

**PG&E CORPORATION**  
**CONDENSED STATEMENT OF CONSOLIDATED INCOME**  
(unaudited)

(in millions, except per share amounts)	Three months ended December 31,		Twelve months ended December 31,	
	2001	2000 <sup>(b)</sup>	2001	2000 <sup>(b)</sup>
Operating Revenues				
Pacific Gas and Electric Company	\$ 2,654	\$ 2,600	\$ 10,462	\$ 9,637
Integrated Energy and Marketing	2,291	5,349	12,429	15,661
Interstate Pipeline Operations	60	228	246	1,112
Eliminations and Other	(2)	3	(6)	6
Subtotal NEG	2,349	5,580	12,669	16,779
Other Enterprises and eliminations	(25)	(101)	(172)	(196)
Total operating revenues	4,978	8,079	22,959	26,220
Operating Expenses				
Cost of energy - Pacific Gas and Electric Company	609	3,979	4,606	8,166
Cost of energy - National Energy Group	2,124	5,083	11,339	15,220
Deferred electric procurement costs	-	(3,676)	-	(6,465)
Operating expenses including depreciation	1,104	2,488	4,181	7,167
Provision for loss on generation-related regulatory assets and under-collected purchased power costs	-	6,939	-	6,939
Reorganization items	64	-	97	-
Total operating expenses	3,901	14,813	20,223	31,027
Operating Income ( Loss)	1,077	(6,734)	2,736	(4,807)
Interest expense, net and other	(289)	(61)	(1,038)	(545)
Income (Loss) Before Income Taxes	788	(6,795)	1,698	(5,352)
Income taxes provision (benefit)	268	(2,699)	608	(2,028)
Income (Loss) From Continuing Operations	520	(4,096)	1,090	(3,324)
Discontinued Operations				
Loss on disposal of PG&E Energy Services (net of applicable income taxes of \$23 million and \$36 million, respectively)	-	(21)	-	(40)
Net Income (Loss) Before Cumulative Effect of a Change In Accounting Principle	520	(4,117)	1,090	(3,364)
Cumulative effect of a change in an accounting principle (net of applicable income tax of \$6 million)	9	-	9	-
Net Income (Loss)	\$ 529	\$ (4,117)	\$ 1,099	\$ (3,364)
Weighted Average Common Shares Outstanding, Diluted <sup>(a)</sup>	366	363	364	362
Earnings (Loss) Per Common Share, Basic				
Income (Loss) from continuing operations	\$ 1.43	\$ (11.28)	\$ 3.00	\$ (9.18)
Discontinued operations	-	(0.06)	-	(0.11)
Cumulative effect of a change in an accounting principle	0.02	-	0.02	-
Rounding	0.01	-	0.01	-
Net Earnings (Loss)	\$ 1.46	\$ (11.34)	\$ 3.03	\$ (9.29)
Earnings (Loss) Per Common Share, Diluted <sup>(a)</sup>				
Income (Loss) from continuing operations	\$ 1.42	\$ (11.28)	\$ 2.99	\$ (9.18)
Discontinued operations	-	(0.06)	-	(0.11)
Cumulative effect of a change in an accounting principle	0.02	-	0.02	-
Rounding	0.01	-	0.01	-
Net Earnings (Loss)	\$ 1.45	\$ (11.34)	\$ 3.02	\$ (9.29)
Dividends Declared Per Common Share	\$ -	\$ 0.30	\$ -	\$ 1.20

