



2002 ENVIRONMENTAL REPORT

At PG&E it's still about doing **more** to have **less** impact on the environment.

More recycling
Less air emissions
More performance audits
Less impact on natural resources
More energy efficiency programs
Less greenhouse gases
More land conservation
Less waste
More support for environmental education

Doing more so that our impact on the environment is less continues to be a fundamental part of our culture and a shared responsibility for each of our team members. It has made us a leader in environmental performance for decades – and it continues to drive us to adopt new technologies, improve our environmental management practices, build strong ties with local communities, reach out to stakeholders to address challenges, and contribute to the development of public policies that raise the bar for our industry.



PG&E CORPORATION PROFILE

PG&E Corporation is a national energy company with approximately \$12 billion in revenues in 2002, and approximately \$34 billion in assets at the end of 2002. It is the parent company of Pacific Gas and Electric Company (the Utility), one of the largest natural gas and electric utilities in the United States, serving a population of 14 million in Northern and Central California. PG&E Corporation common stock is traded on the New York Stock Exchange under the symbol PCG. The Corporation's 2002 Annual Report, as well as past reports, are available at www.pgecorp.com.

Pacific Gas and Electric Company

As of December 31, 2002, Pacific Gas and Electric Company generated approximately \$10.5 billion in revenues and had an asset base of approximately \$24.5 billion. The Utility had approximately 4.8 million electric customer accounts and 4 million natural gas customer accounts. In 2002, Pacific Gas and Electric Company delivered over 76 million megawatt-hours (MWh) of power to its electric customers and 288 billion cubic feet (BCF) of natural gas to its natural gas customers.

Service area	70,000 square miles in Northern and Central California, with a population of around 14 million, about one in 20 Americans
Delivery systems	136,500 circuit miles of electric transmission and distribution lines; 45,000 miles of natural gas transmission and distribution pipelines
Electric Generating Operations	Nuclear Generation: Diablo Canyon Nuclear Power Plant, 2,300 megawatts Fossil Generation: Hunter's Point, 215 megawatts; and Humboldt Bay, 135 megawatts Hydro Generation: California Hydroelectric System, 3,896 megawatts
Recent investments in infrastructure	\$1.7 billion in 2002 and \$1.3 billion in 2001
A few of the customers served by Pacific Gas and Electric Company	The company serves significant operations of some of the largest companies in America, including Albertsons, Inc., Bank of America, ChevronTexaco, IBM, Lockheed Martin, New United Motors Manufacturing, Safeway, Inc., and Sun Microsystems

Data as of year-end 2002



PG&E CORPORATION PROFILE

PG&E Corporation is also the parent company of PG&E National Energy Group, Inc. (NEG), an integrated energy company with a focus on power generation and natural gas transmission.

PG&E National Energy Group

This report covers NEG operations during 2002. On July 8, 2003, NEG Inc., and several of its subsidiaries voluntarily filed petitions for protection under Chapter 11 of the federal bankruptcy code. With the agreement in principle of major creditors as to its key terms, NEG concurrently filed a Plan of Reorganization at the time of the Chapter 11 filing. The plan anticipates the strategic separation of PG&E Corporation from NEG and its subsidiaries after the Chapter 11 reorganization is approved by the court and implemented. As a result, PG&E Corporation no longer retains significant control over the ongoing operations of NEG.

As of December 31, 2002, the NEG owned or leased 26 power generation facilities, with 8,255 megawatts of owned or controlled capacity. NEG's Gas Transmission Northwest system transports natural gas from cost-competitive, abundant supplies in Western Canada to markets in California, Nevada and the Pacific Northwest. The company also owns the North Baja Pipeline in Southern California, which ships natural gas from U.S. producing regions to markets in Northern Mexico and Southern California.

Products and services	Power generation Interstate pipeline operations
Operating power plants	26 owned or leased power generation facilities with 8,255 megawatts of owned or controlled capacity, 56% natural gas, 31% coal, 9% hydro, 3% wind
Facility locations (operation and construction)	Arizona, California, Colorado, Connecticut, Florida, Idaho, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont and Washington
Natural gas pipelines in operation	<ul style="list-style-type: none"> Gas Transmission Northwest Corporation (GTN); 1,350 miles North Baja Pipeline (NBP); 80 miles
Average daily natural gas throughput	<p>GTN Interconnects:</p> <ul style="list-style-type: none"> Kingsgate (British Columbia-Idaho border) – 2.082 billion decatherms per day (Dth/d) Malin (Oregon-California border) – 1.724 billion Dth/d <p>NBP Interconnect:</p> <ul style="list-style-type: none"> Ehrenberg, AZ – 95,696 Dth/d

Data as of year-end 2002



MESSAGE FROM THE CHAIRMAN

To Our Shareholders, Customers and Neighbors:

PG&E Corporation again demonstrated its commitment to environmental excellence in 2002. We continued to find opportunities to lower emissions from power plants, help customers save more energy, manage greenhouse gases, reduce waste, protect endangered species and habitats and support environmental education, among other accomplishments.

This report details our 2002 performance results and achievements in these and other areas, and it highlights areas in which we are continuing to direct our efforts for the future.

PG&E Corporation's corporate environmental policy is the foundation for all of our efforts to manage and improve environmental performance. Our policy commits us to environmental leadership. It drives us to look for ways to do more than what is required for compliance. It makes environmental standards and programs an integral part of our business plans. It states our view that environmental excellence contributes to shareholder value. And it recognizes that engaging the talents, dedication and commitment of our employees is a vital part of improving our environmental performance.

We put this policy in action in many ways last year. For example, we became a charter member of the California Climate Action Registry, avoided over 2 million tons of carbon dioxide emissions through customer energy efficiency programs, launched a program to protect migratory birds from electrical hazards, and helped the U.S. Department of Energy conduct tests at our NEG facilities to better understand mercury emissions from power plants.

As we undertook these and other efforts, our industry continued to change substantially. Our commitment to environmental excellence remains as solid as ever, even as we make significant strategic and operational changes in response to the evolving market.

In 2003, those changes include commencing efforts to restructure NEG through the Chapter 11 process. At the conclusion of this process, NEG's operations will no longer be part of PG&E Corporation. We remain proud of our environmental stewardship of these operations.

As customers, shareholders and neighbors, you have our commitment that the letter and spirit of our environmental policy will continue to guide us while we work to grow PG&E Corporation's business. We're proud of the successes outlined in this report, and we look forward to your continued interest in our performance as we build on those achievements in 2003 and beyond.



Robert D. Glynn, Jr.
Chairman of the Board,
Chief Executive Officer and President
PG&E Corporation



More Transparency and Better Understanding Surrounding Greenhouse Gas Emissions Reporting and Reductions

Last year, PG&E Corporation became a Charter Member of the California Climate Action Registry (CCAR). PG&E Corporation also participated in the Coalition for Environmentally Responsible Economies (CERES) Electric Power and Investor Dialogue on Climate Change and continued its active participation in the Clean Energy Group (CEG).

In 2002, PG&E Corporation became a Charter Member of the CCAR, a private, non-profit voluntary registry for greenhouse gas emissions. The CCAR was created by California state statute to help companies and organizations measure their greenhouse gas emissions and establish baselines against which any future emissions reductions requirements may be applied. PG&E Corporation will report on greenhouse gas emissions associated with generation, transmission and distribution of gas and electricity in the state of California associated with the operations of its businesses.

As a CCAR member, PG&E Corporation pledged to have its greenhouse gas emissions inventory reviewed and approved by an independent certifier. Our greenhouse gas inventory will be prepared to meet the CCAR's rigorous reporting protocols.

PG&E Corporation also participated in a year-long dialogue sponsored by CERES that included both regulated and merchant energy companies, investors, and environmental and consumer groups. The participants developed recommendations for better analyzing and quantifying the financial risks associated with climate change, as well as policies to begin to reduce the uncertainty surrounding the impact of climate change on the electricity sector.



Finally, PGE Corporation continued its leadership role in the CEG, a coalition of nine national energy companies dedicated to promoting environmentally progressive policies at the national and regional levels. The CEG is promoting national, mandatory standards for reducing emissions from power plants, including carbon dioxide. The CEG is also participating in the U.S. EPA's process to set standards for regulating mercury emissions from power plants.

PG&E Corporation's commitment to these processes and organizations is the right thing to do for the environment and for our business. Setting achievable yet aggressive emissions standards, providing more transparency, and finding better ways to report and account for emissions from the power sector provides substantial economic, energy and environmental benefits. Working with these groups helps support overall efforts to generate and deliver power in a cleaner, more efficient and environmentally sensitive manner.



MANAGING FOR CONTINUOUS IMPROVEMENT

PG&E Corporation's environmental policies, management systems and programs are designed to ensure that our operations not only meet all applicable environmental requirements, but also drive a process of continuous improvement that, wherever possible, seeks to elevate our performance above and beyond the legal and regulatory requirements.

Our experience shows that our commitment to continuous improvement not only improves performance, but also strengthens our competitive position within our industry by driving innovation and raising the bar for other companies. In many aspects of our operations, this process is already enabling us to perform at levels beyond today's legal and regulatory requirements. In some cases, through the public policy process or through collaborative efforts within our industry, we are challenging others to achieve the same higher standards.

These accomplishments spring from the deliberate process we have put in place. This process includes developing and articulating clearly our environmental policies to our employees, contractors and communities; instituting environmental management systems and programs that meet our policy objectives; auditing our performance to ensure that objectives are met; and identifying ways to move beyond basic compliance. This process and commitment extends to the ongoing improvement of the policies, management systems and programs themselves, which we continually review and refine.



MANAGING FOR CONTINUOUS IMPROVEMENT

PG&E CORPORATION'S ENVIRONMENTAL POLICY

PG&E Corporation's formal environmental policy clearly states the company's environmental performance objectives. The policy applies to all of the company's operations, and reflects the commitment and expectations of senior management. The policy is the foundation for the programs, initiatives and activities described in this report, all of which support the policy's directives to achieve compliance, foster environmental excellence, manage risks and encourage innovative solutions.

Environmental Policy Statement

PG&E Corporation is committed to being an environmental leader by providing safe, economical, and reliable products and services in a responsible and environmentally sensitive manner. It is our policy to:

- Comply fully with the letter and spirit of applicable environmental laws and regulations, and seek innovative ways to exceed current standards of environmental protection, while achieving success in competitive markets;
- Develop standards and programs that foster environmental excellence as a contributor to shareholder value, and incorporate such policies into business plans;
- Develop and implement a risk-based audit plan that ensures that periodic independent reviews of all aspects of environmental performance are conducted; and
- Actively engage the talents, dedication and commitment of our employees by encouraging them to contribute innovative and thoughtful solutions for improving environmental performance.

