

Winter Gas Crisis Efficiency Programs Help

Natural Gas STAR Program
Houston, Texas
October 24, 2005



*Pacific Gas and
Electric Company™*

Today's Discussion

- Current gas market conditions and implications for this winter
- PG&E's programs to mitigate the impacts of winter prices
- Longer-term gas efficiency issues: Research for the future



IOU Service Area



- Pacific Gas and Electric Company is one of the largest combination natural gas and electric utilities in the United States
- The company, a subsidiary of PG&E Corporation, serves approximately:
 - 14 million people
 - 4.9 million electric accounts
 - 4.1 million natural gas accounts
 - throughout a 70,000-square-mile service area in northern and central California
- PG&E has 19,800 employees



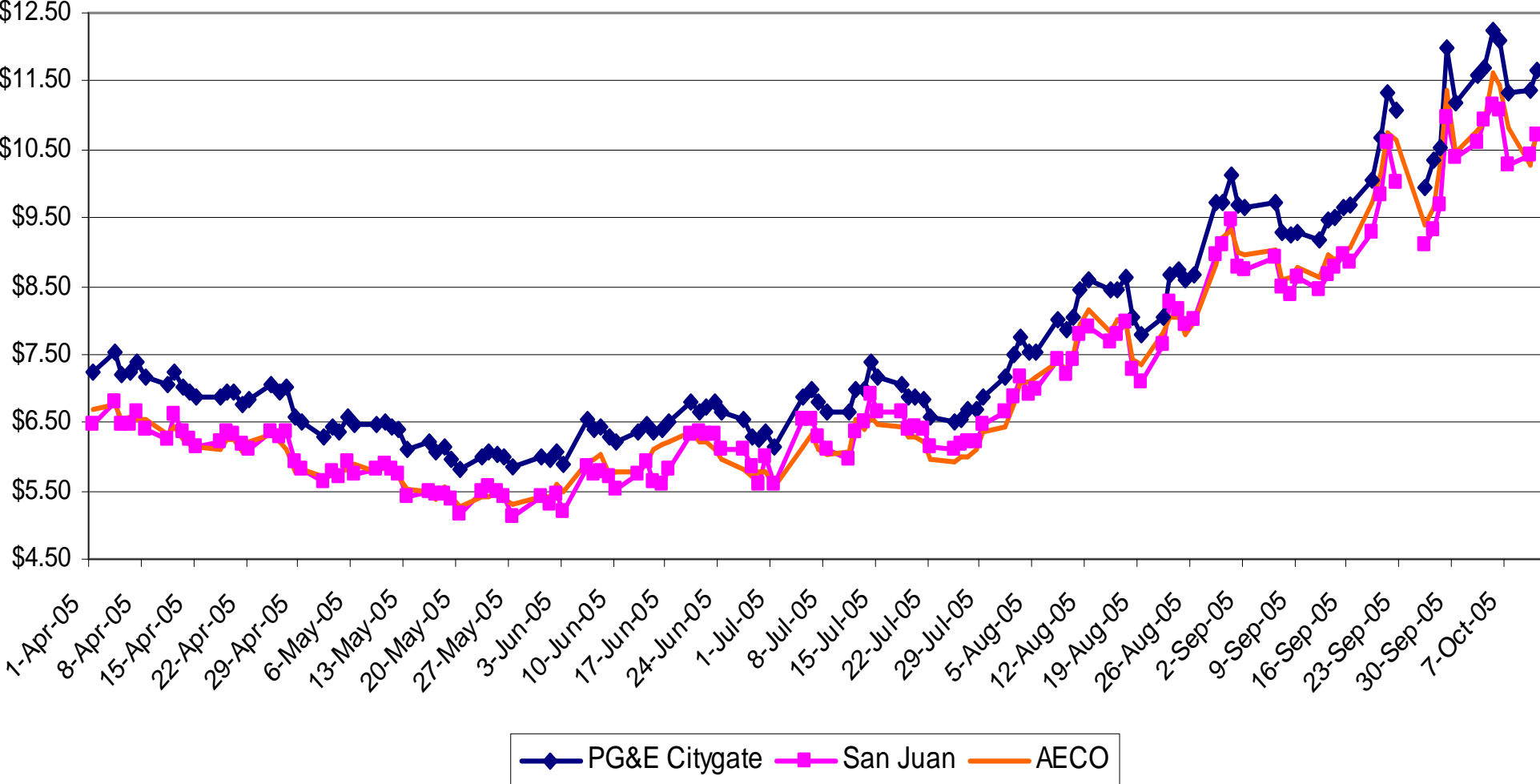
Gas Market Update: Overview

- **Recent events: Katrina and Rita**
 - Exceptionally warm summer weather pushed up EG gas demand
 - Hurricanes Katrina and Rita have caused major disruption to gas production
 - 306 BCF of gas lost since 8/26, with 5.5 BCF/D still shut in
 - Onshore damage has caused some reduction in gas demand
- **Implications for winter prices**
 - Storage shortfall is likely in the producing region, increasing price volatility
 - High degree of uncertainty about return of gas production, with any shortfall increasing the draw on storage
 - Scenarios exist for very high prices in both the beginning and end of the winter season.
 - Timing and severity of cold winter weather will be major factor affecting price patterns.

