. This amendment will not increase the aggregate value of an officer's severance benefits under a change in control. The amendment was effective immediately for officers who became or become eligible for change-in-control severance benefits after February 15, 2011. For existing eligible officers, which includes Messrs. Johns, Harvey, Park, and Simon, the terms of the Predecessor Severance Policy provide that three years' notice is required before eliminating the tax gross-up. Therefore, elimination of the tax gross-up for existing eligible officers will occur in March 2014. Prior to the amendment described above, the Predecessor Severance Policy provided that eligible officers would be reimbursed for excise taxes. Until the amendment described above, these provisions of the Predecessor Severance Policy had not been amended since they were first adopted in 1999, and no new individual became a beneficiary of the excise tax gross-up provisions of the Officer Severance Policy in 2011.

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, as defined in the Golden Parachute Restriction Policy.

Compensation Governance

Clawback Policy

PG&E Corporation and the Utility may recoup certain incentive compensation paid to current and former NEOs (and certain other officers) if either PG&E Corporation or the Utility restates its financial statements that are filed with the Securities and Exchange Commission ("SEC") with respect to any fiscal year within the three-year period preceding the filing of the restatement (a "Restatement Year").

If there is such a restatement, the Committee (or with respect to the PG&E Corporation CEO or the Utility President, 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 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. 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.

Tax Gross-Ups

Excise tax gross-ups in connection with a change in control were eliminated in 2011, subject to a three-year delay for officers who already were eligible for the gross-up. At its February 2012 meeting, effective as of February 15, 2012, the Committee eliminated tax gross-ups on lump-sum payments under the Utility's Post-Retirement Life Insurance Plan to individuals who are or who become NEOs.

Currently, no NEO is eligible to receive a tax gross-up payment except in two situations: (1) severance in connection with a change in control (until March 2014), and (2) certain types of payments made in connection with benefit programs offered to all employees (e.g., relocation programs).

During 2012, no NEO received a gross-up payment, except in connection with such relocation benefit programs.

Tally Sheets

In establishing compensation for NEOs, the Committee reviews tally sheets that present comprehensive data on the total compensation and benefits package for each of the NEOs.

Prohibition on Hedging and Pledging Policy

Officers of PG&E Corporation and the Utility may not engage in short sales or transactions in publicly traded options (such as puts, calls, and other derivative securities) with respect to either company's stock. They also may not engage in any hedging or monetization transactions that limit or eliminate the officer's ability to profit from an increase in the value of company stock. Officers generally are prohibited from holding company stock in a margin account or pledging it as collateral for a loan.

These limitations are designed to avoid any inadvertent violation of the insider trading laws and also increase

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the alignment between executive and shareholder interests.

Executive Stock Ownership Guidelines

The 2010 Executive Stock Ownership Guidelines are 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 they are increasingly viewed as an important element of a company's governance policies.

The stock ownership target for the PG&E Corporation CEO is six times base salary, and the target for most other NEOs is three times base salary. The target for Messrs. Simon and Halpin is one and one-half times base salary. Mr. Mistry is not subject to ownership guidelines.

Until an executive meets the applicable stock ownership guideline, he or she must retain 50 percent of the net shares realized from option exercise or from the vesting of restricted stock or stock units (including performance shares), after accounting for tax withholding. For the purpose of calculating compliance with the guidelines, unvested restricted stock and unvested stock units are not taken into account, except in the case of restricted stock and RSUs when a participant is retirement-eligible (defined as age 55 with five consecutive years of service).

Executives subject to the 2010 Executive Stock Ownership Guidelines have agreed to retain 50 percent of their net shares until the target is met.

Pursuant to the prior Executive Stock Ownership Program ("Prior ESOP"), SISOPs were used to encourage executive officers to meet stock ownership targets. Effective September 14, 2010, the SISOP program was eliminated, and no new individuals could become eligible to receive SISOPs. Officers who already were in the SISOP program continued to be eligible for SISOPs until January 1, 2013. A discussion of SISOPs is included in the narrative following the "Grants of Plan-Based Awards in 2012" table on page 53 of this Joint Proxy Statement.

Realizable Compensation

The Compensation Committee believes that analyzing realizable pay is important in understanding the relationship between the targeted compensation that was approved for the CEO and the compensation that was actually earned, or may still be earned, based on company performance.

The following table compares the CEO's targeted compensation values as disclosed in the Summary Compensation Table with the total realizable compensation since Mr. Earley became CEO on September 13, 2011. The compensation components compared include base salary, bonus, STIP, LTIP, change in pension/non-qualified deferred compensation, and all other compensation, all determined on the same basis as reported in the Summary Compensation Table.

The table shows the total realizable compensation for the CEO, determined as described above, for September 13, 2011 through December 31, 2012, along with the CEO's total compensation as presented in the Summary Compensation Table for that time frame. The data demonstrates that total realizable compensation determined in this manner is below the total compensation amount as reported in the Summary Compensation Table.

When calculating the values of LTIP awards, RSUs, and performance shares, the Summary Compensation Table reflects the grant-date values of the awards without consideration of the ultimate value (if any) realized by the executive from these awards. When calculating total realizable compensation, the value of each year's equity award was determined using the value of the award based on the December 31, 2012 stock price for vested awards, or for awards outstanding and not vested, the expected value at vesting based on the December 31, 2012 stock price.

Please note that this data is supplementary and is not a substitute for, and should be read in connection with, the Summary Compensation Table and related compensation disclosures beginning on page 49.

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Target Total Compensation (Including LTI Grant Values)	2011[1]	2012	Total
Target Annual Cash			
Salary	$ 378,788	$ 1,250,000	$ 1,628,788
Target STIP	$ 378,788	$ 1,250,000	$ 1,628,788
Bonus	$ 1,500,000	$ 0	$ 1,500,000
Cash Sub-Total	**$ 2,257,576**	**$ 2,500,000**	**$ 4,757,576**
LTI Grant Values			
RSUs	$ 3,299,763	$ 2,613,695	$ 5,913,458
Performance Shares	$ 4,106,504	$ 3,912,026	$ 8,018,530
LTI Sub-Total	**$ 7,406,267**	**$ 6,525,721**	**$ 13,931,988**

Total Realizable Compensation	2011[1]	2012	Total
Actual Annual Cash			
Salary	$ 378,788	$ 1,250,000	$ 1,628,788
Actual STIP	$ 0	$ 1,715,000	$ 1,715,000
Bonus	$ 1,500,000	$ 0	$ 1,500,000
Cash Sub-Total	**$ 1,878,788**	**$ 2,965,000**	**$ 4,843,788**
Realizable LTI Value[2]			
RSUs	$ 3,267,237	$ 2,503,415	$ 5,770,652
Performance Shares	$ 0	$ 1,314,258	$ 1,314,258
Realizable LTI Sub-Total	**$ 3,267,237**	**$ 3,817,673**	