More information about PG&E Corporation's environmental policies and practices, and our environmental justice policy, is available on our website at www.pgecorp.com.



MANAGING FOR CONTINUOUS IMPROVEMENT

ENVIRONMENTAL MANAGEMENT SYSTEMS

Our Environmental Management Systems (EMS) continue to serve as a comprehensive, systematic process for assessing and managing risks, and developing and implementing programs. These management systems require our businesses to:

- Identify operations and their associated environmental impacts.
- Develop strategic plans for improvement in appropriate areas.
- Institute operational controls, assign roles and responsibilities, and train personnel.
- Track performance.
- Ensure management awareness and review of environmental performance.

Pacific Gas and Electric Company is refining its EMS program in two phases. Phase I was largely completed in 2001, during which the company evaluated its EMS and conducted a formal gap analysis based on the International Standards Organization (ISO) 14001 Environmental Management Systems Standard. During Phase II, Pacific Gas and Electric Company will develop and implement a multi-year plan to address areas of opportunity.

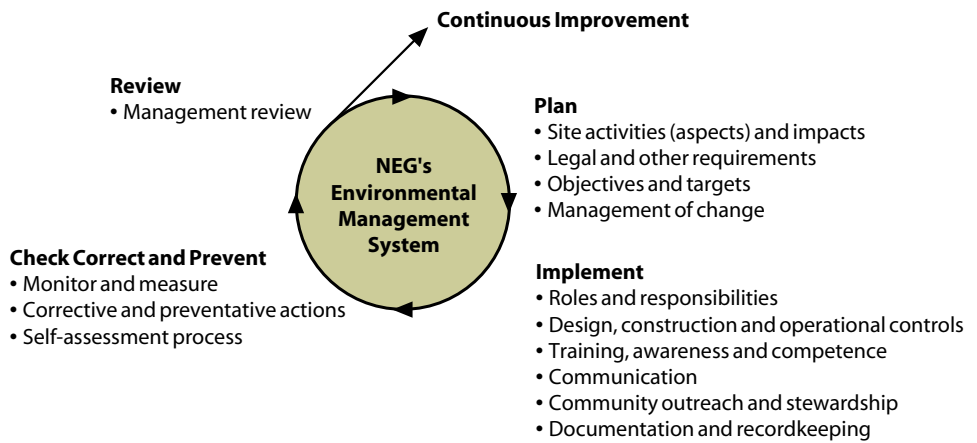
In 2002, several tasks associated with the completion of Phase II occurred, including:

- Forming an Environmental Advisory Council comprised of Utility officers and chaired by the senior vice president of Utility Operations;
- Continuing improvements in the Utility's environmental information management system; and
- Improving the Utility's assessment and reporting programs



MANAGING FOR CONTINUOUS IMPROVEMENT

An example of the systematic approach at the center of an EMS is the Plan-Do-Check-Act logic employed by NEG, as illustrated below. In 2002, these systems assisted us in identifying areas of performance challenges, and in implementing programs to ensure continuous improvement over time.



As a result of these activities, NEG's Selkirk Generating plant, in New York, became the first NEG facility to receive certification under the ISO 14001 Environmental Management Systems Standard. This certification was achieved after a rigorous audit and review of these systems was conducted on behalf of ISO by Lloyds of London.



MANAGING FOR CONTINUOUS IMPROVEMENT

AUDITING OUR PERFORMANCE

PG&E Corporation's environmental policy requires our businesses to develop and implement a risk-based audit plan to ensure periodic independent review of all aspects of our environmental performance.

In 2002, Pacific Gas and Electric Company's internal environmental auditing program performed 35 formal audits at 26 company facilities, compared to 25 facilities audited in 2001. The audits covered air and water quality, PCBs, hazardous materials and waste, and underground storage compliance. These audits also included three "process" audits intended to address the management process of a particular system in implementing environmental programs. These included auditing the process of Closure of Environmental Audit Findings, the "General Office" Recycling process and the Desert Tortoise Protection process.

In general, while audit findings involved primarily administrative matters, such as record keeping and labeling, the average number of findings per audit increased slightly from 2001.

Through the Joint Utility Vendor Auditing Consortium, as well as independently, the Utility also audited six hazardous waste vendors. In addition to the formal audits, environmental personnel in the field performed over 1,500 informal facility assessments during 2002, a significant increase from prior years. Each facility audited under PG&E Corporation's risk-based audit program is required to address any audit findings in a timely fashion. The responsible facility officer is required to ensure all findings are addressed.

Nineteen audits were conducted at 16 NEG facilities in 2002. Twelve of these audits were conducted by NEG's outside third-party contractor as part of the risk-based environmental audit program. The remaining seven audits were conducted by other internal and external entities, such as plant or corporate staff, owner/partners, and an audit conducted by Lloyds of London for ISO 14001 Environmental Management System Standards certification. The scope of the audits included air emissions compliance, risk management planning, follow-up verifications of previous audit close outs, and assessments of compliance programs and environmental management systems. Additionally, site environmental assessments were conducted at 14 potential ash disposal or beneficial-use sites.

Of the 12 facilities audited by third party contractors, eight previously had not been audited. These included three projects in the early construction phase, a new aspect to the audit program in 2002. There were more findings per facility audited in 2002 compared to 2001 due to the larger percentage of facilities audited. The majority of findings were administrative.

Each facility audited under NEG's risk-based audit program is required by management to address their audit findings in action plans. Progress in closing out the findings is reviewed monthly by NEG senior management.



MANAGING FOR CONTINUOUS IMPROVEMENT

BEYOND COMPLIANCE

A wide array of environmental programs that move the company beyond basic compliance continue to be in place at PG&E Corporation to address issues ranging from pollution prevention to energy efficiency, waste reduction, global climate change and the promotion of clean-air transportation alternatives, among others.

Voluntary Program Participation and Partnerships

Substantial achievements – including performance improvements, new policies and improved stewardship – can be achieved through programs that encourage or support voluntary efforts by companies. These programs improve environmental and safety performance among participating companies, challenge other companies to raise their own performance standards, and encourage companies to explore new strategies and technologies that may be subsequently adopted by others. As a result, these voluntary programs often have the potential to be catalysts for improving performance across the industry.

Examples of voluntary programs and partnerships in which PG&E Corporation's businesses are active include the following:

- **Sulfur Hexafluoride (SF₆) Emissions Reduction Partnership.** This voluntary program sponsored by the U.S. EPA seeks ways to cut emissions of SF₆, a compound that is widely used in the power generation industry within enclosed electrical equipment. SF₆ is the most potent greenhouse gas – approximately 24,000 times as potent as carbon dioxide. During 2002, PG&E Corporation met voluntary emission reduction targets set in 1998, by achieving more than a 50 percent reduction in emissions as compared to our 1998 baseline.
- **California Climate Action Registry.** PG&E Corporation is a Charter Member of the California Climate Action Registry and sits on the Technical Advisory Committee. The Corporation made a commitment to report greenhouse gas emissions associated with generation, transmission and distribution of gas and electricity in the state of California.
- **U.S. EPA Natural Gas Star Program.** Pacific Gas and Electric Company became a charter member of the U.S. EPA's Natural Gas Star Partnership in 1994, and NEG's Gas Transmission Northwest joined the program in 2000. Through the systematic replacement of equipment and older pipelines, methane leakage from operations is down significantly.
- **U.S. EPA's National Environmental Performance Track Program.** NEG's New England hydroelectric system and Indiantown power plant in Florida joined this program as charter members in 2000. In 2002, NEG's Carneys Point and Logan Generating plants were also accepted. The National Environmental Performance Track is designed to motivate and reward top environmental performance through a systematic approach to managing environmental responsibilities, taking extra steps to reduce and prevent pollution, and being good corporate neighbors. NEG owns and operates four of the nine energy facilities that participate in the program.



MANAGING FOR CONTINUOUS IMPROVEMENT

- **New Jersey Silver Track Program for Environmental Performance.** NEG's Logan and Carneys Point power plants continue to participate in this program, for which they qualified in 2000 based on their track record of demonstrable and measurable environmental achievements. The program is run by the New Jersey Department of Environmental Protection.
- **U.S. Department of Energy's Mercury Pilot Testing Program.** NEG's Salem Harbor and Brayton Point facilities participated in a testing program to help DOE better understand mercury emissions control technologies and to identify innovative measures to reduce emissions.

PG&E Corporation Pollution Prevention and Other Programs

In addition to our participation in a variety of voluntary programs and partnerships, our businesses also manage various challenges through their own initiatives and programs that go beyond compliance. Many of these programs and their results are discussed in this report, primarily in the "2002 Performance" section.

One example is the Pollution Prevention – P2 – Program at NEG. P2 was established as part of the NEG's environmental management system. It encourages each of NEG's facilities to identify and evaluate opportunities to reduce the environmental footprint at our sites. The program provides facilities with the framework and tools to analyze material use, energy use, water use, and waste recycling and reuse. We have also created an interactive web-based program to gather performance data monthly from each operating facility, in order to enable us to better track our P2 successes and footprint reduction efforts over time.

An example of a P2 success in 2002 is the use of waste from a paper recycling facility as a supplemental fuel at NEG's Cedar Bay Generating Facility in Florida. This effort is eliminating 30 tons of waste per day that otherwise would be sent to landfills.

Finally, both Pacific Gas and Electric Company and NEG, as part of the Spare the Air (California) and Ozone Action Days (Baltimore/Washington Metropolitan Area) campaigns, have established an employee awareness program to alert employees to upcoming "bad air" days and provide suggestions for alternative means of commuting and steps that each employee can take to reduce their overall impact on air quality.

Both companies also promote the use of public transportation through the "Commuter Checks" program. Under this program, employees are provided with a tax-free voucher that can be used to take public transportation to work.



MANAGING FOR CONTINUOUS IMPROVEMENT

Employee Awards Programs

PG&E Corporation's programs also include annual awards designed to recognize and encourage environmental excellence among our employees. For example, Pacific Gas and Electric Company created the **Richard A. Clarke Environmental Leadership Award**, which honors an individual or team whose efforts demonstrate environmental excellence in a way that benefits their co-workers, the company and all Californians. The company makes a \$5,000 donation to an environmental or environmental justice group of the winner's choosing. In 2002, the Bay Area Chapter of the American Lung Association received the donation for its work on behalf of clean air in the San Francisco Bay Area.

