

PACIFIC GAS & ELECTRIC CO  
Form PRE 14A  
March 08, 2010  
Table of Contents

**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**

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)

Payment of Filing Fee (Check the appropriate box):

Table of Contents

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Table of Contents

*PG&E Corporation and Pacific Gas and Electric Company*

Joint Notice of 2010 Annual Meetings    Joint Proxy Statement

March 31, 2010

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

You are cordially invited to attend the 2010 annual meetings of PG&E Corporation and Pacific Gas and Electric Company. The meetings will be held concurrently on Wednesday, May 12, 2010, at 10:00 a.m., at the San Ramon Valley Conference Center, 3301 Crow Canyon Road, San Ramon, California.

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 ratification of the appointment of the independent registered public accounting firm for 2010 for each company, and to provide an advisory vote on executive compensation for each company. 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 management proposal to amend the PG&E Corporation 2006 Long-Term Incentive Plan. 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 **FOR** this proposal.

PG&E Corporation shareholders also will be asked to vote on the proposals submitted by individual PG&E Corporation shareholders 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** these proposals.

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,

Peter A. Darbee  
Chairman of the Board, Chief Executive Officer,

and President of PG&E Corporation

Christopher P. Johns  
President of

Pacific Gas and Electric Company

**Table of Contents**

**Table of Contents**

<u>Joint Notice of Annual Meetings of Shareholders</u>		
<u>Joint Proxy Statement</u>		1
<u>Questions and Answers</u>		1
<u>Corporate Governance</u>		6
<u>Item No. 1:</u>	Election of Directors	15
<u>Information Regarding the Boards of Directors of PG&amp;E Corporation and Pacific Gas and Electric Company</u>		28
<u>Item No. 2:</u>	Ratification of Appointment of the Independent Registered Public Accounting Firm	36
<u>Information Regarding the Independent Registered Public Accounting Firm for PG&amp;E Corporation and Pacific Gas and Electric Company</u>		37
<u>Report of the Audit Committees</u>		39
<u>Item No. 3:</u>	Advisory Vote on Executive Compensation	40
<u>Compensation Discussion and Analysis</u>		42
<u>Compensation Committee Report</u>		57
<u>Executive Officer Compensation Information</u>		58
<u>Item No. 4:</u>	Approval of Certain Performance Goals and Amendments to the PG&E Corporation 2006 Long-Term Incentive Plan (To Be Voted on by PG&E Corporation Shareholders Only)	76
<u>Item Nos. 5 through 9:</u>	PG&E Corporation Shareholder Proposals (To Be Voted on by PG&E Corporation Shareholders Only)	86
<u>Other Information</u>		95
<u>Appendix A PG&amp;E Corporation Corporate Governance Guidelines</u>		A-1
<u>Appendix B Secondary Pay Comparator Group of General Industry Companies</u>		B-1
<u>Appendix C PG&amp;E Corporation 2006 Long-Term Incentive Plan</u>		C-1
<u>Map and Directions to the PG&amp;E Corporation and Pacific Gas and Electric Company Joint Annual Meeting</u>		

Table of Contents

## Joint Notice of Annual Meetings of Shareholders of PG&E Corporation and Pacific Gas and Electric Company

March 31, 2010

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 Wednesday, May 12, 2010, at 10:00 a.m., at the San Ramon Valley Conference Center, 3301 Crow Canyon Road, San Ramon, California, for the purpose of considering the following matters:

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

To elect the following 11 and 12 individuals, respectively, nominated by the applicable Board of Directors to each serve as director on each Board for the ensuing year:

David R. Andrews

Lewis Chew

C. Lee Cox

Peter A. Darbee

Maryellen C.

Herringer

Christopher

P. Johns\*

Roger H.

Kimmel

Richard A.

Meserve

Forrest E.

Miller

Rosendo G.

Parra

Barbara L.

Rambo

Barry

Lawson

Williams

\* 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 2010 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 bylaws and other requirements relating to such matters.

For PG&E Corporation shareholders only:

To approve amendments to the PG&E Corporation 2006 Long-Term Incentive Plan, and

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To act upon proposals submitted by PG&E Corporation shareholders and described on pages 86 through 94 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 12, 2010 and Notice of Annual Meeting ( 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 15, 2010 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

**Table of Contents**

**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 (the *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 Proxy Statement, a proxy card, and the 2009 Annual Report (*Annual Report*) were mailed to shareholders beginning on or about March 31, 2010. 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 15, 2010. 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. There are three ways to submit your proxy:

1. *Over the Internet.* Shareholders may submit proxies over the Internet by following the instructions in the Notice from PG&E Corporation or the Utility, as applicable or for shareholders who received the proxy materials by mail by following the instructions on the proxy card or voting instruction card.
2. *By telephone.* You may submit proxies by calling the toll-free number found on the proxy card or voting instruction card.
3. *By mail.* You may submit proxies by completing, signing, and dating the proxy card or voting instruction 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 Wednesday, May 12, 2010. 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 Wednesday, May 12, 2010.

