

PG&E Corporation
First Quarter 2005 Press Release

PG&E Corporation
Condensed Consolidated Statements of Income
(Unaudited)

(in millions, except per share amounts)	Three Months Ended March 31,	
	<u>2005</u>	<u>2004</u>
Operating Revenues		
Electric	\$ 1,660	\$ 1,791
Natural gas	1,009	931
Total operating revenues	<u>2,669</u>	<u>2,722</u>
Operating Expenses		
Cost of electricity	396	561
Cost of natural gas	620	578
Operating and maintenance	767	816
Recognition of regulatory assets	-	(4,900)
Depreciation, amortization and decommissioning	385	312
Reorganization professional fees and expenses	-	2
Total operating (gain) expenses	<u>2,168</u>	<u>(2,631)</u>
Operating Income	501	5,353
Reorganization interest income	-	8
Interest income	21	6
Interest expense	(161)	(231)
Other expense, net	(1)	(27)
Income Before Income Taxes	360	5,109
Income tax provision	142	2,076
Net Income	<u>\$ 218</u>	<u>\$ 3,033</u>
Weighted Average Common Shares Outstanding, Basic	<u>388</u>	<u>393</u>
Net Earnings Per Common Share, Basic	<u>\$ 0.55</u>	<u>\$ 7.36</u>
Net Earnings Per Common Share, Diluted	<u>\$ 0.54</u>	<u>\$ 7.15</u>
Dividends Declared Per Common Share	\$ 0.30	\$ -

Source: PG&E Corporation's and Pacific Gas and Electric Company's Condensed Consolidated Financial Statements and Notes thereto included in PG&E Corporation and Pacific Gas and Electric Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Earnings Summary
First Quarter 2005 vs. First Quarter 2004
(in millions except per share amounts)

	Earnings (Loss)		Earnings (Loss) per Common Share (Diluted)	
	Three months ended		Three months ended	
	March 31,		March 31,	
	2005	2004	2005	2004
Pacific Gas and Electric Company and Holding Company				
Pacific Gas and Electric Company ¹	\$ 227	\$ 180	\$ 0.56	\$ 0.42
Holding Company	(1)	(5)	-	(0.01)
Earnings from Operations	226	175	0.56	0.41
Items Impacting Comparability ²				
Implementation of Electric Industry Restructuring		2,950	-	6.96
Energy Crisis/Chapter 11 Interest Costs	(8)	(56)	(0.02)	(0.13)
Dividend Participation Rights	-	(19)	-	(0.05)
Other	-	(17)	-	(0.04)
Total	(8)	2,858	(0.02)	6.74
PG&E Corporation Earnings on a GAAP basis	<u>\$ 218</u>	<u>\$ 3,033</u>	<u>\$ 0.54</u>	<u>\$ 7.15</u>

¹ Earnings from operations exclude items impacting comparability as discussed below.

² Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with generally accepted accounting principles, or GAAP.

DISCUSSION:

1. Earnings from operations contributed by the Utility excludes items impacting comparability, as discussed below, totaling \$8 million (\$0.02 per common share) for the quarter ended March 31, 2005 and \$2,886 million (\$6.81 per common share) for the quarter ended March 31, 2004. On a GAAP basis, the Utility earned \$219 million for the three months ended March 31, 2005 and \$3,066 million for the three months ended March 31, 2004.
2. Items impacting comparability for the quarter ending March 31, 2005 include the net effect of incremental interest costs of \$8 million (\$0.02 per common share), after-tax, related to remaining generator disputed claims in the Utility's Chapter 11 proceeding, which are subject to resolution by bankruptcy court.
3. Items impacting comparability for the quarter ended March 31, 2004 include:
 - a. The Utility's recognition of a gain of approximately \$2,950 million (\$6.96 per common share) related to the establishment of regulatory assets contemplated in the December 19, 2003 settlement agreement, or Settlement Agreement, entered into between the Utility, PG&E Corporation and the California Public Utilities Commission, or CPUC, to resolve the Utility's Chapter 11 proceeding;
 - b. The net effect of incremental interest costs of \$52 million (\$0.12 per common share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's Chapter 11 filing;
 - c. Increased costs of \$4 million (\$0.01 per common share) related to the Chapter 11 filings of the Utility and National Energy & Gas Transmission, Inc., or NEGT. These costs generally consist of external legal consulting fees, financial advisory fees and other related costs and payments;
 - d. A change in the market value of non-cumulative dividend participation rights of \$19 million (\$0.05 per common share) related to the Holding Company's \$280 million of 9.5% Convertible Subordinated Notes; and
 - e. The Utility's recognition of \$17 million (\$0.04 per common share) in charges related to obligations to invest in clean energy technology and donate land, included in the Settlement Agreement.

2005 Earnings per Common Share Guidance

	Low	High
EPS Guidance on an Earnings from Operations Basis	\$2.15	\$2.25
Items Impacting Comparability: ¹		
Incremental interest expense ²	<u>(0.08)</u>	<u>(0.05)</u>
EPS Guidance on a GAAP Basis	<u>\$2.07</u>	<u>\$2.20</u>

¹ The range of potential outcomes is developed using a range of dollar estimates and a range of estimated shares outstanding for the items presented.

² The net expense, after tax, related to remaining generator disputed claims in the Utility's Chapter 11 proceeding, which are subject to resolution in the bankruptcy court.

2006 Earnings per Common Share Guidance

	Low	High
EPS Guidance on an Earnings from Operations Basis	\$2.30	\$2.40
Items Impacting Comparability	<u>0.00</u>	<u>0.00</u>
EPS Guidance on a GAAP basis	<u>\$2.30</u>	<u>\$2.40</u>

Management's statements regarding 2005 and 2006 guidance for earnings from operations per share for PG&E Corporation constitute forward looking statements that are based on current expectations and assumptions which management believes are reasonable. These statements are necessarily subject to various risks and uncertainties. In addition to the risk that the assumptions on which the statements are based (including that the Utility earns an authorized return on equity of 11.22%, that the second series of energy recovery bonds is issued in late 2005, and that the Utility makes certain capital expenditures) prove to be inaccurate, many factors could cause actual results to differ materially from those contemplated by the forward-looking statements. These factors are noted in PG&E Corporation's and Pacific Gas and Electric Company's Current Report on Form 8-K dated May 4, 2005 and are discussed in their combined Annual Report on Form 10-K for the year ended December 31, 2004 and their Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.