The National Energy Group gives three annual awards:

- **The Joseph P. Kearney Environmental Stewardship Award** is presented to an individual or employee team to recognize contributions toward environmental improvement, innovation, environmental awareness and community outreach.
- **The Platinum Environmental Excellence Award** recognizes a facility for the integration of environmental excellence and continuous improvement into facility culture and into its business goals.
- **The Environmental Leadership Award**, newly created in 2002, recognizes the accomplishments and leadership of an individual employee.

Winners receive a monetary award, and the company makes a cash donation to a local environmental organization of the winners' choosing. Since these programs began, NEG has contributed funds to the Treasure Coast Wildlife Hospital; the Allegheny River Association, a river otter reintroduction program; the Logan Township Environmental Commission; New Hampshire Project Learning Tree; the Vermont Wilderness School; Partnership for the Delaware Estuary, Inc; and Sealab, a hands on educational lab for Marine Sciences in Massachusetts.



Employee Actions Making a Difference

PG&E Corporation encourages and recognizes our employees who identify and promote new environmentally superior techniques and practices, and strive to achieve best practices and standards as identified by third parties.

Pacific Gas and Electric Company in 2002 presented the first **Richard A. Clarke Environmental Leadership Award**. **Jeff Joy** received the award for his outstanding leadership on environmental justice, pollution prevention and clean air vehicles. Among Joy's many accomplishments were his efforts to minimize the impact of the Utility's construction crews in the Bayview Hunters Point area and his initiative to convert Pacific Gas and Electric Company's San Francisco diesel-fueled Utility trucks to compressed natural gas within five years.

Scrubgrass Generating, in Pennsylvania, was the 2002 recipient of NEG's **Joseph P. Kearney Award**. Team members **Jeff Campbell, Kevin Hoffman, Philip Jones, Jeff Melat, Mike Palmer** and **Neal Parker** worked together on the construction of a raw water storage pond, which will supply water for the cooling towers and provide an alternative to drawing water directly from the Allegheny River. On an annual basis, this will reduce the plant's wastewater by 20 million gallons, cut solid waste by 50 tons and reduce chemical use by 1,000 gallons.

Salem Harbor Station, in Massachusetts, received NEG's **Platinum Environmental Excellence Award**. Together the employees have reduced the plant's air emissions exceedances by 71 percent from 2000 through 2002, averaging a 46 percent reduction each year.

Awarded for the first time in 2002, NEG's **Environmental Leadership Award** went to **Ken Alton** of the Wilder Hydro office. He led more than 100 facility and local volunteers in the largest tree-planting project ever in New Hampshire, planting a total of 17 acres of trees and shrubs to create vegetated buffer zones along ecologically sensitive areas of the Connecticut River. The creation of these zones will help to prevent erosion, reduce agricultural runoff and provide important wildlife habitat.



2002 PERFORMANCE RESULTS

PG&E Corporation’s businesses track and report their annual environmental performance across a broad spectrum of areas. This section details our performance results for 2002.

ENVIRONMENTAL COMPLIANCE PERFORMANCE

Environmental compliance results declined in several areas from 2001 to 2002.

PG&E Corporation	2000	2001	2002
Notices of Violation (NOVs)	6	16	20
Releases/Exceedances	405	427	490
Rate of NOVs (per 100 inspections)	1.37	3.07	3.24
Penalties Paid	\$4,925	\$8,975	\$6,689

Performance in 2002, however, was better than the average performance of the Corporation measured over the past six years.

Notices of Violation

PG&E Corporation’s businesses received 20 Notices of Violation (NOVs) in 2002, compared with 16 NOVs in 2001 and six in 2000. The rise in NOVs occurred at NEG, which received 10 NOVs in 2002 compared with five in 2001.

In 2002, the Utility received 10 NOVs (compared with 11 in 2001):

- four air-related incidents,
- four associated with hazardous waste/material and fire code requirements,
- one for an oil spill, and
- one for a biological exceedance of a drinking water permit condition.

In 2002, NEG received 10 NOVs (compared with five in 2001):

- Five air-related incidents (two of which occurred at the La Paloma Generating facility, under construction in Bakersfield California and two of which were associated with faulty Continuous Environmental Management System software at NEG’s Dispersed Gen facilities in and around San Diego, California),
- one water-related incident (due to actions of a third-party contractor),
- two hazardous material incidents, and
- two natural resources violations (both associated with construction of the North Baja natural gas pipeline).



2002 PERFORMANCE RESULTS

Agency Inspections

PG&E Corporation's facilities were inspected 585 times by various government agencies in 2002, up from 526 inspections in 2001. Sixty-three percent of these inspections were at California facilities operated by the Utility.

During 2002, government agencies performed 352 inspections of Utility facilities. Local agencies responsible for enforcing hazardous waste and hazardous materials requirements, such as environmental health departments or fire departments, performed the majority of the inspections. None of the inspections resulted in serious findings.

NEG facilities were inspected 233 times in 2002. Of these inspections, 71 were performed at the Athens Generating facility in New York, and 60 at the Northampton and Scrubgrass fuel sites in Pennsylvania. The remaining 102 inspections assessed air quality compliance (62), water quality compliance (18), and various areas such as hazardous waste, tanks and oil spill response (22). The inspections resulted in 15 findings: air quality (7), emergency response (2), site certification compliance (3), hazardous waste materials management (1), water quality (1) and land use (1). All findings were minor in nature.

Reported Releases

Combined releases to the environment and permit exceedances for Pacific Gas and Electric Company and NEG, as reported to various government agencies, totaled 490. Approximately 24 percent of these releases involved exceedances and/or permit violations of air permit emissions limits, which were identified through PG&E Corporation's extensive monitoring programs. Another 8 percent involved exceedances of water quality permits. The remaining 68 percent were spill events reportable under numerous local, state and federal release reporting requirements. These requirements typically mandate the reporting of most releases to the environment.

The Utility had 329 reported releases to the environment, an 11 percent increase from 2001. Approximately 89 percent of the releases were land releases and involved small quantities of oil from transformers or other operating equipment. These events are often due to storm damage and transformers ruptured by auto accidents. The 34 releases to water all involved small releases of oil. The Utility reported one exceedance of an air permit and one exceedance of a water permit.

NEG reported a total of 161 releases (emission exceedances) during 2002, a 23 percent increase from 2001. Of the 161 releases, 55 were associated with commissioning (initial start-up) of new units at the La Paloma Generating facility, and 14 releases were associated with the testing of new low-NO_x burners at Manchester Street Station in Rhode Island.



2002 PERFORMANCE RESULTS

Enforcement Penalties and Settlements

In 2002, PG&E Corporation paid \$6,689 in enforcement penalties and settlements, compared with \$8,975 in 2001. The Utility paid a total of \$2,924 in penalties during 2002. NEG paid \$3,765 in enforcement penalties in 2002: a settlement of \$640 for an SO₂ exceedance that occurred in 2001, and a \$3,125 penalty for the late filing of the Title V Annual Compliance Certification.



2002 PERFORMANCE RESULTS

AIR EMISSIONS: NO_x, SO₂, MERCURY AND GREENHOUSE GASES

As the owner and operator of fossil-fueled power plants and natural gas pipeline facilities, reducing emissions of nitrogen oxides (NO_x), sulfur dioxide (SO₂), mercury (Hg) and greenhouse gases is a major area of focus for our environmental programs.

NO_x and SO₂

Emissions rates for NO_x and SO₂ at PG&E Corporation facilities were lower in 2002 than in 2001 and continue to be far lower than the national averages among power producers.

Emissions Rates	PG&E Corporation* ¹	National Average* ²
SO ₂ Fossil-Fuel Units Only	3.2	8.5
SO ₂ All Generation Sources	1.9	6.0
NO _x Fossil-Fuel Units Only	1.3	4.1
NO _x All Generation Sources	0.8	3.0

*Pounds per megawatt-hour of electricity produced

1. Emissions rates for 2002

2. National average is from U.S. EPA's eGRID Database (Version 2.01 Released 2003, provides data for 2000, latest year available for complete comparison)

Power plants fueled by natural gas produce substantially lower NO_x and SO₂ emissions than plants fueled by coal or oil. Because a substantial number of PG&E Corporation's power plants use natural gas, and because all of our fossil-fuel power plants, including our coal-fired facilities, employ effective emissions reduction technologies, our average emissions rates are among the best in the industry.

When compared to other utilities, PG&E Corporation's generation fleet has relatively low overall emissions. According to a report by the Natural Resources Defense Council (NRDC) and others, published in 2002, PG&E Corporation has "among the lowest" emissions of CO₂, NO_x and SO₂ among the top 100 generators in the United States. (According to the NRDC study, PG&E Corporation is the 23rd largest power producer, but has the 14th lowest CO₂ emissions, 19th lowest NO_x emissions, and 32nd lowest SO₂ emissions.)

Although most of Pacific Gas and Electric Company's power plants do not emit NO_x, it still owns and operates some fossil-fired facilities, including the Hunters Point Power Plant in San Francisco. The Utility has committed to close the plant once the California Independent System Operator (ISO) determines that the facility is no longer critical to ensuring electric reliability for customers in San Francisco. Meanwhile, the Utility has continued to make investments to reduce air emissions, culminating in an upgrade program to reduce NO_x emissions by 65 percent as compared with 1994 levels, which was completed in February 2002. This upgrade program exceeds the local air district's regulations through 2004.



2002 PERFORMANCE RESULTS

In 2001, NEG announced a plan to meet Massachusetts' stringent new emissions limits on NO_x and SO₂, as well as mercury and carbon dioxide, from existing coal- and oil-fired power plants. The facilities impacted by the regulations, Brayton Point and Salem Harbor, submitted plans to the Massachusetts Department of Environmental Protection (DEP) to comply with the new regulations. Brayton Point's plan was approved by the DEP and is on track to meet the NO_x and SO₂ standards by the October 1, 2006, and October 1, 2008, deadlines.

In April 2003, NEG, the state and affected stakeholders, including the City of Salem, the Conservation Law Foundation, MassPIRG and HealthLink, began discussions to develop a mutually agreeable compliance plan that will allow for the most expeditious implementation of emissions improvements at Salem Harbor, but that also recognizes the physical and financial circumstances facing implementation of any plan. An agreement was reached on June 16, 2003, for Salem Harbor, and signed by all parties involved.

