

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

(in millions, except per share amounts)	Three months ended March 31,	
	2003	2002
Operating Revenues		
Pacific Gas and Electric Company	\$ 2,067	\$ 2,453
PG&E NEG		
Integrated Energy and Marketing	519	461
Interstate Pipeline Operations	64	59
Eliminations and Other	(18)	(4)
Subtotal NEG	565	516
Other Enterprises and eliminations	(25)	(34)
Total operating revenues	2,607	2,935
Operating Expenses		
Cost of energy - Pacific Gas and Electric Company	1,027	149
Cost of energy - National Energy Group and other	364	306
Operating expenses including depreciation	1,110	1,163
Impairments, Write-Offs and Other Charges	200	-
Reorganization items	35	16
Total operating expenses	2,736	1,634
Operating Income (Loss)	(129)	1,301
Interest expense, net and other	(358)	(282)
Income (Loss) Before Income Taxes	(487)	1,019
Income taxes provision (benefit)	(209)	396
Income (Loss) from Continuing Operations	(278)	623
Discontinued Operations	(70)	8
Net Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	(348)	631
Cumulative effect of a change in an accounting principle (net of income taxes of \$4 million in 2003)	(6)	-
Net Income (Loss)	\$ (354)	\$ 631
Weighted Average Common Shares Outstanding, Diluted	382	368
Earnings (Loss) Per Common Share, Basic	\$ (0.93)	\$ 1.73
Earnings (Loss) Per Common Share, Diluted	\$ (0.93)	\$ 1.71

	Three months ended March 31,		Three months ended March 31,	
	2003	2002 (a)	2003	2002 (a)
Pacific Gas and Electric Company and Holding Company				
Pacific Gas and Electric Company	\$ 171	\$ 160	\$ 0.45	\$ 0.44
Holding Company	1	23	-	0.06
Earnings from Operations	172	183	0.45	0.50
Headroom	(181)	176	(0.47)	0.48
Items Impacting Comparability (b)	(84)	235	(0.22)	0.63
Reported earnings	(93)	594	(0.24)	1.61
PG&E National Energy Group	(261)	37	(0.69)	0.10
PG&E Corporation Reported Earnings	\$ (354)	\$ 631	\$ (0.93)	\$ 1.71

- (a) Operating revenues and operating expenses for the three months ended March 31, 2003, reflect the adoption of a new accounting policy implementing a change from gross to net method of reporting revenues and expenses on trading activities. Amounts for trading activities for the comparative period in 2002 have been reclassified to conform with the new net presentation.

To enable accurate comparison to current year, certain previously disclosed items impacting comparability have been reclassified to the related operating entity in the prior period.

Prior period amounts have been restated to reflect the reclassification of USGenNE, Mountain View, and ET Canada operating results to discontinued operations.

- (b) Items impacting comparability for the quarter ending March 31, 2003 include the net effect of incremental interest costs of \$71 million (\$0.19 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's bankruptcy; and increased costs of \$21 million (\$0.05 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees, partially off-set by a net gain of \$8 million (\$0.02 per share) principally associated with previously reserved costs of involuntary terminations of gas transportation hedges, resulting from the Utility's bankruptcy, which due to a recent regulatory ruling are now considered recoverable.

Items impacting comparability for the quarter ending March 31, 2002 include the Utility's net reversal of wholesale energy charges of \$352 million (\$0.95 per share) recorded in 2001; the net effect of 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 and increased costs of \$14 million (\$0.04 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees; and \$6 million (\$0.02 per share) of other California energy crisis costs.

Reconciliation of Guidance for Earnings from Operations

	<u>Year Ended December 31, 2003</u>	
Earnings from Operations EPS Guidance ⁽¹⁾	\$ 1.90	\$ 2.00
Estimated Headroom	0.50	1.00
Estimated Items Impacting Comparability		
Incremental Interest Expense	(0.72)	(0.77)
Bankruptcy related Expenses	<u>(0.28)</u>	<u>(0.38)</u>
Reported EPS Guidance ⁽¹⁾	<u>\$ 1.40</u>	<u>\$ 1.85</u>

⁽¹⁾ Excludes the results of PG&E NEG

EPS guidance is based on current expectations and assumptions which management believes are reasonable and on information currently available to management. These forward-looking statements are necessarily subject to various risks and uncertainties. Actual results could differ materially from those contemplated by the forward-looking statements as a result of many factors, including:

- whether the Utility is able to recover its under-collected power procurement and transition costs;
- whether the Utility is required to refund amounts previously collected;
- the outcome of the Utility's bankruptcy case and any negotiations with the Utility's creditors regarding the allowance or disallowance of claims;
- future regulatory actions regarding the Utility's procurement of power for its retail customers and the extent to which the Utility is able to timely recover in full its costs of service including its procurement costs;
- the extent to which the Utility is required to purchase power to meet its customers' needs that are not supplied by Utility-owned generation or other contractual arrangements;
- future sales levels;
- changes in the Utility's authorized revenue requirements or in the amount required to be remitted by the Utility to the DWR;
- changes in federal or state legislation or regulation;
- the outcome of regulatory proceedings and investigations;
- the growth of competition;
- the effect of compliance with existing and future environmental laws, regulations, and policies, the cost of which could be significant;
- whether the Utility incurs costs in connection with its nuclear facilities that exceed the Utility's insurance coverage and other amounts set aside for decommissioning and other potential liabilities;
- changes in accounting rules, critical accounting estimates or in the assumptions underlying critical accounting estimates; and
- other risk factors discussed in PG&E Corporation's and the Utility's SEC reports.