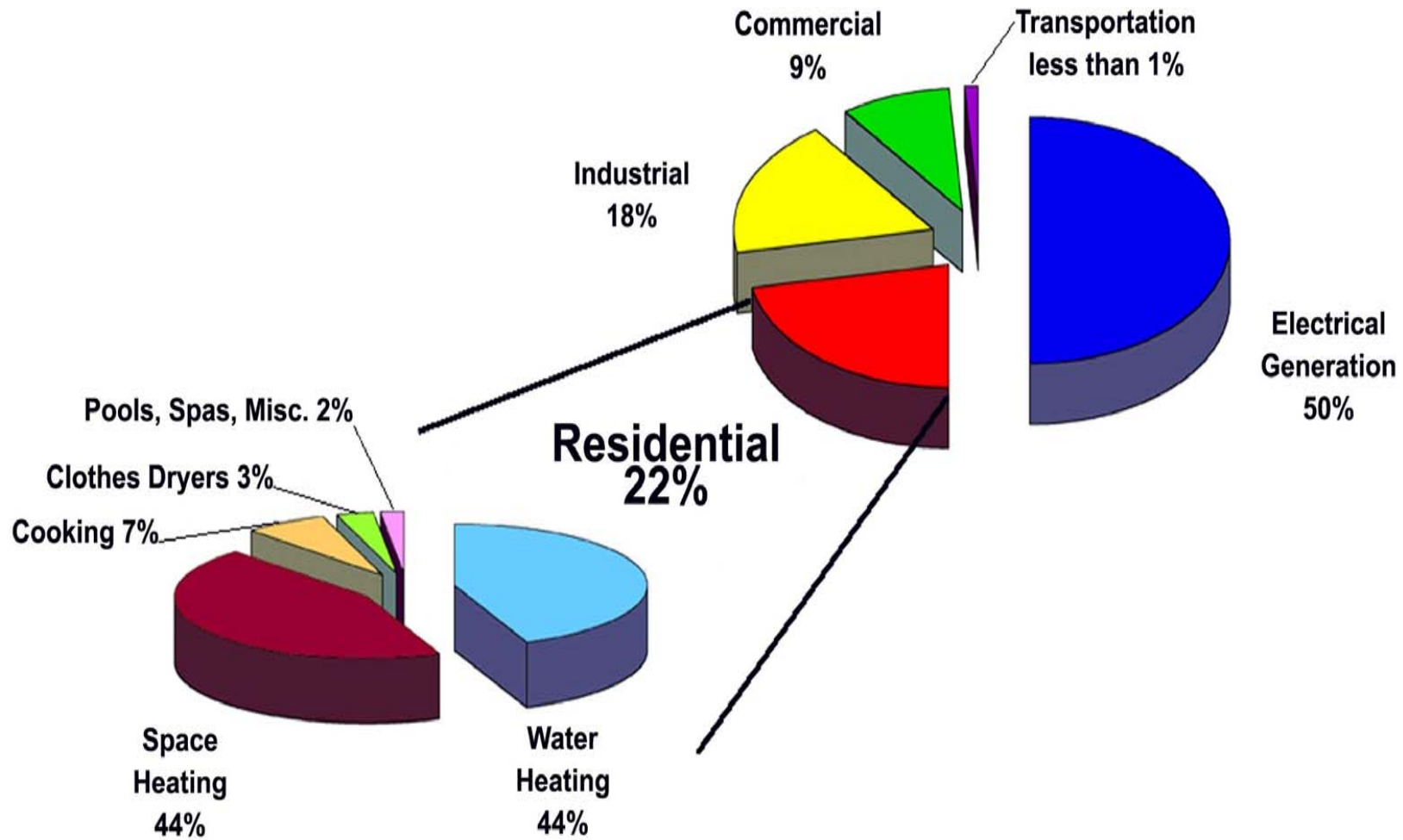


Spot Gas Prices Remain at High Levels With Continued Gas Production Losses

Spot Natural Gas Prices (\$/MMBtu)
PG&E projects bills up 70% over last year



2004 Natural Gas Use in California