Mercury (Hg)

Both the U.S. EPA and the Massachusetts DEP are expected to propose, for the first time, mercury limits for power plants by the end of 2003. PG&E Corporation is assisting with these processes through a variety of research and policy initiatives.

In 2002, NEG completed extensive mercury emissions testing at its Salem Harbor and Brayton Point facilities. The Massachusetts DEP is using this information as a basis to develop its new standards. These facilities also participated in a testing program sponsored by the U.S. Department of Energy. This research effort is designed to better understand mercury emissions control technologies and to identify innovative measures to reduce emissions.

NEG also initiated an additional mercury-testing program with CONSOL Energy in 2002. Under this partnership, testing will be conducted at NEG's Carneys Point and Indiantown facilities. This program will help to explain the relationship between mercury emissions and SO₂ and NO_x controls. These plants were selected for the testing because they are among the best-controlled coal-fired power plants in the country.

In addition to the mercury testing programs, PG&E Corporation has also supported the development of future policies for controlling mercury emissions. NEG has been actively engaged in the Massachusetts DEP's Mercury Workgroup for the development of state requirements and the U.S. EPA's Mercury Working Group for the development of federal requirements.



2002 PERFORMANCE RESULTS

Greenhouse Gases: Carbon Dioxide

The vast majority of efforts to reduce greenhouse gas emissions are focused on reducing carbon dioxide (CO₂) emissions. One major source of CO₂ emissions is fossil fuel combustion, such as the burning of coal and natural gas to generate electricity.

In addition to its fossil-fuel facilities, PG&E Corporation also owns and operates non-fossil fuel generation, including hydroelectric, nuclear and wind power facilities, which do not produce greenhouse gases during power production. When comparing PG&E Corporation's emissions with the rest of the industry, even in a comparison of emissions exclusively from fossil-fuel plants, our emission rates are well below the national average, reflecting the efficiency of our fleet of power plants.

Emissions Rates	PG&E Corporation* 1	National Average* 2
CO ₂ Fossil-Fuel Units Only	1,454	1,950
CO ₂ All Generation Sources	850	1,392

*Pounds per megawatt-hour of electricity produced

1. Emissions rates for 2002

2. National average is from U.S. EPA's eGRID Database (Version 2.01 Released 2003, provides data for 2000, latest year available for complete comparison)



2002 PERFORMANCE RESULTS

Other Greenhouse Gas Emissions

While CO₂ is the most common greenhouse gas, other compounds make a larger contribution to climate change on pound-for-pound basis than CO₂, i.e., are more potent. Sulfur hexafluoride (SF₆), commonly used in the power industry as an insulating material in enclosed electrical transmission and distribution equipment, is the most potent greenhouse gas (approximately 24,000 times as potent as carbon dioxide). In 1999, PG&E Corporation enrolled in the U.S. EPA's voluntary SF₆ Emissions Reduction Partnership. In 2002, PG&E Corporation exceeded the targets set when it joined the program, achieving a 56 percent reduction in emissions as compared with a 1998 baseline. PG&E Corporation's ultimate goal is a reduction of 60 percent by 2007.

	SF ₆ Emissions (in pounds)
1998	23,000 (Baseline)
1999	22,004
2000	18,942
2001	14,719
2002	10,061 (11,500 or 50% reduction was goal)
2007	9,200 (60% reduction goal)

PG&E Corporation is also working to reduce emissions of methane. The Utility and NEG continue as partners in the U.S. EPA's Natural Gas Star program, a voluntary initiative that encourages companies to adopt cost-effective technologies and best management practices to reduce methane losses. Efforts in this area continue to include focused inspections and maintenance at compressor stations, modifying system operations to reduce venting, and reducing frequency of engine restarts with gas. In 2002, the Utility and NEG undertook numerous activities that resulted in over 185,000 tons of methane avoided. These 2002 emissions avoided equate to over 4.2 million tons of CO₂-equivalent.



2002 PERFORMANCE RESULTS

IMPROVING ENERGY EFFICIENCY FOR OUR COMPANY AND OUR CUSTOMERS

PG&E Corporation's energy efficiency programs include initiatives to improve the energy efficiency of our operations, as well as a large number of programs to help residential, industrial and commercial utility customers reduce their energy use.

Internal Energy Efficiency

Pacific Gas and Electric Company reduced overall energy use at 88 of its facilities by almost 24 percent compared with 1998 baseline energy usage levels through energy efficiency and conservation. In 2002, the Utility conserved almost 28 gigawatt-hours of electricity at its facilities. These energy-use reductions prevented approximately 7,000 tons of CO₂ from being emitted to the atmosphere.

Helping Customers Save Energy

PG&E Corporation long has been a leader in energy efficiency and conservation. Over the years, Pacific Gas and Electric Company's energy efficiency programs have cumulatively saved more than 138 million MWh of electricity. This energy savings corresponds to a cumulative total of 36 million - 80 million tons of CO₂ emissions, depending on whether a base or peak load emission factor is used.

Energy savings realized in 2002 from energy efficiency measures already in place, as well as those initiated in 2002, saved approximately 4.9 million MWh of electricity and 160 million therms of natural gas—enough to power approximately 740,000 homes for a year. The emissions avoided from these actions alone totaled approximately 2.8 million tons of CO₂, 1,500 tons of NO_x and 900 tons of SO_x.

In order to ensure consistency with greenhouse gas emissions reporting protocols in California, Pacific Gas and Electric Company revised the manner in which it presents energy and emissions savings from energy efficiency programs in this report. The methodology used differs from past reporting in that, instead of providing savings estimates for the incremental energy and emissions savings from actions taken in a single year, the methodology accounts for the accrued incremental benefits in the reporting year from energy efficiency measures put in place over time. It does this by accounting for the incremental savings associated with the useful life of actions taken in the reporting year (i.e., 2002) and in prior years. The useful life of actions and investments varies, depending on the activity pursued or technology employed. For example, the installation of an Energy Star refrigerator will provide benefits both in the year that its is installed, as well as in subsequent years.



2002 PERFORMANCE RESULTS

Calculating benefits in this manner takes into consideration the longer-term benefits of various energy efficiency actions and investments. The company has calculated the effectiveness of its programs using this methodology previously, in order to help understand ongoing energy demand and procurement requirements. Unless otherwise noted, these numbers do not sum the cumulative total benefits since we began our energy efficiency programs; rather, they represent the incremental savings achieved from actions and investments taken in the reporting year and prior years.

Collective Annual Savings	2000	2001	2002
Gigawatt-Hours	4,313	5,101	4,866
Thousand Therms	214,924	183,658	159,431
Avoided Emissions CO ₂ (tons)	2,479,618	2,933,373	2,797,710
Avoided Emissions NO _x (tons)	1,298	1,536	1,465
Avoided Emissions SO _x (tons)	794	939	895

In 2002, the Utility helped many business and industrial customers finance and bring on-line significant energy efficiency projects through 14 statewide and three local programs, as well as one low income energy efficiency program.

- Savings by Design and Energy Design Resource Programs.** Pacific Gas and Electric Company is working with three schools in its service territory to create environments that not only are energy and water efficient, but also are thermally, visually and acoustically comfortable. In designing its new campus, Blach Intermediate School in Los Altos incorporated criteria developed by the Collaborative for High Performance Schools, in which Pacific Gas and Electric Company is a participant. As a pilot school, Blach will receive more than \$500,000 from the Utility's Savings by Design and Energy Design Resource Programs – two of the company's nonresidential, new construction programs. The benefits of the Blach campus project include \$12,000 per year in energy savings, 123,630 kilowatt-hours annual electricity savings and 518 therms in annual natural gas savings.
- Partnership with Sonoma State University.** Pacific Gas and Electric Company has been working with Sonoma State University since 1991 on energy efficiency and self-generation options for the campus. In 2002, Sonoma State completed the remodel of its library, and with support from the Utility, was awarded a check for \$106,279 as an incentive for incorporating a number of energy efficiency measures, including low-energy cooling and daylighting schemes.



2002 PERFORMANCE RESULTS

The remodeled library incorporates a unique system of low-energy cooling, lighting controls, high efficiency windows and a photovoltaic system. The building uses 42 percent less energy than required by state building standards, and overall, qualified the university for nearly \$450,000 in incentives from Pacific Gas and Electric Company for both the energy efficiency additions and the solar panels. The technologies are expected to pay for themselves through energy savings in five years or less.

Since the partnership began, Sonoma State has saved 2.6 million kilowatt-hours of electricity and reduced peak electric demand by 1,392 kilowatts.

Pacific Gas and Electric Company received recognition for a number of its programs in 2002, including U.S. EPA's Energy Star Award for *Partner of the Year Award for New Homes* and the *Energy Star Award for Energy Efficiency Excellence*.



2002 PERFORMANCE RESULTS

PROMOTING CLEAN-AIR TRANSPORTATION

The Utility's Clean Air Transportation program continued to grow in 2002, with demand for compressed natural gas (CNG) up to approximately 13.1 million therms, an increase of over 60 percent since 1999. This steady increase is primarily the result of transit districts replacing older, diesel-fueled buses with new, natural-gas fueled models. This change in technology provides direct air quality benefits within densely populated urban areas.

One of the ways in which Pacific Gas and Electric Company is promoting the use of alternative-fuels is through increasing the infrastructure to support the use of such vehicles. The company, in partnership with the California Energy Commission, Sacramento Air Quality District, Southern California Gas Company, South Coast Air Quality Management District, the U.S. Department of Energy, and Idaho National Engineering and Environmental Laboratory, completed the installation of a first-of-its-kind, small-scale natural gas liquification facility in Sacramento in 2002. The facility is designed to produce clean, safe and cost-effective transportation fuel for the heavy-duty vehicle market. The use of breakthrough technologies made possible dramatic reductions in the facility's size and cost. As a result of this new facility, the City and County of Sacramento and Waste Management, Inc. have committed to bringing more than 150 liquefied natural gas (LNG) refuse trucks to the region.

Pacific Gas and Electric Company not only promotes these programs and works with transit districts to implement them, it also is committed to changing over its own fleet of vehicles. According to an analysis by *Automotive Fleet* magazine, Pacific Gas and Electric Company ranked number four in fleet size for natural gas vehicles (NGVs) among utilities and energy companies maintaining alternative-fueled fleets in America.

