

PACIFIC GAS & ELECTRIC Co
Form DEF 14A
April 02, 2012

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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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Pacific Gas and Electric Company

(Name of Registrant as Specified In Its Charter)

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

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PG&E Corporation and Pacific Gas and Electric Company

Joint Notice of 2012 Annual Meetings Joint Proxy Statement

April 2, 2012

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

You are cordially invited to attend the 2012 annual meetings of PG&E Corporation and Pacific Gas and Electric Company. The meetings will be held concurrently on Monday, May 14, 2012, 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. At the annual meetings, PG&E Corporation and Pacific Gas and Electric Company shareholders will be asked to vote on the nominees for director and on the ratification of the appointment of the independent registered public accounting firm for 2012, and to provide an advisory vote on 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

April 2, 2012

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 14, 2012, 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 individuals nominated by the PG&E Corporation Board of Directors and the Pacific Gas and Electric Company 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		

*

Anthony F. Earley, Jr. is a nominee for director of PG&E Corporation only.

**

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 2012 for PG&E Corporation and Pacific Gas and Electric Company,

To provide an advisory vote on executive compensation, and

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

For PG&E Corporation shareholders only:

To act upon a proposal submitted by a PG&E Corporation shareholder and described on pages 77 and 78 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 14, 2012 and Notice of Annual Meeting of Shareholders" ("Notice of Annual Meeting and Internet Availability of Proxy Materials") for PG&E Corporation or Pacific Gas and Electric Company, as applicable.

The Boards of Directors have set the close of business on March 16, 2012 as the record date for determining which shareholders are entitled to receive notice of and to vote at the annual meetings.

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By Order of the Boards of Directors of
PG&E Corporation and Pacific Gas and Electric Company,

Linda Y.H. Cheng
Vice President, Corporate Governance and Corporate Secretary of
PG&E Corporation and
Pacific Gas and Electric Company

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PG&E Corporation and Pacific Gas and Electric Company

Joint Proxy Statement

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

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

A Notice of Annual Meeting and Internet Availability of Proxy Materials ("Notice") or a copy of the Joint Notice of Annual Meetings of Shareholders ("Joint Notice"), the Joint Proxy Statement, a proxy card or voting instruction card, and the 2011 Annual Report ("Annual Report") were mailed to shareholders beginning on or about April 2, 2012. 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 16, 2012. This date is the record date set by the Boards to determine which shareholders may vote at the annual meetings.

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

Questions and Answers

How do I vote?

You can attend and vote at the annual meetings, or the proxyholders will vote your shares as you indicate on your proxy.

If your shares are not registered to you directly but are held indirectly through a broker, bank, trustee, nominee, or other third party ("nominee"), follow the instructions provided by your nominee to vote your shares.

If your shares are registered to you directly, there are three ways to submit your proxy:

1. *Over the Internet.* You may submit your proxy over the Internet either (i) by following the instructions in the Notice or (ii) for shareholders who received the proxy materials by mail, by following the instructions on the proxy card.
2. *By telephone.* If you received your proxy materials by mail, you may submit your proxy by calling the toll-free number on the proxy card.
3. *By mail.* If you received your proxy materials by mail, you may submit your proxy by completing, signing, and dating the proxy card and mailing it in the postage-paid envelope provided.

If you submit your proxy over the Internet or by telephone, your vote must be received by 6:00 a.m., Eastern time, on Monday, May 14, 2012. These Internet and telephone voting procedures comply with California law. If you submit your proxy by mail, your vote must be received by 10:00 a.m., Pacific time, on Monday, May 14, 2012.

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

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

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

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

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

What vote is required to approve each item?

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

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

Where shareholders are being asked for an advisory vote, any approval of an item will be non-binding on the affected company but will be considered by that company's directors.

What is a broker non-vote?

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

What shares am I entitled to vote?

If you are a PG&E Corporation registered shareholder, you are entitled to vote all the shares of PG&E Corporation common stock in your account as of the close of business on March 16, 2012 (the "record date"), including shares in the PG&E Corporation Dividend Reinvestment and Stock Purchase Plan. If you are a Utility registered shareholder, you are entitled to vote all the shares of Utility preferred stock in your account as of the record date.