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(in millions, except per share amounts)	Three months ended December 31,		Twelve months ended December 31,	
	2001	2000 <sup>(b)</sup>	2001	2000 <sup>(b)</sup>
<b>Earnings</b>				
Utility				
Pacific Gas and Electric Company	\$ 344	\$ 114	\$ 914	\$ 769
National Energy Group				
Integrated Energy and Marketing	(15)	23	137	117
Interstate Pipeline Operations	19	15	76	58
Eliminations and Other	3	(10)	(4)	(7)
Subtotal - National Energy Group	7	28	209	168
Other Enterprises	(6)	(2)	(24)	(12)
Earnings from Operations <sup>(c)</sup>	345	140	1,099	925
Items impacting comparability <sup>(d)</sup>	184	(4,257)	-	(4,289)
Reported Earnings	<u>\$ 529</u>	<u>\$ (4,117)</u>	<u>\$ 1,099</u>	<u>\$ (3,364)</u>
<b>Earnings per Share (Diluted)</b>				
Utility				
Pacific Gas and Electric Company	\$ 0.94	\$ 0.31	\$ 2.51	\$ 2.11
National Energy Group				
Integrated Energy and Marketing	(0.04)	0.06	0.37	0.32
Interstate Pipeline Operations	0.05	0.04	0.21	0.16
Eliminations and Other	0.01	(0.02)	(0.01)	(0.03)
Subtotal - National Energy Group	0.02	0.08	0.57	0.45
Other Enterprises	(0.01)	(0.01)	(0.06)	(0.02)
Earnings from Operations <sup>(c)</sup>	0.95	0.38	3.02	2.54
Items impacting comparability <sup>(d)</sup>	0.50	(11.72)	-	(11.83)
Reported Earnings	<u>\$ 1.45</u>	<u>\$ (11.34)</u>	<u>\$ 3.02</u>	<u>\$ (9.29)</u>

(a) The diluted shares for the year 2000 exclude 2 million in incremental shares due to the antidilution effects of the loss from continuing operations.

(b) Segment information for the year 2000 has been restated for comparative purposes as required by SFAS No. 131.

(c) Earnings from operations exclude items impacting comparability and should not be considered an alternative to net income or an indicator of a Company's operating performance.

(d) Items impacting comparability for the quarter ending December 31, 2001 include the collection of previously written-off transition costs of \$335 million (\$0.92 per share) and the cumulative effect of a change in accounting principle of \$9 million (\$0.02 per share) partially offset by the incremental interest costs of \$97 million (\$0.26 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's bankruptcy; increased costs of \$28 million (\$0.08 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees; and the loss on termination of certain contracts with Enron Corp. of \$35 million (\$0.10 per share) attributed to its bankruptcy filing.

Items impacting comparability for the quarter ending December 31, 2000 include the write-off of regulatory assets at the Utility of \$4,111 million (\$11.32 per share); the impact of an inability to fully utilize the tax benefits of losses in California of \$79 million (\$0.22 per share); adjustments to the estimated loss on disposal of the retail energy services unit of \$21 million (\$0.06 per share); a favorable actualization of \$20 million (\$0.06 per share) on the sale of the Texas natural gas liquids and natural gas pipeline business unit, which closed on December 22, 2000; an \$83 million charge (\$0.23 per share) related to an adjustment to legal reserves at the Utility; and \$17 million (\$0.05 per share) of other adjustments, consisting primarily of a reserve reversal at NEG.

Items impacting comparability for the twelve-month period ended December 31, 2001 include the collection of previously written-off transition costs of \$458 million (\$1.26 per share) and the cumulative effect of a change in accounting principle of \$9 million (\$0.02 per share) partially offset by a loss of \$66 million (\$0.18 per share) on involuntary terminations of gas transportation hedges resulting from the Utility's bankruptcy; incremental interest costs of \$262 million (\$0.72 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's bankruptcy; increased costs of \$78 million (\$0.21 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees; the net prior year impacts associated with current year decisions issued by the California Public Utilities Commission on rehearings of the Utility's 1999 General Rate Case of \$26 million (\$0.07 per share); and the loss on termination of certain contracts with Enron Corp. of \$35 million (\$0.10 per share) attributed to its bankruptcy filing.

Items impacting comparability for the twelve-month period ended December 31, 2000 include the write-off of regulatory assets at the Utility of \$4,111 million (\$11.36 per share); the impact of an inability to fully utilize the tax benefits of losses in California of \$79 million (\$0.22 per share); adjustments to the estimated loss on disposal of the retail energy services unit of \$40 million (\$0.11 per share); a favorable actualization of \$20 million (\$0.06 per share) on the sale of the Texas natural gas liquids and natural gas pipeline business unit, which closed on December 22, 2000; an \$83 million charge (\$0.23 per share) related to an adjustment to legal reserves at the Utility; \$4 million (\$0.01 per share) of other items; and \$0.02 per share of dilution.