The Utility began its Clean Air Transportation program in 1988 and currently has more than 650 natural gas vehicles in its fleet. In 2002, the company continued to add to its total fleet of alternative-fueled vehicles by adding 13 state-of-the-art vehicles specially designed to operate on CNG to its San Francisco fleet of heavy-duty crew trucks. These trucks represent the single largest deployment of CNG heavy-duty vehicles to the Utility's fleet and bring the number of CNG heavy-duty crew trucks to 29. These vehicles will help to improve air quality in and around some of San Francisco's most environmentally sensitive areas, such as Hunters Point, Potrero Hill and nearby Daly City. Emissions from these trucks are significantly less than emissions from traditional diesel-fueled vehicles – 50 percent reduction in NO_x, 80 percent reduction in particulate matter, and a 90 percent reduction in carbon monoxide (CO).



2002 PERFORMANCE RESULTS

EXPANDING AND PROMOTING THE USE OF RENEWABLE ENERGY RESOURCES

PG&E Corporation supports initiatives at the local, state and federal levels to increase the use and development of renewable resources. These efforts include supporting the San Francisco Solar Bond Initiative and state renewable portfolio standard efforts in California, Connecticut and other states; participating in New Jersey's Renewable Energy Task Force; and working with a coalition of national energy companies to support federal renewable portfolio standards. PG&E Corporation has advocated for standards that take into consideration both the availability of existing resources and ways to promote new resource development, and that work with existing market structures by using market-based approaches to allow entities to meet their renewable portfolio standard requirements.

Currently, 10.6 percent of Pacific Gas and Electric Company's power sales come from renewable resources. In 2002, the state enacted legislation, which the company supported, increasing the percentage of sales that must come from renewable resources to 20 percent within the next 10 to 15 years. The following represents the Utility's purchased energy mix as a percentage of sales:

Energy Sources	2002 Percentage of Sales
Biomass & Waste	4.3%
Geothermal	1.6%
Small Hydro	3.3%
Solar	<0.1%
Wind	1.4%
Total eligible renewable*	10.6%
Total Sales	70,797 GWh

* As defined by California Statute



2002 PERFORMANCE RESULTS

The Utility is also working with its customers to increase the use of small-scale, on-site renewable and environmentally sensitive generation. These efforts include supporting net metering and other initiatives focused on self-generation, participating in regulatory proceedings to facilitate the interconnection of distributed generation resources, and implementing streamlined interconnection procedures. For example, in 2002, Pacific Gas and Electric Company streamlined the implementation of distributed generation interconnection requirements, devoting a new team to interconnection activities that is well staffed and well trained. Other examples of these activities, include:

- Development of a new program in 2001 to provide customers with financial incentives to install renewable energy resources at their own locations. For qualifying projects, Pacific Gas and Electric Company will pay 50 percent of the cost for constructing renewable self-generation and 40 percent of the cost for on-site natural gas fuel cells. In 2002, the program had over 140 active projects and assisted in making the nation's largest on-site photovoltaic installation a reality. Alameda County received a project rebate check of \$1.6 million for the partnership between the Utility and the Santa Rita Jail for the installation of a solar rooftop project, the largest of its kind in the United States. The solar system at the jail can produce 1.18 megawatts of energy – enough to power 1,100 homes. The project covers three acres.
- Support of the San Francisco Solar Bond Initiative, which allowed for \$100 million in bonds to be issued for solar power generation at city-owned buildings. The company also supported a bond initiative to allow San Francisco to issue revenue bonds for renewable power for residents and businesses.
- Working with stakeholders in developing legislative solutions to California's Distributed Generation (DG) issues, including interconnection, metering and funding. The company also worked with regulators to help clarify and simplify DG interconnection requirements and timelines. Pacific Gas and Electric Company also supported legislation to facilitate distributed solar and wind power through the use of "net metering." Efforts also included supporting a bill amendment to allow the City of Davis to benefit from the solar power generated at the PVUSA solar facility and a bill amendment to allow California State University at Fresno to benefit from power generated at a biomass facility in Dinuba, California.

In 2002, NEG continued to operate its two wind-powered projects, one in California and one in New York. These projects avoid substantial emissions, compared with fossil-fuel power plants. For example, in an average year, Madison Wind Power, NEG's 11-megawatt facility in upstate New York, avoids 12,000 tons of CO₂, 65 tons of SO₂ and 19 tons of NO_x emissions per year compared with the average power plant in the state.



2002 PERFORMANCE RESULTS

MINIMIZING WATER CONSUMPTION

At NEG's Scrubgrass Generating facility in Pennsylvania, employees developed and built a raw water storage pond to supply water for the cooling towers rather than pulling water directly from the Allegheny River. This will reduce the plant's wastewater by 20 million gallons per year, cut solid waste by 50 tons annually and reduce chemical use by 1,000 gallons per year.

REPORTING TOXIC RELEASE INVENTORY DATA

U.S. EPA's Toxic Release Inventory (TRI) program requires most manufacturing industries – including power generators as of 1999 – to report total annual releases (in pounds) of TRI-listed substances to land, air and water.

PG&E Corporation's TRI releases decreased from 2001 by approximately 10 percent. PG&E Corporation has no TRI releases in California. Much of the material reported under TRI continues to be captured by pollution control equipment at our coal-fired power plants and is contained in the ash, which is then managed appropriately. For the most part, material in the ash is reported under land releases. Material that is beneficially used, such as ash used for cement, is not included in the land release values.

Because coal often naturally contains high levels of chlorides, large portions of which are converted to hydrochloric acid (HCl) when the coal is burned, the TRI data for power companies can be dominated by HCl emissions. This is true for PG&E Corporation: Of the 6.2 million pounds of TRI releases we reported in 2001, almost half (2.8 million pounds) were HCl emissions to air.



2002 PERFORMANCE RESULTS

WASTE REDUCTION THROUGH RECYCLING AND BENEFICIAL USE

PG&E Corporation maintains comprehensive waste management programs at its facilities, and has done so for many years. All of our businesses separate out tons of paper, cardboard, bottles, cans, wood and metal each year for recycling, and send broken electronic equipment and office furniture to vendors who recycle them.

In 2002, 95 percent of the paper products purchased centrally at the Utility were made of recycled paper and contained a minimum of 20 percent post-consumer content, representing 85 percent of the total expenditures on office paper.

In addition, in 1998 the Utility introduced a program that replaces conventional wood reels with re-useable steel reels for underground cable. This program reduces the number of wood reels sent to landfill, preserving precious wood resources. In 2002, the Utility avoided sending 826 reels to landfills, bringing the total since the onset of this program to 3,249 reels that have not been sent to landfill. Since the inception of the program three years ago, the Utility has diverted 2.4 million pounds of wood from landfills, the equivalent of 1.4 million board feet of wood, or 11,500 trees. For 2003, the Utility will be pilot testing a means of shipping wire entirely without spools and incorporating reusable plastic reels in the field to feed cable.

The Utility was awarded the San Francisco Building Owners and Managers Association and City of San Francisco's Department of the Environment's *Commercial Recycler of the Year* (CoRY) award for large buildings, for the Utility's efforts at its San Francisco Corporate Headquarters building.

Through the P2 program, NEG's facilities are also reducing waste and increasing recycling. Efforts to reduce the overall environmental footprint of facilities have resulted in the establishment of new recycling programs at nine facilities in 2002. These programs address efforts to recycle everything from paper and cans to coal ash. Most notably, our Indiantown Generating Plant became the first in the country to manage a spent catalyst from SCR pollution control equipment. Instead of sending the waste to a landfill, Indiantown chose to pursue an extensive effort to identify a way to recycle this material. They were successful, and 130 tons of spent catalyst was regenerated in 2002, establishing a waste management process that other companies will be able to follow when they generate this waste stream.

NEG has an aggressive coal ash recycling and beneficial use program, as well. Seventy-three percent of the coal ash produced at our NEG coal-fired power plants was beneficially used in 2002, compared with 69 percent in 2001. We continue to far outperform the national average for the beneficial use of coal ash, which is approximately 32 percent.



2002 PERFORMANCE RESULTS

During 2002, NEG explored and evaluated additional ways to beneficially use coal ash from our facilities, including as a feedstock in the production of cement and asphalt, as flowable fill (i.e., ash that is mixed with water and lime) and to stabilize sludge from air pollution control systems. Additionally, in 2002 NEG's Salem Harbor plant began shipping its coal ash to NEG's Northampton facility, enabling reuse of the ash for energy production, thereby eliminating many tons from landfills.

Also in 2002, NEG continued to use ash to reclaim waste coal sites in Pennsylvania, which are associated with acid mine drainage problems in this region. The Northampton and Scrubgrass power plants remove and use waste coal from abandoned mine lands and then return the alkaline ash back to the fuel sites to help neutralize the historic acidic contamination. In doing so, the Northampton and Scrubgrass plants remove and reclaim unsightly waste coal piles that have long impacted Pennsylvania's environment. This environmental benefit is enhanced when the coal ash resulting from the combustion process is beneficially reused to reclaim active and abandoned mine sites, returning the land to productive use and eliminating sources of acid mine drainage. These reclamation efforts have been an ongoing part of operations at the plants since the mid-1990s. To date, we have reclaimed approximately 940 acres of abandoned mine lands at an estimated savings of more than \$19 million to the Commonwealth of Pennsylvania. Twenty-seven mine sites have been or are in the process of being environmentally improved.



CoRY Award Recipient

In 2002, 70 percent of the total waste stream at the Utility's Headquarters building was recycled, including 331,295 pounds of high-grade paper, 249,810 pounds of mixed paper, 109,120 pounds of cardboard, and 16,675 pounds of bottles and cans. For 2003, the goal is to increase our recycling percentage from 70 to 75 percent of total waste, and to include our retail tenants in the program.



2002 PERFORMANCE RESULTS

ENVIRONMENTAL LITIGATION AND LIABILITIES

Legal disputes are an inevitable aspect of any large company's business. PG&E Corporation is no exception. Our 2002 Annual Report, available on our website at www.pgecorp.com, includes a full discussion of the environmental litigation involving PG&E Corporation or its businesses.

The 2002 Annual Report also includes a discussion of potential liabilities associated with hazardous waste remediation at some former Utility operations sites, including manufactured gas plants that were removed from service, as well as fossil-fuel and geothermal power plants that Pacific Gas and Electric Company no longer owns or operates.