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

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

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

If you are a beneficial owner of PG&E Corporation common stock and/or Utility preferred stock and you receive your proxy materials through Broadridge Investor Communication Solutions ("Broadridge"), and there are multiple beneficial owners at the same address, you may receive fewer Notices or fewer paper copies of the Joint Notice, the Joint Proxy Statement,

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and the Annual Report than the number of beneficial owners at that address. Securities and Exchange Commission ("SEC") rules permit Broadridge to deliver only one Notice, or only one Joint Notice, one Joint Proxy Statement, and one Annual Report to multiple beneficial owners sharing an address, unless the applicable company receives contrary instructions from any beneficial owner at that address.

If you receive your proxy materials through Broadridge and (1) you currently receive only one copy of the Notice, or only one copy of the proxy materials at a shared address but you wish to receive an additional copy of the Notice or of the Joint Notice, this Joint Proxy Statement, and the Annual Report, or any future proxy materials, or (2) you share an address with other beneficial owners who also receive their separate Notices or proxy materials through Broadridge and you wish to request delivery of a single copy of the Notice or of the proxy materials to the shared address in the future, please contact the office of the Corporate Secretary of PG&E Corporation or Pacific Gas and Electric Company, as appropriate, at 77 Beale Street, P.O. Box 770000, San Francisco, California 94177, or call 1-415-267-7070.

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

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

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

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

For PG&E Corporation shareholders, the PG&E Corporation proxyholders will vote your shares in accordance with the PG&E Corporation Board's recommendations, which are as follows: "For" each of the nominees for director, "For" Items 2 and 3, and "Against" Item 4. For Utility shareholders, the Utility's proxyholders will vote your shares in accordance with the Utility Board's recommendations, which are as follows: "For" each of the nominees for director and "For" Items 2 and 3.

What if I do not submit my proxy?

Your shares will not be voted if you do not submit a proxy or vote at the annual meetings, unless your broker votes your shares in the broker's discretion, as discussed above under "What is a broker non-vote?"

Can I change my proxy vote?

If your shares are registered to you directly, you can change your proxy vote or revoke your proxy any time before it is exercised by doing one of the following before the applicable deadline: (1) returning a signed proxy card with a later date, (2) entering a new vote over the Internet or by telephone, (3) notifying the Corporate Secretary of PG&E Corporation or the Utility, as appropriate, in writing, or (4) submitting a written ballot at the annual meetings.

If your shares are not registered to you directly but are registered in the name of your broker, bank, trustee, nominee, or other third party, follow the instructions provided by your nominee to change your vote or revoke your proxy.

Is my vote confidential?

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

Who will count the votes?

Corporate Election Services will act as the proxy tabulators and the inspectors of election for the 2012 annual meetings. Corporate Election Services is independent of PG&E Corporation and the Utility and the companies' respective directors, officers, and employees.

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

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As of the record date, there were 415,353,678 shares of PG&E Corporation common stock, without par value, outstanding and entitled to vote. Each share is entitled to one vote.

As of the record date, there were 10,319,782 shares of Utility preferred stock, \$25 par value, and 264,374,809 shares of Utility common stock, \$5 par value, outstanding and entitled to vote. Each share is entitled to one vote.

A quorum is necessary to conduct business at each annual meeting. A majority of the shares entitled to vote at each meeting must be represented at the meeting in person or by proxy to constitute a quorum.

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Abstentions and broker non-votes will be considered in determining whether a quorum is present at each meeting.

May I attend the annual meetings?

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

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

May I bring a guest to the annual meetings?

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

Shareholders must provide advance written notice to the Corporate Secretary of PG&E Corporation or the Utility, as appropriate, if they intend to bring any legal proxy, qualified representative, or advisor to the annual meetings. The notice must include the name and address of the legal proxy, representative, or advisor, and must be received at the principal executive office of the applicable company by 5:00 p.m., Pacific time, on May 7, 2012, in order to allow enough time for the issuance of additional admission tickets. We recommend that shareholders send their notice using a delivery method that indicates when the notice was received at the principal executive office of the applicable company.

How will the annual meetings be conducted?

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

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

For the shareholder proposal, a qualified representative will have an opportunity to discuss that item. Other shareholders will have an opportunity to ask questions and make comments regarding that proposal.

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

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

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

The Bylaws of PG&E Corporation and the Utility each require advance written notice of the intention to introduce a shareholder proposal or bring other matters for action (including introducing nominees for director) at an annual meeting. The notice for proposals and other matters to be considered by shareholders at the 2012 annual meetings must have been received at the principal executive office of the applicable company by February 13, 2012. The companies did not receive timely advance written notice of any shareholder matters that will be introduced at the annual meetings.

