

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

(in millions, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Operating Revenues				
Pacific Gas and Electric Company	\$ 2,309	\$ 2,296	\$ 4,871	\$ 4,514
Integrated Energy and Marketing	2,679	3,090	6,831	5,631
Interstate Pipeline Operations				
-Texas	-	224	-	449
-Northwest	64	56	129	113
Eliminations and Other	13	(8)	4	1
Subtotal NEG	<u>2,756</u>	<u>3,362</u>	<u>6,964</u>	<u>6,194</u>
Other Enterprises and eliminations	(52)	(20)	(147)	(62)
Total operating revenues	<u>5,013</u>	<u>5,638</u>	<u>11,688</u>	<u>10,646</u>
Operating Expenses				
Cost of energy - Pacific Gas and Electric Company	67	1,157	3,300	1,953
Cost of energy--National Energy Group	2,335	3,047	6,174	5,519
Operating expenses including depreciation	1,156	812	2,099	1,876
Reorganization items	8	-	8	-
Total operating expenses	<u>3,566</u>	<u>5,016</u>	<u>11,581</u>	<u>9,348</u>
Operating Income (Loss)	1,447	622	107	1,298
Interest expense, net and other	(234)	(170)	(455)	(338)
Income (Loss) Before Income Taxes	<u>1,213</u>	<u>452</u>	<u>(348)</u>	<u>960</u>
Income tax expense (benefit)	463	204	(147)	432
Net Income (Loss)	<u>\$ 750</u>	<u>\$ 248</u>	<u>\$ (201)</u>	<u>\$ 528</u>
Weighted Average Common Shares Outstanding	363	361	363	361
Earnings (Loss) Per Common Share, Basic	\$ 2.07	\$ 0.69	\$ (0.55)	\$ 1.46
Earnings (Loss) Per Common Share, Diluted	\$ 2.07	\$ 0.68	\$ (0.55)	\$ 1.45
Dividends Declared Per Common Share	\$ -	\$ 0.30	\$ -	\$ 0.60
Earnings				
Utility				
Pacific Gas and Electric Company	\$ 175	\$ 216	\$ 378	\$ 444
National Energy Group				
Integrated Energy and Marketing	53	23	88	65
Interstate Pipeline Operations	19	13	38	27
Eliminations and Other	(1)	1	(1)	1
Subtotal - National Energy Group	<u>71</u>	<u>37</u>	<u>125</u>	<u>93</u>
Other Enterprises	(3)	-	(5)	-
Earnings from Operations ^(a)	<u>243</u>	<u>253</u>	<u>498</u>	<u>537</u>
Items impacting comparability ^(b)	507	(5)	(699)	(9)
Reported Earnings	<u>\$ 750</u>	<u>\$ 248</u>	<u>\$ (201)</u>	<u>\$ 528</u>
Earnings per Share (Diluted)				
Utility				
Pacific Gas and Electric Company	\$ 0.48	\$ 0.59	\$ 1.04	\$ 1.22
National Energy Group				
Integrated Energy and Marketing	0.14	0.06	0.24	0.17
Interstate Pipeline Operations	0.05	0.04	0.10	0.08
Eliminations and Other	-	-	-	-
Subtotal - National Energy Group	<u>0.19</u>	<u>0.10</u>	<u>0.34</u>	<u>0.25</u>
Other Enterprises	-	-	(0.01)	-
Earnings from Operations ^(a)	<u>0.67</u>	<u>0.69</u>	<u>1.37</u>	<u>1.47</u>
Items impacting comparability ^(b)	1.40	(0.01)	(1.92)	(0.02)
Reported Earnings	<u>\$ 2.07</u>	<u>\$ 0.68</u>	<u>\$ (0.55)</u>	<u>\$ 1.45</u>

(a) 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.

(b) Items impacting comparability for the quarter ending June 30, 2001 include a decrease of net undercollected electric procurement costs at the Utility of \$552 million (\$1.52 per share) due to the termination of certain bilateral contracts by counterparties and a change in the amount of ISO bills previously recorded; a decrease in the inability to fully utilize tax benefits of losses in California of \$25 million (\$0.07 per share) due to the reduction of net undercollected electric procurement costs; additional interest costs caused by the California energy crisis of \$61 million (\$0.17 per share); and other bankruptcy costs of \$9 million (\$0.02 per share). Items impacting comparability for the quarter ending June 30, 2000 include severance charges related to restructuring of the National Energy Group of \$5 million (\$0.01 per share). Items impacting comparability for year-to-date ending June 30, 2001 include undercollected electric procurement costs at the Utility of \$563 million (\$1.55 per share); the inability to fully utilize tax benefits of losses in California of \$8 million (\$0.02 per share); additional interest costs caused by the California energy crisis of \$103 million (\$0.28 per share); and other bankruptcy costs of \$25 million (\$0.07 per share). Items impacting comparability for year-to-date ending June 30, 2000 include severance charges related to the restructuring of the National Energy Group of \$9 million (\$0.02 per share).