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

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

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<b>Item No.</b>	<b>Description</b>	<b>Board's Voting Recommendation</b>
1	Election of Directors	<b>For</b> all nominees
2	Ratification of Appointment of the Independent Registered Public Accounting Firm	<b>For</b> this proposal
3	Advisory Vote on Executive Compensation	<b>For</b> this proposal
4	Amendments to the PG&E Corporation 2006 Long-Term Incentive Plan	<b>For</b> this proposal
5-9	Shareholder Proposals	<b>Against</b> these proposals

**Table of Contents**

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

<b>Item No.</b>	<b>Description</b>	<b>Board's Voting Recommendation</b>
1	Election of Directors	<b>For</b> all nominees
2	Ratification of Appointment of the Independent Registered Public Accounting Firm	<b>For</b> this proposal
3	Advisory Vote on Executive Compensation	<b>For</b> 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) 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 or the advisory vote on executive compensation.

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 director elections or a proposal could prevent the election of a nominee or approval of a proposal, if the number of shares voting affirmatively do not constitute a majority of the required quorum.

**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 and the advisory vote on executive compensation. However, your broker may not use its discretion to vote your shares on certain other matters, like director elections 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 15, 2010, 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 shareholder of both PG&E Corporation common stock and Utility preferred stock, you are entitled to vote separately for each company. 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 Joint Proxy Statement and Annual Report will I receive?**

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



## **Table of Contents**

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 Proxy Statement 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 Joint Proxy Statement and one Annual Report to multiple beneficial owners sharing an address, unless we receive contrary instructions from any beneficial owner at that same address.

If you receive your proxy materials through Broadridge and (1) you currently receive only one copy of the proxy materials at a shared address but you wish to receive an additional copy of this Joint Proxy Statement and the Annual Report, or any future proxy statement or annual report, or (2) you share an address with other beneficial owners who also receive their separate proxy materials through Broadridge and you wish to request delivery of a single copy of the annual report or the proxy statement 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 One Market, Spear Tower, Suite 2400, San Francisco, CA 94105, 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/](http://www.pgecorp.com/investors/financial_reports/) to access this Joint Proxy Statement and the Annual Report.

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

### **What if I return my proxy but I do not specify how I want my shares voted?**

The PG&E Corporation proxyholders will vote those shares in accordance with the PG&E Corporation Board's recommendations, which are as follows: For Items 1, 2, 3, and 4, and Against Items 5 through 9. The Utility's proxyholders will vote those

shares in accordance with the Utility Board's recommendations which are For Items 1, 2, and 3.

### **What if I do not submit my proxy?**

Your shares will not be voted if you do not provide a proxy or vote at the annual meetings.

### **Can I change my proxy vote?**

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 in writing, or (4) submitting a written ballot at the annual meetings.

### **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 2010 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?**

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

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As of the record date, there were [XX,XXX,XXX] shares of Utility preferred stock, \$25 par value, and

## **Table of Contents**

[XXX,XXX,XXX] 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. 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 shareholders of record as of the record date may attend the annual meetings of PG&E Corporation and the Utility. 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 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 appropriate company

by 5:00 p.m., Pacific time, on May 5, 2010, in order to allow enough time for the issuance of additional admission tickets. We recommend that shareholders send their notice by a method that allows them to determine when the notice was received at the principal executive office of the appropriate company.

### **How will the annual meetings be conducted?**

The Chairman of the Board ( Chairman ) of PG&E Corporation will preside over the meetings and 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 each shareholder proposal, a qualified representative will have an opportunity to discuss that item. Other shareholders will have an opportunity to raise other comments and questions 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?**

Each company's Bylaws require advance written notice of the intention to make 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 2010 annual



## **Table of Contents**

meetings must have been received at the principal executive office of the appropriate company by February 15, 2010. 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 2011 annual meeting, each company's Bylaws state that your proper advance written notice of the matter must be received at the principal executive office of the appropriate company no later than 5:00 p.m., Pacific time, on February 14, 2011. However, if the 2011 annual meeting of either company is scheduled on a date that differs by more than 30 days from the anniversary date of the 2010 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 2011 annual meeting. These deadlines also may change in response to legal and regulatory requirements.