If you would like to introduce a shareholder proposal or other business during PG&E Corporation's or the Utility's 2013 annual meeting, each company's Bylaws require that your proper advance written notice of the matter be received at the principal executive office of the applicable company by 5:00 p.m., Pacific time, on February 12, 2013. However, if the 2013 annual meeting of either company is scheduled on a date that differs by more than 30 days from the anniversary date of the 2012 annual meetings, your notice will be timely if it is received no later than the tenth day after the date on which that company publicly discloses the date of its 2013 annual meeting.

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If you would like to nominate an individual for director during the annual meeting, certain additional information must be provided in your advance written notice. For more information on the director nomination process, see pages 11 and 12 of this Joint Proxy Statement.

If you wish to submit advance notice of any business to be brought before the 2013 annual meetings, we recommend that you use a delivery method that indicates when the advance notice of other business was received at the principal executive office of the applicable company.

Is there a different due date that applies if I want my shareholder proposal to be included in the proxy statement for the 2013 annual meetings?

Yes. If you would like to submit a proposal to be included in the proxy statement for PG&E Corporation's or the Utility's 2013 annual meeting, the applicable company's Corporate Secretary must receive your proposal after the date of the 2012 annual meetings, but by 5:00 p.m., Pacific time, on December 4, 2012.

If you wish to submit a shareholder proposal for inclusion in the 2013 proxy statement, we recommend that you use a delivery method that indicates when your proposal was received at the principal executive office of the applicable company.

How much will this proxy solicitation cost?

PG&E Corporation and the Utility hired D.F. King & Co., Inc. to assist in the distribution of proxy materials and solicitation of votes. The estimated fee is \$14,500 plus reasonable out-of-pocket expenses. In addition, PG&E Corporation and the Utility will reimburse brokerage houses and other custodians, nominees, and fiduciaries for reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders. The solicitation of proxies also may be made in person, by telephone, or by electronic communications by the companies' respective directors, officers, and employees, who will not receive additional compensation for those solicitation activities.

How can I contact members of the Boards of Directors or officers?

Correspondence should be sent to the applicable company's principal executive office, in care of the Corporate Secretary. The Corporate Secretary shall forward to the independent lead director any communications 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 shall receive communications directed to individual directors or officers, and 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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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 Committee Duties and Composition

Risk Management

Director Nomination Process

Compensation-Setting Process

Board Oversight of Political Contributions and Advocacy

Board Oversight of Management Succession

Director and Officer Conduct and Conflicts of Interest

Corporate Governance Guidelines

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

The PG&E Corporation Corporate Governance Guidelines are included as Appendix A to this Joint Proxy Statement. The Utility's Corporate Governance Guidelines are substantially similar to the PG&E Corporation Corporate Governance Guidelines and, therefore, are not included in this Joint Proxy Statement. The Corporate Governance Guidelines are also available on-line in the Corporate Governance section of PG&E Corporation's website (www.pgecorp.com/aboutus/) or the Utility's website (www.pge.com/about/company).

Board Leadership Structure

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. As set forth in each company's Corporate Governance Guidelines, 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

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not an independent director, then following each executive session meeting of the independent directors, 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 interest of the company and its shareholders to have a flexible rule regarding whether the offices of Chairman and Chief Executive Officer ("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 CEO and, if the roles are separate, whether the Chairman should be elected from among the independent directors or from management. In addition, at least annually, each Board reviews the respective company's Board leadership structure to assess whether it is appropriate.

In the past, PG&E Corporation and the Utility each have had both combined and separate Chairman and CEO positions. In each case, the applicable Board was able to consider all eligible directors and not exclude any eligible candidate from consideration for the position of Chairman. More recently, when the positions have been combined, each company also has had a strong and independent lead director.

At PG&E Corporation, Anthony F. Earley, Jr. has served as the Chairman, CEO, and President since September 13, 2011. Mr. Earley previously held executive positions at DTE Energy Company and Long Island Lighting Company, both of which are utilities or utility holding companies. 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 allow him to serve as an effective link between the Board and management, and

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to raise key business issues 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 business issues 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 Corporation.

At the Utility, the positions of Chairman and principal executive officer have been separated. Under certain rules of the California Public Utilities Commission, the same individual may not serve as Chairman of the Board, CEO, President, or in a functionally equivalent position, of both PG&E Corporation and the Utility. 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 of Directors 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.

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, serves a term of three years, and may be re-elected to consecutive terms. Specific duties for the lead director are substantially similar at both companies, and are set forth in the applicable Corporate Governance Guidelines.

