



IMPORTANT NOTICE ABOUT YOUR PG&E CORPORATION RETIREMENT SAVINGS PLAN BENEFITS EFFECTIVE APRIL 1, 2007

This letter provides details about changes to the PG&E Corporation Retirement Savings Plan (“the RSP”) impacting all current PG&E Corporation employees who are not currently accruing service credit under the Pacific Gas and Electric Company Retirement Plan (a.k.a. the Pension Plan). In general, the changes impact:

- The employer contributions you are provided under the RSP (Plan Number 001, Employer Identification Number 94-3234914) which is described below as required by Section 204(h) of the Employee Retirement Income Security Act (ERISA);
- The pension benefits you will be eligible to receive under the Pacific Gas and Electric Company Retirement Plan (Plan Number 001, Employer Identification Number 94-0742640);
- The retiree medical benefits you will be eligible for under the Pacific Gas and Electric Company Health Care Plan for Retirees and Surviving Dependents (Plan Number 535, Employer Identification Number 94-0742640); and
- The retiree life insurance benefits you will be eligible to receive under the Pacific Gas and Electric Company Postretirement Life Insurance Plan.

This letter also serves as a Summary of Material Modifications as of April 1, 2007, to the Pacific Gas and Electric Company Retirement, Health Care for Retirees and Surviving Dependents and Postretirement Life Insurance Plans as required by ERISA. As such, it also updates your formal summary plan description (SPD). You should keep this letter with your SPD for future reference.

Your PG&E Corporation Retirement Benefits

An Overview

Your retirement benefits make up an important part of your total compensation from PG&E. In order to assist you in preparing for retirement, PG&E offers several plans that can provide important sources of retirement income and benefit coverage. These plans include the Retirement, RSP, Health Care Plan for Retirees and Surviving Dependents (“the Retiree Medical Plan”) and Postretirement Life Insurance Plan (“the Retiree Life Insurance”) plans.

Providing for retirement is a shared responsibility — *between you and PG&E*. You have the responsibility to make sure that you’re making the most of your financial opportunities by:

- Understanding the plans available to you and how they work;
- Making informed decisions to plan for your future;
- Contributing to the tax-advantaged RSP and;
- Saving through other vehicles available to you.



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What's Happening and Why

Today, certain employees of PG&E Corporation participate in one retirement program — the RSP. However, many PG&E Corporation employees and all employees of Pacific Gas and Electric Company participate in four retirement benefit programs. The first program is a tax-advantaged 401(k) plan (the RSP) based on employer and employee contributions that help fund retirement savings. The second program provides a monthly pension annuity through an all employer-paid Retirement Plan. The third is a Retiree Medical Plan offering continued healthcare coverage and the fourth is a Retiree Life Insurance Plan offering continued life insurance coverage.

Beginning April 1, 2007, all current and future employees of PG&E Corporation and designated subsidiaries will participate in the Pacific Gas and Electric Company Retirement, Retiree Medical and Retiree Life Insurance plans.

This means those certain PG&E Corporation employees, who previously participated only in the RSP, will have their employer contributions reduced to reflect their new eligibility for pension, retiree medical and retiree life insurance benefits. Details regarding the changes are provided in this notice below. All other provisions of the RSP will remain in effect.

We are making these changes to align the retirement benefits offered to all employees of the PG&E Corporation group in addition to providing employees with a more comprehensive retirement benefits program that can help employees reach their financial goals for retirement.

Retirement Savings Plan Changes

Effective April 1, 2007, you will begin accruing service under the Retirement Plan. As such, the basic employer contribution under the RSP will be discontinued and the matching employer contribution schedule along with the percentage match that PG&E Corporation adds to your account when you actively contribute to the RSP will be changed.

Currently, PG&E Corporation makes a basic employer contribution of 5 percent of your covered compensation and after a year of service, matches 100 percent of your contributions, up to 5 percent of your covered compensation. **Starting April 1, 2007, the company will discontinue the 5 percent basic employer contribution and based on your length of service, will contribute 75 percent of your contributions, up to 6 percent of your covered compensation.** Your eligibility for employer matching contributions will be based on your years of service beginning on your PG&E Corporation hire date (service with a designated subsidiary of PG&E Corporation will be considered). **All other provisions of the RSP will remain the same.**



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After April 1, 2007, your employer matching contributions will be made in the following percentages based on your total years of service:

Length of Service (beginning on your original PG&E Corporation hire date)	Matching Employer Contribution
1 to 3 years of service	75 percent of the employee's before-tax and/or after-tax contributions that do not exceed 3 percent of the employees covered compensation.
3 years of service or more	75 percent of the employee's before-tax and/or after-tax contributions that do not exceed 6 percent of the employees covered compensation.

Note: Service is more specifically defined in the RSP summary plan document (SPD) and begins with your hire date with PG&E Corporation (or its designated subsidiaries). Your total account balance (including employer contributions) will continue to be 100 percent vested at all times.