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. While you should consult the appropriate company's Bylaws for specific requirements, your notice generally should include:

1. A brief description of your nomination,
2. Your name and address, as they appear in the company's records,
3. The class and number of shares of the company's stock that you own,
4. Any material interest you may have in the nomination,
5. The nominee's name, age, business address, and residence address,
6. The nominee's principal occupation and the class and number of shares of the company's stock owned by the nominee, and
7. Any other information that would be required under the rules of the SEC in a proxy statement listing the nominee as a candidate for director.

If you wish to submit advance notice of other business to be brought before the 2011 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 appropriate company.

### **Is there a different due date that applies if I want my shareholder proposal to be included in the proxy statement for the 2011 annual meetings?**

Yes. If you would like to submit a proposal to be included in either company's proxy statement for the 2011 annual meetings, that company's Corporate Secretary must receive your proposal after the date of the 2010 annual meetings, but by 5:00 p.m., Pacific time, on December 1, 2010.

If you wish to submit a shareholder proposal for inclusion in the 2011 proxy statement, we recommend that you use a delivery method that indicates when your proposal was received at the principal executive office of the appropriate company.

### **How much did 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 \$13,500 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 material to shareholders.



**Table of Contents**

## **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.

### **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 that are updated from time to time as appropriate and as recommended by the PG&E Corporation Nominating and Governance Committee. Other corporate governance practices 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. Additional information regarding the availability of the companies' corporate governance documents can be found on page 14 of this Joint Proxy Statement.

### **Board Leadership Structure**

#### **Chairman of the Board**

The primary duty of the Chairman is to preside over meetings of the respective Board. The Chairman also establishes the agenda for Board meetings, designates members of management who are present at Board meetings, and is consulted regarding members of management who are present at Board committee meetings. The Chairman has the authority to call regular and special meetings of the Board and is consulted regarding nominees for the Board and the composition and chairmanship of Board committees.

PG&E Corporation and the Utility each believe that it is not in the best interest of the company and its shareholders to have an inflexible rule regarding whether the offices of Chairman and Chief Executive Officer ( CEO ) must be separate. When a vacancy occurs in the office of either the Chairman or the CEO, the affected 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 selected from 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 (see the discussion under Independent Lead Director/Executive Session Meetings on page 7 of this Joint Proxy Statement).

At PG&E Corporation, the Chairman is PG&E Corporation's CEO and President, Peter A. Darbee. Mr. Darbee has been an executive officer of PG&E Corporation since 1999, when he was elected as the company's Senior Vice President and Chief Financial Officer ( CFO ). He has served as the CEO and President of PG&E Corporation since January 2005 and as Chairman since January 2006. In addition, he was the Chairman of the Utility from January 2006 to May 2007 and was President and CEO of the Utility from September 2008 to July 2009. The PG&E Corporation Board believes that having Mr. Darbee serve concurrently as the company's Chairman and CEO is the most appropriate Board leadership structure at this time because, among other things, his extensive business experience at, and knowledge of, both PG&E Corporation and the Utility allow him to serve as an effective link between the Board and management, and facilitate bringing to the Board's attention key business issues and stakeholder interests as the Board fulfills its duties.



## **Table of Contents**

At the Utility, the positions of Chairman and principal executive officer have been separated. The Chairman of the Utility is C. Lee Cox, who is the independent lead director of both the Utility and PG&E Corporation. Under the rules of the California Public Utilities Commission, the same individual may not serve as Chairman of both PG&E Corporation and the Utility. In light of the foregoing and given Mr. Cox's leadership skills and extensive business experience and expertise (as described further on page 18 of this Joint Proxy Statement), the Utility Board considers Mr. Cox to be the most effective director to serve in the Chairman position. For these reasons, the Utility Board believes that this Board leadership structure is the most appropriate for the Utility at this time.

## **Board and Director Independence**

The PG&E Corporation Corporate Governance Guidelines set forth a policy that 75% of the directors should be independent, as defined in the Guidelines and set forth on pages A-1 to A-8 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.

The Utility's Corporate Governance Guidelines also set forth a policy that 75% of the directors should be independent, as defined in the Guidelines. The NYSE Amex Equities (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% 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.

Only independent directors may serve on PG&E Corporation's Audit Committee, Compensation Committee, Finance Committee, Nominating and Governance Committee, and Public Policy Committee, and on the Utility's Audit Committee.

