

Summary of Amended Plan of Reorganization and Disclosure Statement

On December 19, 2001, PG&E Corporation and Pacific Gas and Electric Company jointly filed an amended Plan of Reorganization and Disclosure Statement in U.S. Bankruptcy Court, according to the schedule established by the Court.

Just as with the original filing on September 20th, the hallmark of the Plan remains paying all valid claims in full without asking the state for a bailout or the Court to raise rates. The filing also reaffirms the fact that after adoption of the Plan, the utility and new businesses (ETrans, GTrans and Gen) will continue to be subject to all applicable federal, state and local public health, safety, and environmental laws and regulations.

Summary of Key Changes

This amended Plan of Reorganization does not contain any fundamental changes to the version filed on September 20th. The various revisions contained in this amended Disclosure Statement have been made in large part to resolve objections regarding the adequacy or completeness of the September 20 filing, by clarifying specific issues and providing additional information requested by creditors and other parties in interest. Highlights of the changes in the Disclosure Statement include the following:

- Capturing the changes requested by the Bankruptcy Court, as well as other changes discussed at the status conference in October.
- Specifying the state and local laws that would be subject to preemption under the Plan, including a list of the CPUC rules and regulations affected and a general discussion of the regulatory impact of such preemption, as requested by the Bankruptcy Court (see below).
- Updating the Disclosure Statement for the passage of time, including information on certain Bankruptcy Court orders and CPUC and FERC decisions and actions and PG&E's recent FERC and NRC filings.
- Adjusting the treatment of certain claims, including the mechanics of interest payments, based upon discussions with the Official Creditors Committee and other claim holders.
- Providing additional details on the business and financial structure and assumptions in the Plan, including expanded information on the Gen and GTrans bilateral agreements, and providing more detailed descriptions of the assets to be transferred to the new entities.
- Making investment grade credit ratings of the debt securities a closing condition that cannot be waived unilaterally by the Proponents, including an affirmative statement that the Debtor will not proceed with the Plan without such ratings. Also generally including more detail about the securities to be issued under the Plan, such as a resale prospectus to ensure liquidity of the notes to be issued on the effective date.

- Affirming that the vast majority of executory contracts and unexpired leases will be assumed (as opposed to rejected) by the Debtor, including the WAPA contract.
- Agreeing that no material modification or waiver of any material term of the Plan will be made without first consulting with the Official Creditors Committee and, if the Committee does not agree with such proposed change or waiver, the Debtor will implement such change or waiver only pursuant to a Final Order of the Bankruptcy Court obtained after notice to the Committee and other parties in interest and a hearing.

Preemption of the CPUC and the Public Utilities Code

The preemptive effect of the Confirmation Order extends to all statutes, rules, orders and decisions of the CPUC otherwise applicable, or potentially applicable to the Restructuring Transactions and the implementation of the Plan. These generally fall into three categories:

1. Provisions applicable to the one-time transactions required to implement the Plan of Reorganization, specifically the creation of three new businesses (Gen, GTrans and ETrans), the transfer of appropriate assets to each business. There are 17 such code sections or CPUC rules, orders and decisions identified in the amended Disclosure Statement which would restrict or prevent the transfers of assets required to implement the one-time restructuring transactions required by the Plan.
2. Provisions governing the issuance of debt and securities to raise the funds necessary to finance the Plan, as well as other financial elements of the plan, including stock issuance. There are 17 such code sections or CPUC rules, orders and decisions identified in the Disclosure Statement.
3. Provisions relating to the establishment of conditions under which Pacific Gas and Electric Company may resume procurement of the net open position without again losing its creditworthiness or slipping back into bankruptcy because of huge operating losses. There are three such code sections or CPUC rules, orders and decisions identified.

Preemption of Other Laws, Regulations and Codes

Except insofar as CPUC regulation of GTrans and Gen will be superseded by FERC regulation, the existing regulation of the Debtor's operations by numerous federal, state and local agencies will continue over the respective businesses of Pacific Gas and Electric Company, ETrans, GTrans and Gen. PG&E does not seek to preempt such ongoing regulation and does not contend that the Confirmation Order should do so.

On the contrary, the Plan contemplates that Pacific Gas and Electric Company will retain all of the more than 14,000 existing permits, licenses and franchises necessary for its business and continue to operate under their existing terms and conditions. ETrans, GTrans and Gen will in effect "step

into the shoes” of the utility with respect to all existing permits and licenses applicable to their respective businesses and operate under the existing terms and conditions without change. ETrans and GTrans will enter into new franchise agreements where necessary and appropriate.

With the exception of CPUC-related issues discussed above, PG&E intends to follow the established procedures for the transfer or reissuance of most permits and licenses. The vast majority of these actions are ministerial or governed by objective criteria that make it unlikely that the agency or subdivision could act or fail to act in a way that would interfere with consummation of the Plan. To the extent that any permit or license has not been transferred or reissued timely for the consummation of the Plan, the Proponents reserve the right to seek relief from the Bankruptcy Court under section 1123(a) or 1142(b) of the Bankruptcy Code to ensure that all of the reorganized companies obtain the permits and licenses they need to operate lawfully.