From the price briefing by Joseph Desmond, Chairman, California Energy Commission, October 4, 2005



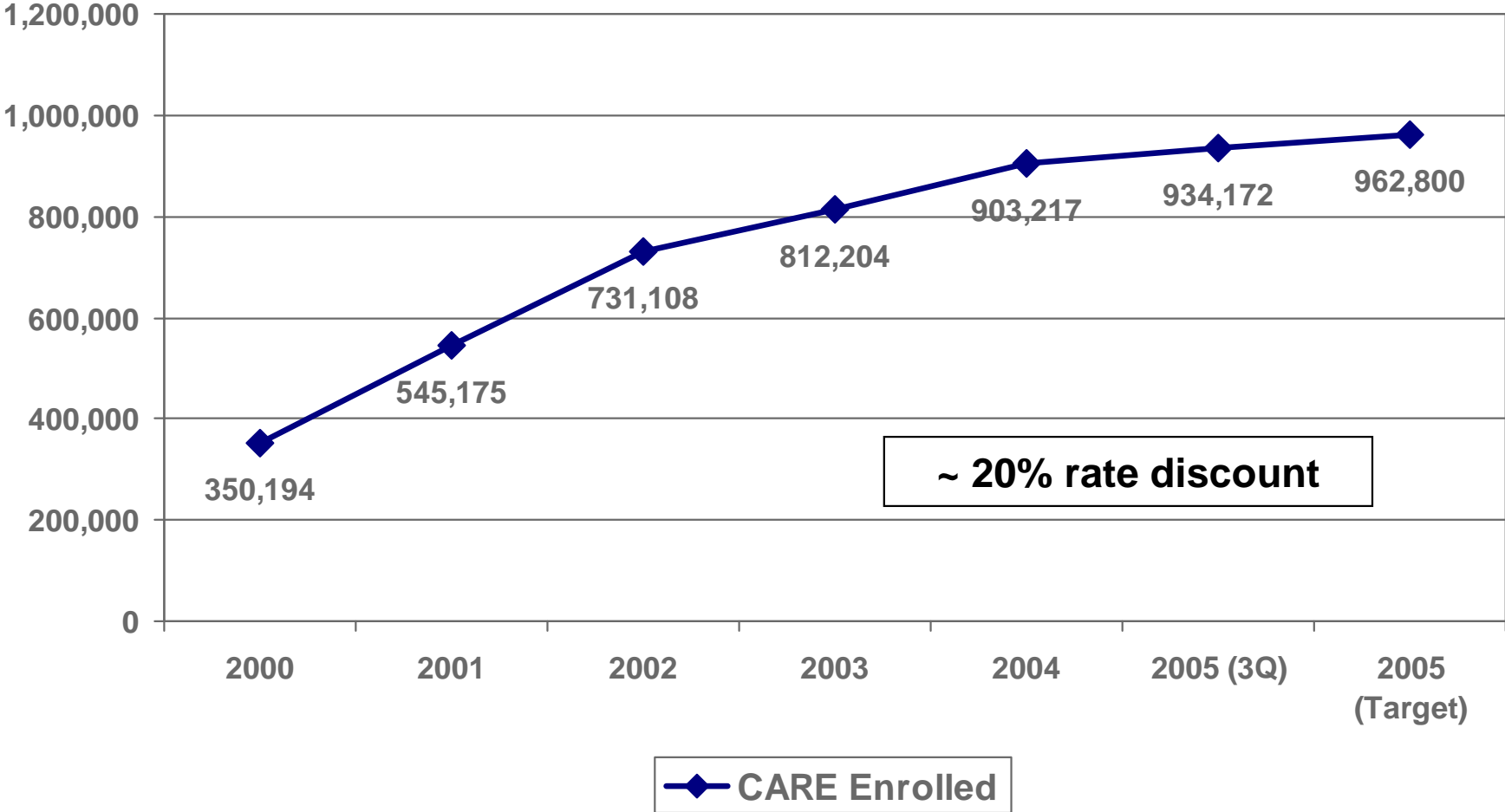
PG&E's Conservation and Energy Efficiency – Mainstream Offerings