C. Lee Cox served as the independent lead director of both PG&E Corporation and the Utility during 2011, except that from May 1 to September 12, 2011, Maryellen Herringer served as the interim independent lead director of both companies while Mr. Cox served as interim Chairman, CEO, and President of PG&E Corporation.

The independent lead director schedules and presides over executive session meetings at all meetings of the companies' Boards. 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 otherwise acting as a bridge between management and the Boards.

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

Board Committee Duties and Composition

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

For each of the Board committees listed above, the applicable company's Board has adopted a formal charter that sets forth the committee's duties and responsibilities. These committee charters are available on-line in the Corporate Governance section of PG&E Corporation's website (www.pgecorp.com/aboutus/) or the Utility's website (www.pge.com/about/company). The duties, responsibilities, and membership qualifications for each committee are described below.

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,

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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 that may have a material impact on the consolidated financial statements of PG&E Corporation, the Utility, and their respective subsidiaries,

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, and

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

Among other things, the 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

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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 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 and oversight, including non-operational risks identified through PG&E Corporation's Enterprise Risk Management program, as well as the overall steps that management has taken to monitor and control such exposures.

Each year, the Finance Committee also presents for the PG&E Corporation and Utility Boards' review and concurrence (1) a multi-year outlook for PG&E Corporation and its subsidiaries that incorporates, among other things, key current and emerging issues, strategic initiatives, risk factors, and projected financial results, and (2) an annual financial performance plan for operating expense and capital spending budgets that reflect the first year of the approved multi-year outlook. Members of the Board receive a monthly report that compares actual to budgeted financial

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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 was formed in December 2011, and 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 such 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, 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 and community service organizations and activities,

Political contributions,

Diversity, inclusion, and workforce development,

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

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

Committee Membership Requirements

Each of the key committees (other than the Executive Committees) must be composed entirely of independent directors, as defined in the applicable company's Corporate Governance Guidelines. In addition, the Compensation Committee and the 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 Amex Equities ("Amex") 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 Amex.

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

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Audit Committees must be financially literate, as defined in applicable stock exchange rules. One member of each Audit Committee also must have accounting and related financial management expertise (which can be satisfied by the Committee's "audit committee financial expert"). If an Audit Committee member simultaneously serves on the audit committees of three or more public companies other than PG&E Corporation, the Utility, and their subsidiaries, that Committee member must inform the applicable company's Board. In order for that member to continue serving on the Audit Committee, the Board must affirmatively determine that the simultaneous service does not impair that committee member's ability to serve effectively on the Audit Committee.

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.

Developments During 2011

During 2011, PG&E Corporation and the Utility refined their approach to risk management, in order to increase Board-level attention in the area of safety and operational risks, and to further empower the operational lines of business to identify, assess, and manage operational and safety risks within each business area and then raise those issues to the applicable Board, as appropriate.

The PG&E Corporation Board of Directors established a new Nuclear, Operations, and Safety Committee that is responsible for, among other things, specifically discussing risks related to nuclear issues, operations, and public and employee safety.

The PG&E Corporation Board expanded the scope of the management-level Risk Policy Committee ("RPC") beyond its prior duties to oversee energy procurement transactions and credit/market risk. The RPC now is generally responsible for overseeing PG&E Corporation's and the Utility's management-level risk management activities, including those related to safety and operational issues. The RPC also reviews risks identified by the lines of business (see below) and recommends new risks for Board review, as appropriate.

Each line of business ("LOB") within the companies is establishing 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. These committees also identify risks that should be brought to the RPC. Each LOB risk and compliance committee is led by a senior officer and must include at least one appointed risk manager with expertise in risk management and compliance.

These enhanced risk management structures provide additional focus on operational and safety issues, and also allow risks to be investigated both under the established Board-directed review processes, and 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 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.

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Each company's Audit Committee discusses the guidelines and policies that govern the processes for assessing and managing major risks (including the Enterprise Risk Management program that is discussed in more detail below), allocates to other Board committees the specific responsibility to oversee identified key enterprise 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 key enterprise risks, as assigned by the Audit Committees.

The PG&E Corporation Nuclear, Operations, and Safety Committee discusses risks related to the Utility's nuclear and other operations and facilities,

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safety, and other key 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 each committee's substantive scope.

This allocation of Board-level risk oversight was last reviewed by the PG&E Corporation and Utility Audit Committees in December 2011.

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 committees regarding different elements of corporate risk management programs and activities, as requested by the Boards.

