

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

(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Operating Revenues				
Electric	\$ 1,780	\$ 2,063	\$ 3,439	\$ 3,851
Natural gas	718	686	1,727	1,617
Total operating revenues	<u>2,498</u>	<u>2,749</u>	<u>5,166</u>	<u>5,468</u>
Operating Expenses				
Cost of electricity	487	685	884	1,254
Cost of natural gas	347	278	967	857
Operating and maintenance	670	757	1,436	1,576
Recognition of regulatory assets	-	-	-	(4,900)
Depreciation, amortization and decommissioning	454	353	839	651
Reorganization professional fees and expenses	-	4	-	6
Total operating (gain) expenses	<u>1,958</u>	<u>2,077</u>	<u>4,126</u>	<u>(556)</u>
Operating Income	540	672	1,040	6,024
Reorganization interest income	-	-	-	8
Interest income	16	25	37	31
Interest expense	(131)	(176)	(292)	(406)
Other expense, net	(2)	(14)	(3)	(41)
Income Before Income Taxes	423	507	782	5,616
Income tax provision	156	135	297	2,211
Net Income	<u>\$ 267</u>	<u>\$ 372</u>	<u>\$ 485</u>	<u>\$ 3,405</u>
Weighted Average Common Shares Outstanding, Basic	<u>370</u>	<u>397</u>	<u>379</u>	<u>395</u>
Net Earnings Per Common Share, Basic	<u>\$ 0.70</u>	<u>\$ 0.89</u>	<u>\$ 1.25</u>	<u>\$ 8.22</u>
Net Earnings Per Common Share, Diluted	<u>\$ 0.70</u>	<u>\$ 0.88</u>	<u>\$ 1.23</u>	<u>\$ 8.03</u>
Dividends Declared Per Common Share	\$ 0.30	\$ -	\$ 0.60	\$ -

Source: PG&E Corporation's and Pacific Gas and Electric's Condensed Consolidated Financial Statements and Notes thereto included in PG&E Corporation's and Pacific Gas and Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Earnings Summary**Second Quarter and Year-to-Date, 2005 vs. 2004****(in millions, except per share amounts)**

	Three months ended June 30,				Six months ended June 30,			
	Earnings (Loss)		Earnings (Loss) per Common Share		Earnings (Loss)		Earnings (Loss) per Common Share	
	(Diluted)		(Diluted)		(Diluted)		(Diluted)	
	2005	2004	2005	2004	2005	2004	2005	2004
Pacific Gas and Electric Company and Holding Company ¹								
Pacific Gas and Electric Company	\$ 266	\$ 307	\$ 0.70	\$ 0.72	\$ 494	\$ 488	\$ 1.25	\$ 1.15
Holding Company	(4)	(9)	(0.01)	(0.02)	(6)	(14)	(0.01)	(0.03)
Earnings from Operations	<u>262</u>	<u>298</u>	<u>0.69</u>	<u>0.70</u>	<u>488</u>	<u>474</u>	<u>1.24</u>	<u>1.12</u>
Items Impacting Comparability ²								
Implementation of Electric Industry Restructuring	-	-	-	-	-	2,950	-	6.96
2003 GRC Settlement	-	120	-	0.28	-	120	-	0.28
Energy Crisis/ Chapter 11 Interest Costs	5	(26)	0.01	(0.06)	(3)	(83)	(0.01)	(0.20)
Dividend Participation Rights	-	(20)	-	(0.04)	-	(39)	-	(0.09)
Other	-	-	-	-	-	(17)	-	(0.04)
Total	<u>5</u>	<u>74</u>	<u>0.01</u>	<u>0.18</u>	<u>(3)</u>	<u>2,931</u>	<u>(0.01)</u>	<u>6.91</u>
PG&E Corporation Earnings on a GAAP basis								
	<u>\$ 267</u>	<u>\$ 372</u>	<u>\$ 0.70</u>	<u>\$ 0.88</u>	<u>\$ 485</u>	<u>\$ 3,405</u>	<u>\$ 1.23</u>	<u>\$ 8.03</u>

¹ Earnings from operations exclude items impacting comparability as noted in the following discussion

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

DISCUSSION ON EARNINGS SUMMARY TABLE:

1 Earnings from operations for PG&E Corporation excludes items impacting comparability, as discussed below. On a GAAP basis, PG&E Corporation earned \$267 million for the three months ended June 30, 2005 and \$372 million for the three months ended June 30, 2004. For the six months ended June 30, 2005, the Corporation earned \$485 million on a GAAP basis and \$3,405 million for the six months ended June 30, 2004.

