

PG&E Corporation
Condensed Consolidated Statements of Income

(in millions, except per share amounts)	(Unaudited)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Operating Revenues				
Electric	\$ 2,880	\$ 2,574	\$ 8,039	\$ 7,107
Natural gas	794	705	2,946	2,714
Total operating revenues	3,674	3,279	10,985	9,821
Operating Expenses				
Cost of electricity	1,282	998	3,406	2,606
Cost of natural gas	351	281	1,613	1,431
Operating and maintenance	983	953	3,010	2,794
Depreciation, amortization, and decommissioning	419	465	1,240	1,325
Total operating expenses	3,035	2,697	9,269	8,156
Operating Income	639	582	1,716	1,665
Interest income	23	36	82	125
Interest expense	(178)	(196)	(550)	(571)
Other income (expense), net	(17)	7	(14)	22
Income Before Income Taxes	467	429	1,234	1,241
Income tax provision	163	151	413	438
Net Income	\$ 304	\$ 278	\$ 821	\$ 803
Weighted Average Common Shares Outstanding, Basic	357	352	356	350
Weighted Average Common Shares Outstanding, Diluted	358	353	357	352
Net Earnings Per Common Share, Basic	\$ 0.83	\$ 0.77	\$ 2.25	\$ 2.23
Net Earnings Per Common Share, Diluted	\$ 0.83	\$ 0.77	\$ 2.24	\$ 2.22
Dividends Declared Per Common Share	\$ 0.39	\$ 0.36	\$ 1.17	\$ 1.08

Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with Generally Accepted Accounting Principles (GAAP)
 Third Quarter and Year-to-Date, 2008 vs. 2007
 (in millions, except per share amounts)

	Three months ended September 30,				Nine months ended September 30,			
	Earnings		Earnings per Common Share (Diluted)		Earnings		Earnings per Common Share (Diluted)	
	2008	2007	2008	2007	2008	2007	2008	2007
PG&E Corporation Earnings from Operations ⁽¹⁾	\$ 304	\$ 278	\$ 0.83	\$ 0.77	\$ 821	\$ 803	\$ 2.24	\$ 2.22
Items Impacting Comparability ⁽²⁾	-	-	-	-	-	-	-	-
PG&E Corporation Earnings on a GAAP basis	\$ 304	\$ 278	\$ 0.83	\$ 0.77	\$ 821	\$ 803	\$ 2.24	\$ 2.22

1. "Earnings from operations" is not calculated in accordance with GAAP and excludes items impacting comparability as described in Note (2) below.
2. Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and nine month periods ended September 30, 2008 and 2007, PG&E Corporation did not have any items impacting comparability to report.

Reconciliation of Pacific Gas and Electric Company's Earnings from Operations to Consolidated Net Income in Accordance with GAAP
Third Quarter and Year-to-Date, 2008 vs. 2007
(in millions)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	Earnings		Earnings	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Pacific Gas and Electric Company				
Earnings from Operations ⁽¹⁾	\$ 318	\$ 279	\$ 860	\$ 808
Items Impacting Comparability ⁽²⁾	-	-	-	-
Pacific Gas and Electric Company Earnings on a GAAP basis	<u>\$ 318</u>	<u>\$ 279</u>	<u>\$ 860</u>	<u>\$ 808</u>

1. "Earnings from operations" is not calculated in accordance with GAAP and excludes items impacting comparability as described in Note (2) below.
 2. Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the three and nine month periods ended September 30, 2008 and 2007, Pacific Gas and Electric Company did not have any items impacting comparability to report.
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PG&E Corporation Earnings per Common Share ("EPS") from Operations
 Third Quarter and Year-to-Date, 2008 vs. 2007
 (\$/Share, Diluted)

Q3 2007 EPS from Operations ⁽¹⁾	\$ 0.77
Increase in rate base revenue	0.06
Billing OII ⁽²⁾	0.02
Gas transmission revenues	0.01
Miscellaneous items	0.03
Expenses for statewide and local initiatives	(0.03)
Operating and maintenance - gas system	(0.02)
Increase in shares outstanding	(0.01)
Q3 2008 EPS from Operations ⁽¹⁾	<u>\$ 0.83</u>

