



Delivering Value

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Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements regarding anticipated cash flows and management's projected uses of cash, including the anticipated payment of dividends and targeted stock repurchases. These statements are based on current expectations and assumptions which management believes are reasonable and on information currently available to management but are necessarily subject to various risks and uncertainties. Actual results could differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause future results to differ materially include:

- The timing and resolution of the petitions for review that were filed in the California Court of Appeal seeking review of the California Public Utility Commission's (CPUC) December 18, 2003 decision approving Pacific Gas and Electric Company's Settlement Agreement and the CPUC's March 16, 2004 denial of applications for rehearing of the December 18, 2003 decision;
- The timing and resolution of the pending appeals of the bankruptcy court's order confirming the Utility's Plan of Reorganization;
- Whether the conditions to securitizing the \$2.21 billion after-tax regulatory asset established under the Settlement Agreement are met, and if so, the timing and amount of the securitization;
- Whether the CPUC approves the Utility's long-term electricity resource plan and adopts the Utility's related ratemaking proposals, whether the assumptions and forecasts underlying the long-term resource plan prove to be accurate, and what terms and conditions are included in the long-term resource commitments the Utility enters into in connection with its long-term resource plan;
- Unanticipated changes in operating expenses or capital expenditures affecting the Utility's ability to earn its authorized rate of return;
- The level and volatility of wholesale electricity and natural gas prices and supplies, the Utility's ability to manage and respond to the levels and volatility successfully, and the extent to which the Utility is able to timely recover increased costs related to such volatility;
- The extent to which the Utility's residual net open position (*i.e.*, that portion of the Utility's electricity customers' demand not satisfied by electricity that the Utility generates or has under contract, or by electricity provided under the California Department of Water Resources electricity contracts allocated to the Utility's customers) increases or decreases;
- The operation of the Utility's Diablo Canyon Nuclear Power Plant (Diablo Canyon) which exposes the Utility to potentially significant environmental and capital expenditure outlays and, to the extent the Utility is unable to increase its spent fuel storage capacity by 2007 or find an alternative depository, the risk that the Utility may be required to close Diablo Canyon and purchase electricity from more expensive sources;
- The impact of current and future ratemaking actions of the CPUC, including the risk of material differences between forecasted costs used to determine rates and actual costs incurred;
- The extent to which the CPUC or the Federal Energy Regulatory Commission delays or denies recovery of the Utility's costs from customers due to a regulatory determination that such costs were not reasonable or prudent or for other reasons resulting in write-offs of regulatory balancing accounts;
- How the CPUC administers the capital structure, stand-alone dividend and first priority conditions of the CPUC's decisions permitting the establishment of holding companies for California investor-owned electric utilities;
- The impact of future legislative or regulatory actions or policies;
- Increased competition;
- The outcome of pending litigation; and
- Other factors discussed in PG&E Corporation's and Pacific Gas and Electric Company's SEC reports.

Cash Flow

- \$3.3 billion distributable cash projected for 2005-2008
- Multi-year rate, equity, and ROE settlements
- 2005 guidance assumes refinancing \$1.8 billion of Regulatory Asset

Cash Distribution to Shareholders

\$1.55 Billion dividends and share repurchases by year-end 2005

Holding Company Sources and Uses

(\$ Millions)