Audit Committee members must meet additional independence standards. Only independent directors may serve as chairs of the PG&E Corporation and Utility Board committees listed above.

## **Independent Lead Director/Executive Session Meetings**

PG&E Corporation and the Utility each have had an independent lead director since 2003. The lead director is elected from among the independent chairs of the respective company's standing Board committees, or, in the case of the Utility, the standing Board committees of the Utility or PG&E Corporation, and must have served as a director of the respective company for at least one year. The independent directors of each company select the lead director, following nomination by the PG&E Corporation Nominating and Governance Committee. The lead director serves a term of three years and may be re-elected to consecutive terms.

Currently, C. Lee Cox is the independent lead director of both PG&E Corporation and the Utility.

The duties of the lead director are set forth in each company's Corporate Governance Guidelines and are identical for each company. Among other things, the lead director acts as a liaison between the Chairman (if the Chairman is not an independent director) and the independent directors. The lead director approves the agendas and schedules for meetings of the Board, as well as information sent to members of the Board.

At each regularly scheduled Board meeting, the independent directors of each Board meet in executive session without the other directors. The lead director coordinates the activities of the independent directors, including establishing the agenda for each executive session meeting of independent directors, presiding over these executive session meetings, and determining which, if any, other individuals (including members of management and independent advisors) should attend each executive session meeting. The lead director also may call special meetings of the independent directors.

The lead director receives written communications from each company's shareholders and other interested parties, and is available for consultation and direct communication with major shareholders.

## **Table of Contents**

### **Director Nomination Process**

The Boards of PG&E Corporation and the Utility each select nominees 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 PG&E Corporation Chairman or the Utility Chairman, as applicable, and the PG&E Corporation CEO. For more information, see pages 15-27 of this Joint Proxy Statement related to Item No.1 (Election of Directors).

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.

During 2008 and 2009, several directors retired or otherwise left the PG&E Corporation and Utility Boards, thereby creating vacancies on the Boards. On September 16, 2009, each Board elected two directors to fill these vacancies: Lewis Chew and Rosendo G. Parra. Mr. Chew and Mr. Parra both were identified through a third-party search firm. On February 17, 2010, the Utility Board elected Christopher P. Johns as a director. Each of these new directors is nominated for re-election at the companies' respective 2010 annual meetings.

In 2008, the Committee retained an independent

third-party search firm to assist in the identification of candidates for director nominees. Based on an examination of the existing composition of the Boards, the qualifications of the current directors, the specific qualifications for director candidates that previously were approved by the Boards, and applicable stock exchange and other regulatory requirements regarding the independence and qualifications of the Boards as a whole and any standing Board committees, during 2008 and 2009, the search firm conducted research and initial interviews with potential candidates and provided the Committee and the PG&E Corporation Chairman with background information regarding a list of individuals who conformed with the applicable qualifications and characteristics.

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.

Recommended candidates may be required to provide additional information.

### **Board Committees**

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, and the Public Policy Committee. The Utility Board has two principal standing committees: the Executive Committee and the Audit Committee.

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Each company's Board has adopted a formal charter for each of the Board committees listed above, which sets forth that committee's duties and responsibilities. These committee charters are available in the Corporate Governance section of PG&E Corporation's website ([www.pgecorp.com/aboutus/](http://www.pgecorp.com/aboutus/)) or the Utility's website ([www.pge.com/about/](http://www.pge.com/about/)), as applicable. Shareholders also may obtain a printed copy of a Board committee's charter by sending a written request to the Corporate Secretary of the appropriate company.

**Table of Contents**

The membership and duties of the companies' principal standing Board committees are described below.

	Executive Committees	Audit Committees	Compensation Committee	Finance Committee	Nominating and Governance Committee	Public Policy Committee
<i>Independent Non-Employee</i>						
<i>Directors:</i>						
D. R. Andrews	X	X			X	X*
L. Chew		X				X
C. L. Cox <sup>(1)</sup>	X		X*	X		
M. C. Herringer	X	X			X*	
R. H. Kimmel				X		X
R. A. Meserve					X	X
M. S. Metz (through May 13, 2009)	X	X				X
F. E. Miller		X	X			
R. G. Parra				X	X	
B. L. Rambo	X		X	X*	X	
B. L. Williams <sup>(2)</sup>	X	X <sup>(2)</sup>	X	X		
<i>Employee Directors:</i>						
P. A. Darbee	X*					
C. P. Johns	X <sup>(3)</sup>					