Q3 2007 YTD EPS from Operations ⁽¹⁾	\$ 2.22
Increase in rate base revenue	0.20
Billing OII ⁽²⁾	0.02
Gas transmission revenues	0.01
Storm and outage expenses	(0.07)
Operating and maintenance - gas system	(0.05)
Expenses for statewide and local initiatives	(0.03)
Increase in shares outstanding	(0.03)
Nuclear refueling outage ⁽³⁾	(0.02)
Miscellaneous items	(0.01)
Q3 2008 YTD EPS from Operations ⁽¹⁾	<u>\$ 2.24</u>

1. For a reconciliation of EPS from operations to EPS on a GAAP basis, see table titled Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with GAAP.
2. Charge for customer refunds related to the installation of a new billing system incurred in 2007 with no similar cost in 2008.
3. There were no refueling outages during the three months ended September 30, 2008 and 2007. The refueling outage during the nine months ended September 30, 2008 was 69 days as compared to 30 days during the same period in 2007.

PG&E Corporation EPS Guidance

2008 EPS Guidance	Low	High
EPS Guidance on an Earnings from Operations Basis	\$ 2.90	\$ 3.00
Estimated Items Impacting Comparability ⁽¹⁾	0.66	0.69
Estimated EPS on a GAAP Basis	<u>\$ 3.56</u>	<u>\$ 3.69</u>

2009 EPS Guidance	Low	High
EPS Guidance on an Earnings from Operations Basis	\$ 3.15	\$ 3.25
Estimated Items Impacting Comparability	-	-
Estimated EPS on a GAAP Basis	<u>\$ 3.15</u>	<u>\$ 3.25</u>

1. Estimated amount of after-tax income to be recognized in connection with a settlement of 2001-2004 tax audits finalized in the fourth quarter of 2008.

Management's guidance for PG&E Corporation's 2008 and 2009 EPS from operations constitute forward-looking statements that are based on current expectations and various assumptions which management believes are reasonable. These statements and assumptions are necessarily subject to various risks and uncertainties, the realization or resolution of which may be outside of management's control. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- Pacific Gas and Electric Company's ability to manage capital expenditures and operating expenses within authorized levels and recover such costs through rates in a timely manner;
 - the outcome of regulatory proceedings, including pending and future ratemaking proceedings at the CPUC and the FERC;
 - the adequacy and price of electricity and natural gas supplies, and the ability of Pacific Gas and Electric Company to manage and respond to the volatility of the electricity and natural gas markets;
 - the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on Pacific Gas and Electric Company's facilities and operations, its customers, and third parties on which Pacific Gas and Electric Company relies;
 - the potential impacts of climate change on Pacific Gas and Electric Company's electricity and natural gas businesses;
 - changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology, including the development of alternative energy sources, or other reasons;
 - operating performance of the Diablo Canyon nuclear generating facilities ("Diablo Canyon"), the occurrence of unplanned outages at Diablo Canyon, or the temporary or permanent cessation of operations at Diablo Canyon;
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(continued): PG&E Corporation EPS Guidance

- whether Pacific Gas and Electric Company can maintain the cost savings it has recognized from operating efficiencies it has achieved and identify and successfully implement additional sustainable cost-saving measures;
 - whether Pacific Gas and Electric Company incurs substantial unanticipated expense to improve the safety and reliability of its electric and natural gas distribution systems;
 - whether Pacific Gas and Electric Company achieves the CPUC's energy efficiency targets and recognizes any incentives Pacific Gas and Electric Company may earn in a timely manner;
 - the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
 - the impact of changing wholesale electric or gas market rules, including new rules of the California Independent System Operator to restructure the California wholesale electricity market;
 - how the CPUC administers the conditions imposed on PG&E Corporation when it became Pacific Gas and Electric Company's holding company;
 - the extent to which PG&E Corporation or Pacific Gas and Electric Company incurs costs and liabilities in connection with litigation that are not recoverable through rates, from insurance, or from other third parties;
 - the ability of PG&E Corporation, Pacific Gas and Electric Company, and counterparties, to access capital markets and other sources of credit in a timely manner on acceptable terms, especially given the recent deteriorating conditions in the economy and financial markets;
 - the impact of environmental laws and regulations and the costs of compliance and remediation;
 - the effect of municipalization, direct access, community choice aggregation, or other forms of bypass;
 - the impact of changes in federal or state tax laws, policies or regulations; and
 - other factors and risks discussed in PG&E Corporation and Pacific Gas and Electric Company's 2007 Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission.
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