- Residential Energy Efficiency
 - Tips and Hints for energy savings
 - Free home energy surveys (by phone, mail or online at pge.com)
 - Rebates for qualifying residential products
 - Efficiency program spending
 - ~ \$350 m/yr (total)
 - ~ \$40 m/yr gas
 - ~ \$55 m/yr low income (separate from efficiency)



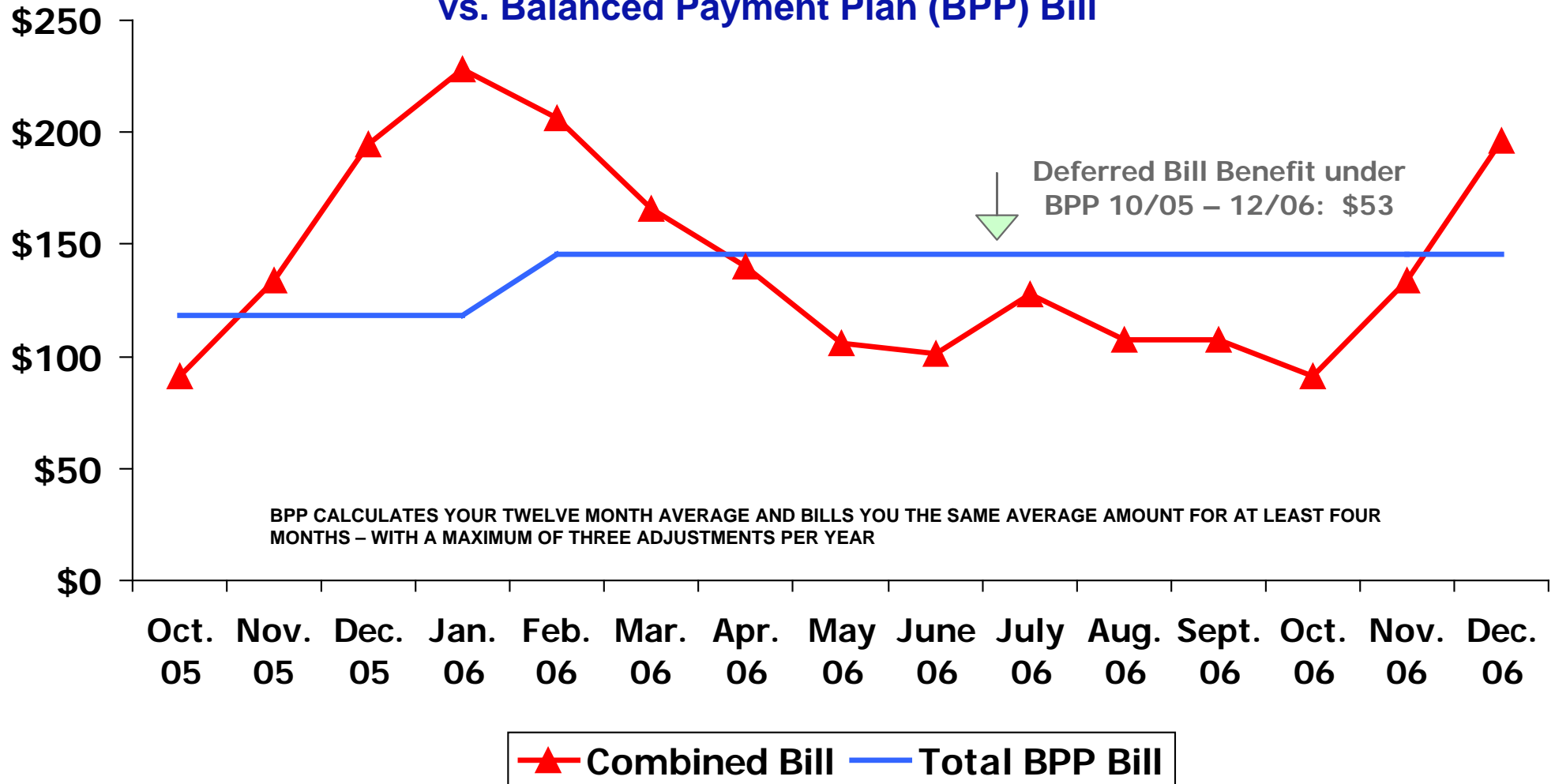
PG&E's CARE Enrollment

2000 – 2005 CARE Household Enrollment
Total Eligible – 1.2 million Households



How PG&E's Balanced Payment Plan Benefits Customers

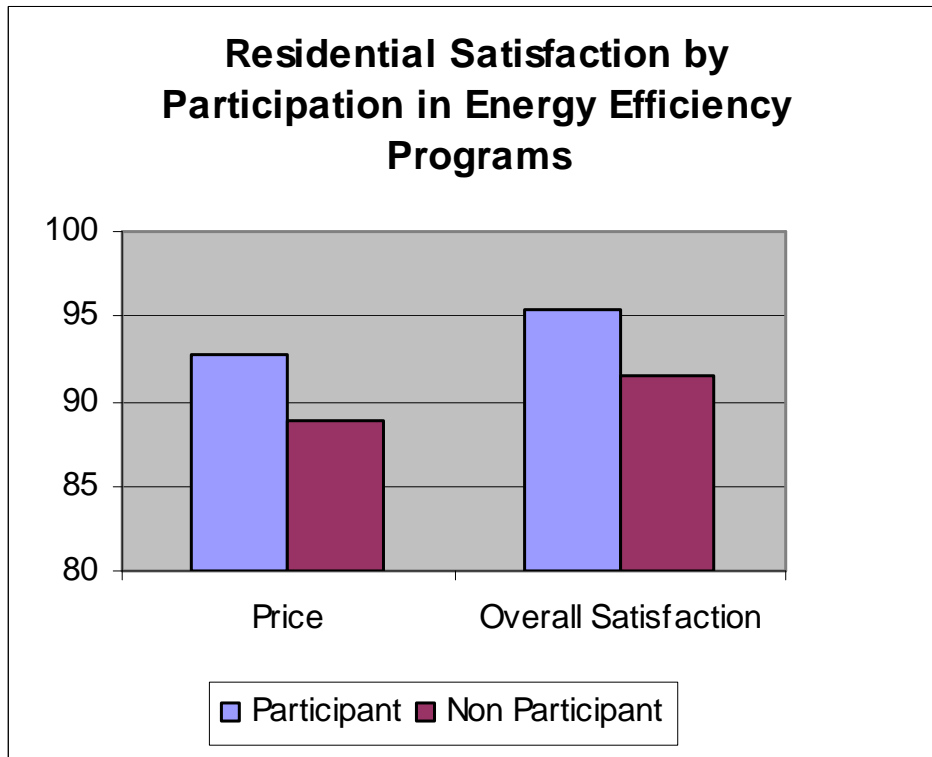
Residential Average Combined Gas & Electric Bill vs. Balanced Payment Plan (BPP) Bill