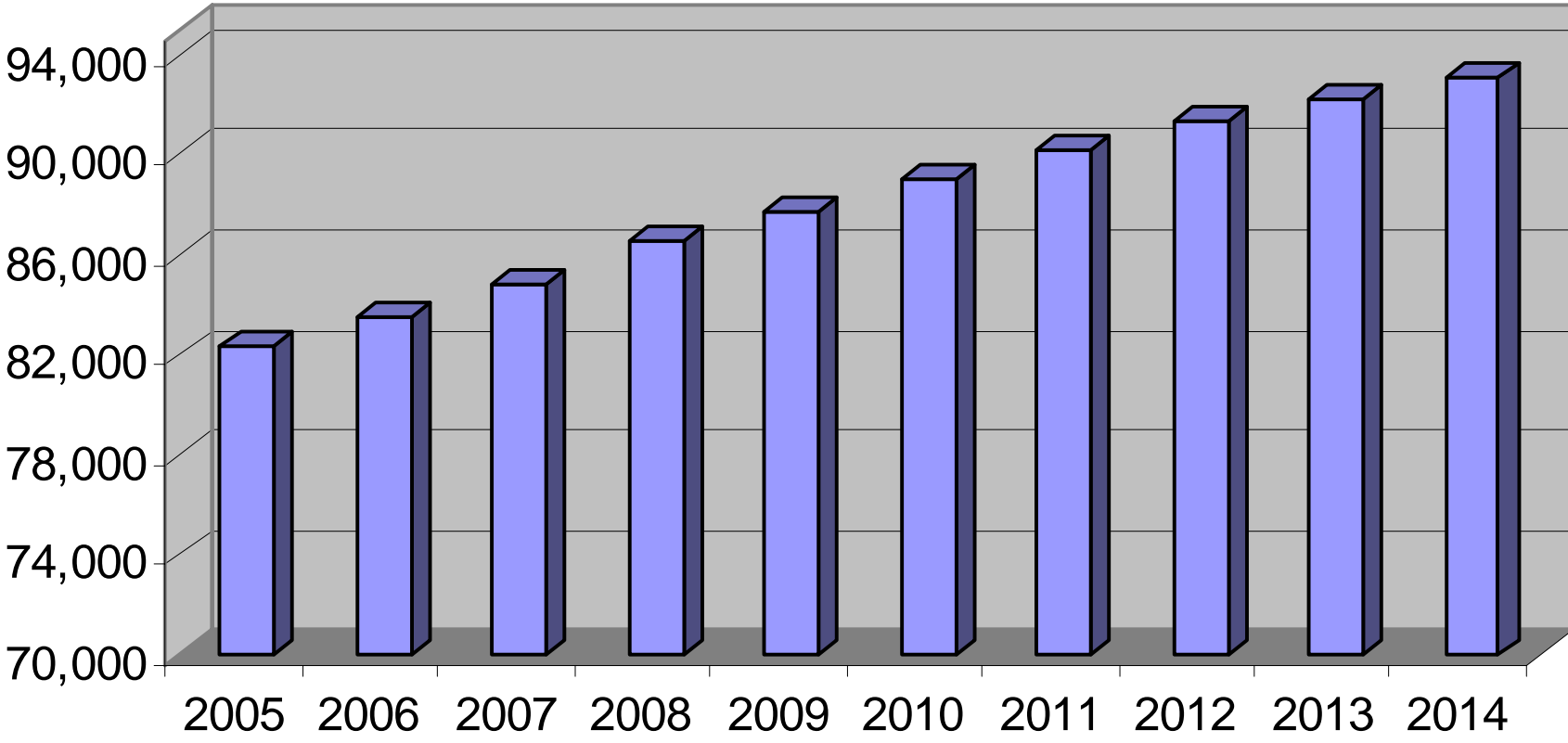
	Sources		Uses
Cash at June 30, 2004	\$ 1,220	Senior Secured Notes	\$ 650
Estimated Distributions from Utility	1,200	NEGT Settlement Payment	30
		NEGT Taxes	100
		Dividends and Share Repurchases	1,550
		Cash on Hand at Corp	90
	<u>2,420</u>		<u>2,420</u>

Future Opportunities

- Investment in generation assets
- Continually evaluating opportunities to improve operational efficiency and cost effectiveness
- Expansion of core utility distribution and transmission infrastructure

California Energy Outlook

Total PG&E Projected Energy Usage (GWH)



SOURCE: Pacific Gas and Electric Company Long-Term Plan filed July 9, 2004 with the California Public Utilities Commission, Rulemaking No. 04-04-00.

Electric Market Structure Issues

- Resource Adequacy
 - Load Serving Entities (LSE) responsibility to plan for their customers' power needs
- Retail Customer Choice
 - Non-bypassable charges for long-term commitments
 - Exit and entrance options adequately priced

PG&E Corporation – Delivering Value to Shareholders

- Stock repurchases and re-establishing a dividend are top priorities
- Increased focus on operational efficiency and customer service
- Great opportunities and cash flow to fund investments for growth in the Utility



PG&E Corporation