Your existing account as of April 1, 2007, will not be affected by the above changes. The changes described above are effective prospectively beginning April 1, 2007.

For more information about your investment options for matching employer contributions and other details regarding the RSP, see your Retirement Savings Plan SPD. You can find it Human Resources intranet site in **Plans, Policies & Forms > Benefit Plan Documents** or you can log on to Fidelity's Web site at www.401k.com.

You Will Begin Earning Additional Benefits Beginning April 1, 2007

Beginning April 1, 2007, all current and future employees of PG&E Corporation and designated subsidiaries will begin participating in additional retirement benefit plans: the retirement, retiree medical and retiree life insurance plans.

The information below provides key features of the additional retirement benefit plans and a summary of changes to the *2003 Summary Benefits Handbook for Non-Union-Represented Employees and Retirees*. For more details regarding your retirement, retiree medical and retiree life insurance plans, please refer to the *2003 Summary Benefits Handbook for Non-Union-Represented Employees and Retirees*. You can find it Human Resources intranet site in **Plans, Policies & Forms > Benefit Plan Documents**

Key Features of the Retirement Plan

The Retirement Plan pays eligible retirees a monthly pension annuity based on years of service (after April 1, 2007) and covered compensation. There is also a pension option which will continue payments to a retiree's spouse or any other person after his/her death. Below are some key features of the plan:

- Participation in the retirement plan automatically begins on April 1, 2007; there is no waiting period.



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- You have a right to pension benefits at age 55 or after five years of service beginning on your PG&E Corporation hire date (service with a designated subsidiary of PG&E Corporation will also be considered).
- Your pension benefit amount is calculated based on your years of service beginning April 1, 2007.
- You are eligible to start receiving reduced benefits as early as age 55. Early retirement benefit reductions are based on your years of service beginning on your PG&E Corporation hire (service with a designated subsidiary of PG&E Corporation will be considered).

Your monthly pension annuity beginning at age 65 from the retirement plan is based on the following formula:

Average Basic Monthly Salary × Years of Service × 1.70% × Early Retirement Factor

Under this formula:

- **Average Basic Monthly Salary** is the average of your monthly covered compensation for your final 36 months of service.
- **Service** is your years and months of service with PG&E beginning April 1, 2007.
- **Early Retirement Factor** is an actuarial factor based on your age at retirement that will reduce your benefit. Your early retirement benefit is less than your age 65 benefit to reflect a longer annuity payment period.

Important Note About Retirement Plan Benefits

It's important to note that PG&E's Retirement Plan is a defined benefit plan that is considered a "qualified" plan under the Internal Revenue Code (the "Code"). Benefits earned under the Retirement Plan are secured by the assets in the plan trust and are guaranteed by the federal Pension Benefit Guaranty Corporation (PBGC), up to certain limits established under the Code.

Key Features of the Retiree Medical Plan

When you retire, the retiree medical plan provides medical coverage for eligible employees and their surviving dependents. Beginning April 1, 2007, you will immediately be covered by the retiree medical plan. Your benefit will be based on the number of years of service beginning on your PG&E Corporation hire date (service with a designated subsidiary of PG&E Corporation will be considered) and your age at retirement. Below are some key features of the plan:

- PG&E contributes a fixed amount towards the cost of your premiums based on your years of service beginning on your PG&E Corporation hire date.
- If you were hired by PG&E Corporation before January 1, 2004, you must be at least age 55 and have at least five years of service to be eligible for retiree medical.
- If you were hired by PG&E Corporation on or after January 1, 2004, you must be at least age 55 and have 10 or more years of service to be eligible for retiree medical.



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- The amount PG&E contributes for your medical plan premiums based on your age, the age of any spouse or domestic partner being covered, whether or not you are covering any children, and your years of service beginning on your PG&E Corporation hire date.
- If you were hired by PG&E Corporation, you must be at least age 55 and have 10 or more years of service to be eligible for the Retiree Premium Offset Account (RPOA) which provides up to \$7,500 to each retiree to help offset the cost of medical.

Key Features of the Retiree Life Insurance Plan

When you retire, the retiree Life insurance plan provides continued life insurance coverage. Beginning April 1, 2007, you will immediately be eligible for life insurance at retirement. The amount of your benefit is based on your age and number of years of service from your original PG&E Corporation hire date. Below are some key features of the plan:

- You must be at least age 55 and have at least five years of service with PG&E Corporation to be eligible for retiree life insurance.
- If you are a non-union-represented employee in a Management job and you have 15 or more years of service, you will be eligible for a \$50,000 life insurance benefit (or a benefit equal to salary if salary is less than \$50,000).
- If you are a non-union-represented employee in a Management job and have less than 15 years of service, you will be eligible for an \$8,000 life insurance benefit.
- If you are a non-union-represented employee in an Administrative and Technical (A&T) job, you will be eligible for an \$8,000 benefit.

If You Have Questions

If you have any questions regarding the above changes, please contact Dora Choy at 415- 817-8242 or Janet Ogata at 415-817-8274.