STEWARDSHIP AND OUTREACH

PG&E Corporation's facilities and operations encompass vast lands and waterways that are home to wildlife and other valuable natural resources. We are also neighbors in thousands of communities throughout the country. Our businesses maintain extensive programs and initiatives designed to ensure responsible stewardship of these resources, and to build and foster strong relationships with members of our communities. We have been recognized by federal, state and local organizations and agencies for our efforts and continue to strive to surpass past results.



Outstanding Stewardship of American Rivers Award

Pacific Gas and Electric Company was selected to receive two *Outstanding Stewardship of American Rivers* awards from the National Hydropower Association. The awards recognize the Utility for embracing the collaborative approach in the license settlements for Mokelumne and Rock Creek-Cresta licenses and the resulting enhancements to their watersheds.

CONTRIBUTING TO OUR COMMUNITIES

PG&E Corporation is an active contributor to the communities in which we operate. Many of these contributions bring together our commitment to environmental excellence with our commitment to help make our communities great places to live and work.

Financial Support for Local Organizations and Projects

In 2002, through the PG&E Corporation Foundation and the charitable contributions programs of PG&E Corporation and Pacific Gas and Electric Company, we provided over \$335,000 in grants and direct donations to various environmental non-profit groups, including The American Lung Association, the Elkhorn Slough Foundation, the Save the San Francisco Bay Association, the California Parks Foundation and the Trust for Public Land.



STEWARDSHIP AND OUTREACH

Employee Volunteer Initiatives

Pacific Gas and Electric Company established the Volunteer Stewardship Program in 2001. Through this program, in 2002 more than 500 employees volunteered more than 2,400 hours on 16 different projects throughout the Utility's service area. A program highlight included a task force of 70 Utility employees working with San Francisco's Department of Public Works "Clean Team" to clean up trash, graffiti and weeds in San Francisco's Bayview Hunters Point district. On another occasion, employees teamed with Save the Bay and East Bay Regional Park District to restore creek and wetland habitat at Arrowhead Marsh, a stretch of Martin Luther King, Jr. shoreline near Oakland Airport. And, on Earth Day, employees of Pacific Gas and Electric Company assisted in restoration and clean-up efforts at nine parks.

Employees at many of our NEG facilities also volunteer their time, labor and expertise in support of various environmental projects, ranging from planting trees to remarking hiking trails. As one example, in 2002 Lake Road Generating Plant employees in Connecticut worked with the Groton Public School District and the Connecticut Department of Environmental Protection to site and establish an Eastern Bluebird Population. In addition, on Earth Day, NEG employees from the headquarters office in Bethesda, Maryland, planted trees in Layhill Park, which will improve the health of the Northwest Branch watershed of the Anacostia River.



STEWARDSHIP AND OUTREACH

LAND USE, PRESERVATION AND BIODIVERSITY

From California to New England, PG&E Corporation and its businesses actively identify and protect valuable natural resources for future generations. In California, for example, habitat and species protection issues are becoming increasingly challenging, as more and more species become threatened or endangered. To meet these challenges, Pacific Gas and Electric Company instituted a comprehensive education and training program to inform our employees about endangered species and critical habitat and to provide them with the necessary tools to address these issues. In 2002, Pacific Gas and Electric Company trained 6,525 employees as part of this program, as well as another 1,340 employees as part of its new Migratory Bird Protection Program. PG&E Corporation also undertook a number of habitat restoration and conservation projects, not only in California, but across the communities in which we operate.

Protecting and Enhancing Land and Wildlife Resources

Pacific Gas and Electric Company continues to work with state and local interests to protect and enhance ecosystems and pristine lands. One example is the sale of 1,575 acres of grasslands in Solano County, California, to the Solana Land Trust, in partnership with the California cities of Benicia, Fairfield, Vallejo and Solano County. The pristine property, known as the King Ranch, will be permanently preserved as open space. The property, which is primarily grassland, also contains habitats such as oak woodlands, wetlands and riparian areas and is home to the endangered California red-legged frog, Swainson's hawk and several plant species.

Pacific Gas and Electric Company also donated surplus natural gas pipe plus the costs of transporting that pipe to Ducks Unlimited. The clean pipe will be used in water delivery systems for wetland habitat conservation and enhancement at Gray Lodge Wildlife Area in Gridley, California, and the Stillwater National Wildlife Refuge, located near Fallon, Nevada.

PG&E continues to partner with Ducks Unlimited through additional donations of recycled clean natural gas pipeline in support of ongoing efforts to enhance and preserve critical waterfowl habitat along the Pacific Flyway. For its efforts, PG&E received Ducks Unlimited's Silver Teal Award in 2002.

NEG owns and operates two extensive hydroelectric systems on the Deerfield and Connecticut Rivers in New England. These systems include thousands of acres of pristine lands and wildlife habitat in Massachusetts, Vermont and New Hampshire. Protecting and enhancing these resources is an ongoing responsibility and a major focus of NEG's New England operations. For example, in addition to almost 18,000 acres of land previously placed into perpetual conservation easement on the Deerfield River, NEG is in the process of negotiating conservation easements on approximately 13,000 acres of land associated with the Fifteen Mile Falls Project. These negotiations are expected to be completed in 2003.



STEWARDSHIP AND OUTREACH

In 2002, on the Connecticut River, NEG also launched a five-year project to create a protective natural buffer between agricultural lands and the river by planting another 3,000 trees along the riverbank. Over 17 acres were planted in a riverfront buffer approximately one mile long. For these efforts, NEG received a Cooperator-of-the-Year award from the Sullivan County (New Hampshire) Conservation District which constituted the two largest riparian buffer projects in the state of New Hampshire. Finally, the hydroelectric operations group is also developing a Global Information System-based program to help manage the wildlife, fisheries, timber, recreation and other resources associated with the Deerfield River and other lands.

Restoring Wildlife Habitats

One multi-faceted project that came together in 2002 is the Utility's efforts to restore and preserve the valley elderberry longhorn beetle. This project was unique in that the program was developed cooperatively with federal agencies responsible for endangered species management. Pacific Gas and Electric Company's extensive tree trimming program, which is necessary to maintain adequate clearance between vegetation and power lines, affects elderberry plants, where the beetles reside. Without proper consideration, the beetle population could be negatively impacted. Working with the U.S. Fish and Wildlife Service, the Forest Service and the Bureau of Land Management, the Utility developed a proactive conservation and restoration program that will enable it to meet its tree trimming requirements and comply with the Endangered Species Act.

Protecting Birds from Power Lines Injuries

During 2001, Pacific Gas and Electric Company worked to develop systems that will improve the safety of its structures with respect to birds. In 2002, a revised engineering standard for electric lines and poles was implemented. In addition, the Utility launched a five-year Migratory Bird Protection Program. In 2002, we retrofitted 1,930 poles with Bird Protection Devices. The goal for 2003 is to retrofit an additional 2,000 poles.

Also in 2002, the Utility signed an agreement with the California Energy Commission and the Consumnes River Preserve to study ways to reduce avian collisions with power lines during fog by developing avian flight diverters. The result of this three-year study will be a management plan focused on reducing collisions of the Sandhill crane.



STEWARDSHIP AND OUTREACH

Promoting Sustainable Agriculture

In 2001, we reported our sustainable agricultural commitment along NEG's hydro system watersheds. This program requires farmers who lease company land to transition to organic farming practices over three years. This transition will enhance the riparian ecosystem along our hydrosystem by eliminating the use of pesticides and herbicides and by promoting sustainable agricultural practices, thus reducing the potential run-off into the water. The program began in earnest in 2002, with the transition of over 600 acres to organic farming. The program is expected to run until 2005, by which time all agricultural lands associated with NEG's hydroelectric facilities will be eligible for organic certification.



Working With Communities To Preserve Habitats

As part of our community outreach efforts, PG&E provides services to localities that, although not directly related to the provision of energy, help to promote both a sense of community and a better environment.

Last spring, in Lakeport, California, a pair of ospreys returned to nest and found the tree they had nested in for the past four seasons toppled during a winter storm. The Redbud Audubon Society began a fundraising drive to erect an osprey nesting pole. A Pacific Gas and Electric Company crew worked with the Redbud Audubon Society to install the pole, donating employee time and equipment. The birds moved into their new home the same day the pole was installed, successfully rearing young again in 2002.



STEWARDSHIP AND OUTREACH

PROMOTING ENVIRONMENTAL EDUCATION IN OUR COMMUNITIES

PG&E Corporation is committed to helping others, especially young people, learn about the environment and ways to promote stewardship and conservation.

National Environmental Education Grants Program

The National Environmental Education Grants Program allows PG&E Corporation to help teachers make possible environmental educational opportunities that would otherwise have no funding. Since its inception, the program has provided nearly half a million dollars in grants to support educators and conservation groups with innovative ideas for educating young people about the environment.

PG&E Corporation distributed approximately \$97,000 in 2002 throughout the states and communities in which we do business. The 11 grants awarded support environmental awareness and innovation among 15,000 young people in nine states.

Educating Students and Schools About Energy Efficiency

In California, last year Pacific Gas and Electric Company operated programs that combined expertise in energy efficiency with a commitment to environmental education. These programs aim to improve the design and energy efficiency of school buildings, as well as educate students and their parents about energy efficiency.

Pacific Gas and Electric Company's Energenius Educational Series provides complete curricula focusing on energy efficiency and gas and electric safety education for grades one through eight. An average of 30,000 students participate in the Energenius Program each year. The program is free to all schools in the Utility's service area. Each series comes with a teacher curriculum guide and activities for each student. The program targets teachers, students and parents (through homework assignments) and facilitates outreach to hard-to-reach customers through the student-parent interaction.

In 2002, the Pacific Gas and Electric Company developed an Online Resource for Educators brochure and delivered almost 33,000 student kits ordered by educators. To support this expanded outreach effort, a multi-lingual package for teachers was developed.



More Grants Supporting Environmental Education

Our environmental education grants program once again accepted applications from all across the country from innovative and effective programs that help foster environmental awareness and protection efforts.

In 2002, 11 grants were awarded nationwide totaling approximately \$97,000. The grants support environmental awareness and innovation among 15,000 young people in nine states. Examples of grant award recipients follow.