On a GAAP basis, the Utility earned \$272 million for the three months ended June 30, 2005 and \$408 million for the three months ended June 30, 2004. For the six months ended June 30, 2005, the Utility earned \$491 million on a GAAP basis and \$3,474 million for the six months ended June 30, 2004.

2 Items impacting comparability for the three months ended June 30, 2005 include the recovery of net incremental interest costs incurred by the Utility after February 10, 2005, the date of issuance of the first series of Energy Recovery Bonds, of approximately \$5 million (\$0.01 per common share), after-tax, related to remaining generator disputed claims in the Utility's Chapter 11 proceeding. These costs are now recoverable as a result of a California Public Utilities Commission, or CPUC, decision on May 4, 2005.

3 Items impacting comparability for the three months ended June 30, 2004 include:

- a) The Utility's recognition of a gain of approximately \$120 million (\$0.28 per common share), after-tax, related to the 2003 impact and regulatory asset recognition resulting from the CPUC decision in the Utility's 2003 General Rate Case, or GRC decision, on May 27, 2004;
- b) The net effect of incremental interest costs of \$20 million (\$0.05 per common share), after-tax, 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 \$6 million (\$0.01 per common share), after-tax, 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; and
- d) A change in the market value of non-cumulative dividend participation rights of \$20 million (\$0.04 per common share), after-tax, related to the Holding Company's \$280 million of 9.5% Convertible Subordinated Notes.

4 Items impacting comparability for the six months ended June 30, 2005 include the net effect of incremental interest costs of approximately \$3 million (\$0.01 per common share), after-tax incurred by the Utility through February 10, 2005 and related to generator disputed claims in the Utility's Chapter 11 proceeding, which are not considered recoverable.

5 Items impacting comparability for the six months ended June 30, 2004 include:

- a) The Utility's recognition of a gain of approximately \$2,950 million (\$6.96 per common share), after-tax, 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 Utility's recognition of a gain of approximately \$120 million (\$0.28 per common share), after-tax, related to the 2003 impact and regulatory asset recognition resulting from the CPUC decision in the Utility's 2003 GRC decision on May 27, 2004;
- c) The net effect of incremental interest costs of \$73 million (\$0.17 per common share), after-tax, from the increased amount and cost of debt resulting from the California energy crisis and the Utility's Chapter 11 filing
- d) Increased costs of \$10 million (\$0.03 per common share), after-tax, 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;
- e) A change in the market value of non-cumulative dividend participation rights of \$39 million (\$0.09 per common share), after-tax, related to the Holding Company's \$280 million of 9.5% Convertible Subordinated Notes; and
- f) The Utility's recognition of \$17 million (\$0.04 per common share), after-tax, 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
Total EPS from Operations	<u>\$2.20</u>	<u>\$2.30</u>
Estimated Items Impacting Comparability:		
Incremental interest expense ¹	<u>(0.01)</u>	<u>(0.01)</u>
Total EPS on a GAAP Basis	<u><u>\$2.19</u></u>	<u><u>\$2.29</u></u>

¹ The net effect of incremental interest costs incurred by the Utility through February 10, 2005 and related to generator disputed claims in the Utility's Chapter 11 proceeding, which are not considered recoverable.

2006 Earnings per Common Share Guidance

	Low	High
Total EPS from Operations	<u>\$2.35</u>	<u>\$2.45</u>
Estimated Items Impacting Comparability:	<u>0.00</u>	<u>0.00</u>
Total EPS on a GAAP Basis	<u><u>\$2.35</u></u>	<u><u>\$2.45</u></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 November 2005 in the approximate amount of \$800 million, and that the Utility makes certain capital expenditures, and that PG&E Corporation repurchases additional shares of its common stock) 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 August 3, 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 June 30, 2005.