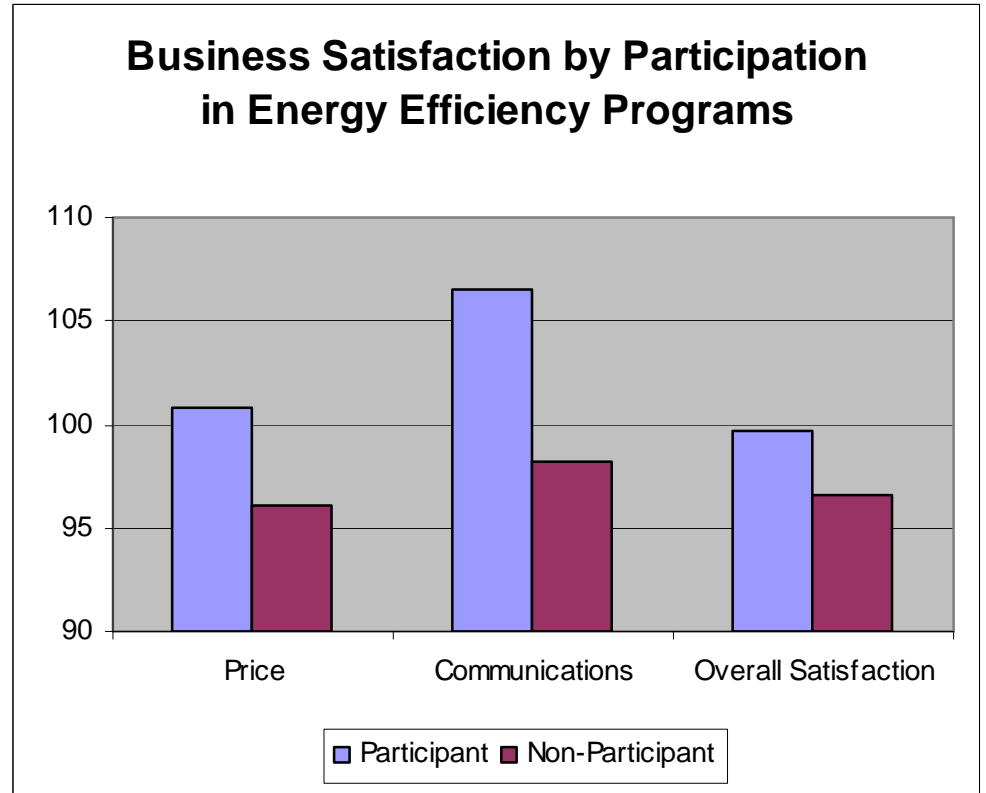
- Bill comparison is based on historical average residential usage at tariff rates from October 2004, through September 2005, and forecasted average residential usage and rates from October 2005, through December 2006. Forecasted rates are subject to change.



Satisfaction rises with participation in Energy Efficiency programs



When residents participate in Energy Efficiency programs, their price satisfaction and overall satisfaction rises.



When businesses participate in Energy Efficiency programs, their price and overall satisfaction also rises, but satisfaction with communications rises even more.



Codes, Emerging Technologies & Research Opportunities

- Very strict energy efficiency building codes in California
- Needed: Stronger appliance codes when cost effective (regional?)
- Needed: Better water heating technologies—current ~ 60% typical efficiency (new)