- **Coastline Environmental Trail Restoration, McKinleyville, California**
Approximately 2,000 students, ages five – 18, will work to replace and restore non-native, invasive flora with native species along a 1.25-mile section of the Pacific Northwest Coastline. Students will participate in all aspects of the study, design and implementation of the project.
- **Waste Management Program, Simi Valley, California**
More than 600 elementary school students will implement a waste management program, in which they analyze and collect data from the school's cafeteria trash output to determine how much of the waste can be recycled through the use of worms.
- **Ecological Heritage and Restoration, Texas**
Students Engaged in Restoring Vital Environments (Project S.E.R.V.E.) will educate students in environmental stewardship, ecology and ecological restoration by constructing an ecologically correct outdoor classroom. About 750 students from K-12 will benefit from this outdoor classroom.
- **Environmental Monitoring, Portland, Oregon**
Through the Environmental Monitoring project, high school students will develop the skills to design and implement controlled outdoor field experiments involving water, chemistry, environmental studies, biology and ecology. Students will also undertake an environmental monitoring project with the City of Portland Bureau of Environmental Services to study the natural environment of a restored site adjacent to a local water source.
- **Coral Reef Propagation, LaGrangeville, New York**
High school students will develop methods for growing and propagating coral reef organisms, such as coral, fish and algae in the classroom to study threatened organisms and habitats. More than 500 students will have the opportunity to participate in the program, where they will also be taught to assess previous research, develop their own experiments and interpret results.



STEWARDSHIP AND OUTREACH

WORKING WITH OUR COMMUNITIES AND STAKEHOLDERS

Everywhere we operate, PG&E Corporation works to build relationships and maintain a dialogue with our neighbors. Doing so is a fundamental part of our culture and our corporate values.

As an energy company, we recognize that some of our neighbors may have questions or concerns about the environmental aspects of our operations. At times, issues surrounding our operations can become controversial or contentious. We respect their concerns, and we make it a priority to listen, share information and respond as best we can. Most often, that process leads to a solution. Even when it doesn't, we continue to look for opportunities to find common ground with those stakeholders on other issues.

Good Neighbor Efforts

PG&E Corporation was one of the first U.S. companies to adopt formally an Environmental Justice policy to assure stakeholders that we will conduct our operations in a manner that is consistent with community concerns and promotes cooperation and involvement. Examples of putting our policy into action include:

- **Martin Service Center.** In 2002, the Utility responded to concerns from the community regarding noise, odors and aesthetics at Martin Service Center in Daly City, California, by creating a buffer between neighboring residents by moving dumpsters, light generators and frequently operated vehicles away from residences. In addition the Utility installed a much more aesthetically pleasing fence adjacent to our neighbors.
- **Hunters Point Power Plant.** Pacific Gas and Electric Company has a long history of community outreach in San Francisco's Bayview Hunters Point neighborhood. With the pending closure and decommissioning of the Hunters Point Power Plant, the company is embarking upon an even more extensive outreach effort.

Today, the company is removing unused fuel tanks; helping the community to develop a community notification and education plan; installing a new pedestrian bridge and park benches; and creating job opportunities for people in Bayview Hunters Point.

Relicensing of Hydroelectric Facilities

NEG received a new operating license from Federal Energy Regulatory Commission (FERC) for its Fifteen Mile Falls Project on the Connecticut River. The license reflects a multi-party settlement agreement that provided enhancement and mitigation provisions in the new license. As a result, NEG began new operating flows, an Enhancement Fund, a study of fishery quality issues and other initiatives as outlined in the settlement agreement.



STEWARDSHIP AND OUTREACH

Siting New Pipelines

In 2002, Pacific Gas and Electric Company completed a 15-mile gas pipeline expansion in Northeastern California, working under an Environmental Impact Report and Mitigation Plan. As part of this plan, thorough biological monitoring took place prior to construction, wetland disturbance was minimized and wetland restoration occurred prior to completion. For example, 1.8 acres of temporary wetland disturbance was successfully mitigated through the use of silt fencing, temporary flumes (to keep water flowing, while trenching occurred) and timber mats for equipment crossings. After construction, all wetlands and water bodies were fully restored (including planting of native riparian vegetation) and steps were taken to enhance the re-growth process.

After construction, the U.S. Bureau of Land Management (BLM), the California Department of Fish and Game (CDF&G), the California Public Utilities Commission (CPUC), and the Regional Quality Water Control Board (RWQCB) reviewed the Utility's performance and gave an overall average rating of nine out of 10, with some representatives calling the project the best restoration effort they had seen.

Addressing Thermal Water Releases at Brayton Point Power Plant

NEG is in the process of renewing the federal permit governing thermal releases of cooling water into Mount Hope Bay at our Brayton Point power plant in Massachusetts. Regulators and some members of the public have raised concerns about declines in the population of winter flounder in waters across the Northeast, including the Narragansett and Mount Hope Bays. Thermal releases from Brayton Point's cooling towers have been cited as one of a number of possible contributors to the decline, among others, such as over-fishing. NEG has worked for a number of years with the U.S. EPA, the Massachusetts DEP, the Rhode Island Department of Environmental Management (DEM) and other stakeholders to review and address this issue. NEG has invested \$8 million in research since 1996, most of which has gone to fund research studies of the issue. These studies and other evidence increasingly suggest Brayton Point is not the primary factor leading to the decline in flounder populations.

Despite this evidence, U.S. EPA Region 1 issued a draft Clean Water Act permit renewal in July 2002 that would require virtually complete closed-cycle cooling at the plant, at a cost of nearly \$250 million. The company responded with extensive comment from scientific and economic experts that the permit terms are not justified, are inconsistent with other U.S. EPA decisions and practices, and would do very little to bring back the winter flounder population in Mount Hope Bay. As an alternative, the company continues to propose a \$58 million plan to reduce thermal releases from the cooling system by more than 30 percent. This plan would reduce the plant's water intake and thermal releases to 1970 levels, when winter flounder populations appear to have been stable.



STEWARDSHIP AND OUTREACH

Since U.S. EPA issued its draft permit, analyses have been released by U.S. EPA headquarters and the Deputy Chief of Marine Fisheries at the Rhode Island Division of Fish and Wildlife. These analyses dramatically lower the estimated impact that Brayton Point Station has on Mount Hope Bay's winter flounder population and modify the methodology used to determine the costs and benefits associated with various retrofit technologies. A final decision on the permit is expected sometime in 2003.



STEWARDSHIP AND OUTREACH

WORKING WITH ENVIRONMENTAL AND CONSERVATION GROUPS

PG&E Corporation is an active member of the following organizations dedicated to environmental conservation and protection.

- **American Rivers: Low Impact Hydropower Certification Program** Developed by American Rivers, the program aims to create an accepted hydropower evaluation standard for consumer use. www.lowimpacthydro.org
- **Audubon Society of New Hampshire** A statewide nonprofit organization that works to conserve wildlife and habitats throughout the state. www.nh Audubon.org
- **Connecticut River American Heritage** A project focused on the restoration and stabilization of the Connecticut River, including public education and outreach. www.ctriver.org
- **The Nature Conservancy** The world's largest, private, international conservation group protecting lands and waters. www.nature.org
- **Sierra Business Council** A nonprofit association of more than 500 businesses, agencies and individuals working to secure the economic and environmental health of the Sierra Nevada region for this and future generations. www.sbcouncil.org
- **Audubon California** With a mission to conserve and restore California's natural ecosystems, focusing on birds, other wildlife and their habitats for the benefit of humanity and the earth's biological diversity. www.audubon-ca.org
- **Save SF Bay Association** Seeks to preserve, restore and protect the San Francisco Bay and Sacramento/San Joaquin Delta Estuary as a healthy and biologically diverse ecosystem essential to the well-being of the human and natural communities it sustains. www.savesfbay.org
- **Sustainable Conservation** A non-profit organization dedicated to finding new solutions to environmental problems by employing incentives and capabilities of the private sector. www.suscon.org
- **California Environmental Dialogue** CED's mission is to engage California business, government and environmental leaders collaboratively to improve public and private environmental policy. www.cedlink.org
- **S.F. Bay Joint Venture** A partnership of public agencies, environmental organizations, the business community, local governments, the agricultural community and landowners working cooperatively to protect, restore, increase and enhance wetlands and riparian habitat in the San Francisco Bay and adjoining watersheds. www.sfbayjv.org
- **National Environmental Justice Advisory Council** A federal advisory committee established in 1993 to provide independent advice, consultation and recommendations to the administrator of the U.S. EPA on environmental justice matters. PG&E is an appointed member. es.epa.gov/oeca/main/ej/nejac
- **National Environmental Policy Commission** Identifies environmental issues and policy alternatives for consideration by policymakers. PG&E is an appointed member. www.ebp.musc.edu/policy/np/nepc.html
- **California Environmental Protection Agency Advisory Committee on Environmental Justice** A group created to assist the California EPA Interagency Working Group with implementing an environmental justice agenda. PG&E is an appointed member. www.calepa.ca.gov/EnvJustice



STEWARDSHIP AND OUTREACH

WORKING WITH OTHERS IN THE BUSINESS COMMUNITY

PG&E Corporation is an active member of numerous business organizations that work to address various environmental challenges, from promoting clean technologies to developing and advocating sound environmental policies. Below is a list of many of these organizations:

- **Alliance to Save Energy** The Alliance to Save Energy promotes energy efficiency worldwide to achieve a healthier economy, a cleaner environment and energy security. Approximately 70 corporations and business trade associations work together through the Alliance to promote greater investment in cost-effective energy efficiency. www.ase.org
- **American Gas Association** A membership organization that is a clearinghouse for gas industry information and a catalyst in technical and energy policy matters. www.aga.org
- **California Council for Environmental and Economic Balance** A coalition of California business, labor and public policy leaders who work together to advance collaborative strategies for a sound economy and a healthy environment. www.cceeb.org
- **California Natural Gas Vehicle Coalition** California is the nation's leading user of natural gas vehicles, and the California Natural Gas Vehicle Coalition is devoted to ensuring that the state continues to set the pace in adopting this clean-burning transportation technology. www.cngvc.org
- **Clean Air Products** A California corporation developing, marketing and supporting advanced technology for gaseous fueled engines. www.cleanairproducts.com
- **Clean Energy Group (CEG)** A coalition of national energy companies dedicated to promoting environmentally progressive policies at the national and regional level. The CEG is actively engaged at the federal level in promoting national, mandatory standards for reducing emissions of NO_x, SO₂, mercury and CO₂. The CEG is also actively participating in the U.S. EPA's Mercury FACA process, which will result in regulations imposing mercury reduction standards on the electric power sector.
- **Electric Power Suppliers Association** An organization advocating domestic and international policies that will result in a fully competitive electric power supply marketplace. www.epsa.org
- **National Hydropower Association** A non-profit national association that seeks to secure hydropower's place as an emissions-free, renewable and reliable energy source that serves national environmental and energy policy objectives. www.hydro.org
- **Natural Gas Vehicle Coalition (NGVC)** A national organization dedicated to the development of a growing, sustainable and profitable natural gas vehicle market; represents more than 180 natural gas companies, engine, vehicle and equipment manufacturers and service providers, as well as environmental groups and government organizations. www.ngvc.org
- **PEW Center on Global Climate Change: Business Environmental Leadership Council** A group of leading companies worldwide responding to the challenges posed by climate change. www.pewclimate.org/belc
- **Utility Solid Waste Activities Group** An informal consortium addressing solid and hazardous waste issues on behalf of the utility industry. www.uswag.org



