

BOARD APPROVES 1992 PIP FUNDING

On January 20, the Nominating and Compensation Committee of the Board of Directors approved funding of the 1992 Performance Incentive Plan (PIP). Employees who were on the payroll at the end of 1992 will receive their PIP awards in March. The funds will be 79 percent of target for utility employees, 100 percent of target for corporate services employees, and 200 percent of target for Diablo Canyon employees.

"The purpose of the PIP is for employees to share in the benefits they provide for our shareholders," said Chairman Dick Clark. "In 1992, we did very well for shareholders, and the funds approved by the committee reflect those results."

On January 20, PG&E announced earnings per share of \$2.58 in 1992. This was 8 cents above the 1992 budget and represented a 34-cent increase over 1991's earnings of \$2.24. These strong results were due primarily to the outstanding performance of Diablo Canyon, which recorded earnings of 99 cents per share, 20 cents above their budget for the year.

The utility line of business contributed \$1.69 per share to the total, 5 cents below the 1992 budget. This included the results of expenditures budgeted by the utility business units, such as maintenance and day-to-day operations. It also included items budgeted at a corporate level for utility operations, such as employee benefit costs, reserves for legal claims arising from utility operations, income taxes, and depreciation of assets.

For reporting purposes, however, utility earnings also include a number of one-time adjustments resulting from various regulatory actions, accounting changes, the sale of property, and similar items. In 1992, these totaled about 8 cents, lowering utility earnings to \$1.61 per share. These one-time adjustments included items such as a 4 cent write-off resulting from the California Public Utilities Commission's disallowance of revenue associated with the retired Geysers Unit 15, and a 3 cent reduction resulting from regulatory changes in how earnings from customer energy efficiency can be recorded.

The PIP formulas would have based the utility and corporate payouts on the reported utility earnings of \$1.61 per share. This would have resulted in PIP funds of 47.7 percent of target for utility employees and 81.1 percent of target for corporate services employees.

However, the Committee used its discretion to base the payouts, instead, on the higher \$1.69 per share, which more accurately reflects utility employees'

.79 x 2 =
1.58%

contribution to the Company's overall success. This resulted in the PIP fund of 79 percent for utility operations and 100 percent for corporate services. The PIP fund for Diablo Canyon was 200 percent of target, reflecting their outstanding results.

The funds approved by the Committee will be increased or decreased by up to 20 percent depending on the achievement of funding unit budget, service, and operational goals.

"Employee efforts have a direct impact on quality of service, cost, safety and the satisfaction of our shareholders," says Clarke. "When employees' contributions help the company achieve financial success, PIP is the reward to every participant."

The Compensation Committee of the Board previously exercised its discretion to modify PIP payouts four times since 1983, twice to increase the payouts and twice to reduce them. There was no PIP payout in 1988 as a result of the Diablo Canyon rate case settlement.

PIP is an expansion of a program called the Management Incentive Plan (MIP), established in 1983 for officers, department heads, and division managers. In 1989, the program was renamed PIP and was expanded to include all monthly employees. Since 1990, all employees, including bargaining unit employees, have participated.

"The plan is designed to motivate employees to continuous improvement and to reward them based on their accomplishments for the company's shareholders," says Clarke. "PIP gives employees the power to make a difference — as individuals and as members of the PG&E team. When employees share a common purpose and find better ways to work, the company performs more effectively and meets its financial objectives."