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

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

During 2011, Frederic W. Cook & Co., Inc. ("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). FWC further evaluated the companies' incentive plans relative to company-specific risk/business areas identified through the companies' Enterprise Risk Management process.

Among other things, this analysis 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 companies' retention of discretion to adjust incentive awards, their clawback policy authorizing recoupment of certain incentive-based compensation following a restatement of company financial statements, stock retention requirements, and restrictions on hedging.

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 companies' review of their compensation policies and practices, and the analysis provided by FWC, 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.

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

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candidates and consultation with the Chairman of PG&E Corporation or the Utility, as applicable, and the PG&E Corporation CEO.

Sources of Nominees

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

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

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writing to that company's Corporate Secretary. Each recommendation must include:

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

Recommended candidates may be required to provide additional information.

Director Qualifications

The Nominating and Governance Committee reviews Board candidates with a goal of creating for each company a balanced and multi-disciplinary Board composed of qualified, dedicated, ethical, and highly regarded individuals who have experience relevant to the company's operations, understand the complexities of the company's business environment, and possess capabilities to provide valuable insight and oversight.

In conducting this review, the Committee considers 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 2012 the Committees also considered the extent to which the nominees (both individually and as a group) possessed the following: experience as a senior executive or as a director of a public company; corporate governance experience or expertise; executive compensation expertise; business operations, marketing, or customer services experience; expertise in legal, public policy, government/regulatory issues, or environmental affairs; experience in the energy/utility industry or as a customer of the Utility; community affairs, media relations, or investor relations experience; and general financial, accounting, information technology, strategic planning, crisis response or crisis management, and risk management skills and knowledge.

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.

Board and Director Independence

The Nominating and Governance Committee also considers board independence and other qualification requirements when reviewing candidates for director nominee.

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 and set forth on pages A-1 to A-7 of this Joint Proxy Statement. The NYSE rules also require that a majority of PG&E Corporation's directors be independent, as defined by the NYSE, and that independent directors meet regularly. The definition of "independence" in the PG&E Corporation Corporate Governance Guidelines is more stringent than, and satisfies, the NYSE definitions. PG&E Corporation's Corporate Governance Guidelines and independence definitions also are available on-line in the Corporate Governance section of PG&E Corporation's website (www.pgecorp.com/aboutus/).

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 Amex rules also require that the Utility's independent directors meet regularly. The Utility Board is exempt from Amex rules requiring that at least a majority of the directors meet the stock exchange's definition of "independent director" because PG&E Corporation holds approximately 96 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 Amex definitions. The Utility's Corporate Governance Guidelines and independence definitions also are available on-line in the Corporate Governance section of the Utility's website

(www.pge.com/about/company).

Board of Directors Retirement Policy

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

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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.

Non-Employee Director Compensation

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. The Committee conducts its review with the assistance of its independent compensation consultant FWC.

Executive Officer Compensation

Each year, the independent members of the applicable Board, based on the 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, advice from the Compensation Committee's independent compensation consultant, and, with respect to the PG&E Corporation CEO, the independent compensation consultant's recommendations. 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 appropriate, the Compensation Committee's Performance Award Subcommittee takes action with respect to compensation that is intended to be "qualified-performance-based compensation" under Internal Revenue Code Section 162(m).

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 CEO of PG&E Corporation generally attends a portion of each Compensation Committee meeting, but does not participate in the Committee's deliberations or decisions with respect to his pay. No other officer has any 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, the target annual incentive opportunity, and equity awards for the other NEOs. These recommendations are given appropriate weight by the Committee in the compensation-setting process, given the CEO's direct knowledge of the performance and contributions of each 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 market benchmarks provided by the Committee's independent compensation consultant, 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, as well as the terms and conditions of all LTIP awards to be made during the year. The guidelines also specify the grant date for annual LTIP awards. Actual awards are generally made within the range of target LTIP values previously approved by the Committee.

Compensation Consultant

An independent compensation consultant advises on compensation programs and practices, including pay levels for non-employee directors and for officers.

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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 2011, the Compensation Committee retained 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's 2011 engagement as the Compensation Committee's independent consultant contemplated that FWC would, among other things, conduct executive compensation studies (including recommendations regarding peer group composition, plan design and benefit levels, executive benefits and perquisites, tally sheets and post-employment compensation and benefits, and equity dilution), report on emerging trends and best practices in the area of executive compensation, report on non-employee director compensation, and provide review and guidance regarding disclosures of executive and non-employee director compensation.

Shareholder Outreach

PG&E Corporation and the Utility believe that it is important to provide share