2000-2002 PERFORMANCE SUMMARY

ENERGY PRODUCTION AND DELIVERY				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Electricity generated (total gigawatt-hours)	70,558	61,471	66,641	-5.55%
Fossil fuel plants (total gigawatt-hours)	36,542	33,281	38,986	6.69%
Other plants (total gigawatt-hours)	34,015	28,190	27,655	-18.70%
Natural gas throughput NEG (MDth)	966,653	963,126	915,772	-5.26%
Natural gas throughput Utility (MDth)*	975,214	1,014,313	965,816	-0.96%
Total Natural gas throughput (MDth)*	1,941,867	1,977,439	1,881,588	-3.10%

* Values for 2000 and 2001 modified from 2001 *Environmental Annual Report* to account for revisions to throughput estimates for the Utility.



2000-2002 PERFORMANCE SUMMARY

EMISSIONS STATISTICS				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Total NO_x emissions (tons)	31,052	27,937	25,692	-17.26%
NO_x emissions rate (pounds/megawatt-hour)				
• All plants	0.90	0.90	0.771	-14.33%
• Fossil fuel plants	1.70	1.70	1.32	-22.35%
Total SO₂ emissions (tons)	72,496	67,050	61,805	-14.75%
SO₂ emissions rate (pounds/megawatt-hour)				
• All plants	2.1	2.2	1.9	-9.52%
• Fossil fuel plants	4.0	4.0	3.17	-20.75%
Total CO₂ emissions (million tons)	27.5	25.7	28.33	3.02%
CO₂ emissions rate for all plants (pounds/megawatt-hour generated)	780	835	850	8.97%
CO₂ emissions rate for fossil fuel facilities (pounds/megawatt-hour generated)	1,506	1,542	1,454	-3.45%
Total greenhouse gas emissions avoided (tons of CO₂ equivalent or TCE)*	9,169,192	10,531,737	9,419,341	2.73%
• CO ₂ emissions avoided (TCE)	5,033,173	5,419,335	3,930,835	-21.90%
• Methane emissions avoided (TCE)	4,456,043	4,987,596	5,263,320	18.12%
• SF ₆ emissions avoided (TCE)	67,458	124,806	225,181	233.81%
Total SF₆ emissions (pounds)	18,942	14,719	10,061	-46.89%
Total SF₆ emissions (TCE)	226,357	175,892	120,229	-46.89%
Emissions avoided through Customer Energy Efficiency Programs (electric)*				
• CO ₂ emissions avoided (tons)	2,479,618	2,933,373	2,797,710	12.83%
• NO _x emissions avoided (tons)	1,298	1,536	1,465	12.87%
• SO _x emissions avoided (tons)	794	939	895	12.72%

* Emissions avoided numbers revised from 2001 *Environmental Annual Report* for 2000 and 2001 to account for changes in calculations of energy efficiency savings (see "Improving Energy Efficiency for Our Company and Our Customers" section for fuller explanation), as well as revised data for reductions achieved through our participation in US EPA's Natural Gas Star Partnership.



2000-2002 PERFORMANCE SUMMARY

CUSTOMER ENERGY EFFICIENCY SAVINGS				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Energy Savings Achieved Through Customer Energy Efficiency Programs				
• Kilowatts (peak)	100	283	74	-26%
• Megawatt-Hours (total)*	4,313	5,102	4,866	12.82%
• Thousand Therms (Natural Gas)*	214,924	183,658	159,431	-25.82%

* Values for 2000 and 2001 revised from 2001 Environmental Annual Report to account for changes in methodology for calculating savings from energy efficiency programs and measures. (See "Improving Energy Efficiency for Our Company and Our Customers" section.)

CLEAN AIR TRANSPORTATION				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Millions of therms of natural gas used or sold in customer vehicles	9.72	10.47	13.1	34.77%
Millions equivalent gallons of gasoline displaced by customer natural gas vehicles (mmgal)	8.84	9.52	11.36	28.51%
Millions of kilowatt-hours used or sold for customer vehicles	2.36	1.45	3.42	44.92%
Millions equivalent gallons of gasoline displaced by customer electric vehicles (mmgal)	0.34	0.21	0.495	45.59%



2000-2002 PERFORMANCE SUMMARY

ENERGY CONSUMPTION AND FUEL USE				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Electricity consumption (megawatt-hours)	1,968,452**	2,056,010**	2,173,702	10.43%
Natural gas use for electricity generation (million cubic feet)	77,606,542	71,155,905	112,625,768	45.12%
Fuel oil use (gallons)	131,082,682	160,168,927	68,559,050	-47.70%
Coal use (tons)	6,785,588	6,700,242	6,796,897	0.17%
Waste coal use (tons)	1,343,842	1,189,945	1,225,000	-8.84%
Propane use (gallons)	399,985	334,625	599,983	50.00%

* Values for electricity consumption corrected from 2001 Environmental Annual Report.

** Aggregate energy consumption data for PG&E Corporation. Values included in the aggregate number presented above for the Utility are limited to consumption data for 88 non-production facilities, including headquarters buildings. Values included in the aggregate number presented above for PG&E NEG include electricity used at generating facilities only.

COMPLIANCE DATA				
INDICATOR	2000	2001	2002	% Change 2000 – 2002
Notices of Violation (NOVs)	6	16	20	233.33%
Releases/Exceedances	405	427	490	20.99%
Rate of NOVs (per 100 inspections)	1.37	3.07	3.42	149.64%
Penalties Paid	\$4,925	\$8,975	\$6,689	35.8%



2000-2002 PERFORMANCE SUMMARY

HAZARDOUS AND NONHAZARDOUS WASTE				
INDICATOR	2000	2001	2002	% Change 2001 – 2002 or 2000 – 2002
TRI releases (pounds)*	6,894,645**	6,171,120	Not available	
Kilograms of PCB Waste > 50 ppm PCB	Not available			
• Incineration		326,611	333,272	2.04%
• Metal Salvage		94,034	33,188	-64.71%
• Landfill		161,574	1,453,857***	799.81%
Total		582,219	1,820,317	212.65%
Kilograms of PCB Waste < 50 ppm PCB	Not available			
• Incineration		396,423	343,598	-13.33%
• Metal Salvage		1,146	29,170	2445.38%
• Landfill		81,940	49,029,339****	59,735.66%
Total		479,509	49,402,107	10,202.64%
RCRA Hazardous waste generated (tons)	348	986	183	-47.41%
• Recycled (tons)	117	186	51	-56.41%
• % Recycled	34%	19%	28%	
Ash generated (tons)	1,780,726	1,847,119	2,017,517	13.30%
Percentage of ash utilized	82%	69%	73%	
Universal waste generated (pounds)	15,760	222,024	136,880	768.53%*****
• Recycled (pounds)	15,700	219,235	136,880	771.85%
• % Recycled	100%	99%	100%	

* TRI release data are for PG&E NEG only. There are no TRI releases associated with Utility operations.

** Values for 2000 TRI release data corrected from 2001 *Environmental Annual Report*.

*** 77.3% of the increase in PCB waste less than 50 parts per million is due to one-time events in 2002, as follows: 53% is from the Decoto pipeyard clean-up; 13.3% is from a one-time disposal of electric transformer bushings; 11% is from large spills including PCB materials.

**** 99.8% of this total is from one major clean up project at the Decoto pipeyard in Union City California. Total without the one-time cleanup is 98,059 Kg.

***** In March, 2001, an expanded definition of "universal waste" went into effect in the California. Due to this broader definition of "universal waste," more of PG&E's waste that was formerly regulated as "California hazardous waste" is now regulated as "universal waste." This regulatory change accounts for the large percent increase in "universal waste" between 2000 and 2002.



AWARDS IN 2002

PG&E Corporation earned a number of awards in 2002 for our continued efforts to deliver outstanding environmental and safety performance at all levels of our organization. Here are some examples we're proud to share.

- Pacific Gas and Electric Company was awarded the **U.S. EPA Climate Protection Award**. This prestigious award recognizes individuals, companies and associations that have demonstrated outstanding leadership, personal dedication and technical achievements in reducing greenhouse gas emissions and protecting the climate.
- For the eighth straight year, the National Arbor Day Foundation's **Tree Line USA Award** honored Pacific Gas and Electric Company for our public education programs, arboreal worker training, tree trimming practices and stewardship of urban forests.
- City of San Francisco and Building Owners and Managers Association of San Francisco's **Golden Dumpster Award** for recycling and waste minimization efforts at Pacific Gas and Electric Company's headquarters buildings. The Utility received the award for recycling 70% of its office waste.
- For the second year in a row, Pacific Gas and Electric Company received the City of Davis **Partner for a Cleaner Davis Award** for the operation of the Utility's 37-acre Davis fleet repair facility. The award recognizes local businesses and government agencies making significant contributions to the quality of the local environment through their daily operations.
- Lake County, California, presented Pacific Gas and Electric Company's Technical and Ecological Services Department with a **Clean Air Achievement Award** for 20 years of the Geysers Air Monitoring Program and 13 years of Clean Air Attainment.
- Pacific Gas and Electric Company received the **Silver Teal Award** from Ducks Unlimited for a donation of gas pipe for use in habitat restoration in Nevada's Lahontan Valley and California's Gray Lodge Wildlife Refuge.
- Logan Generating Plant received the **2002 Corporate Environmental Stewardship Award** from the Partnership for the Delaware Estuary in recognition of efforts in restoring wetland and upland habitat along the Delaware River.
- For the sixth straight year, NEG's Manchester Street Station in Rhode Island received an **Environmental Merit Award** from the Narragansett Bay Commission (NBC) for perfect compliance in meeting NBC's stringent discharge requirements.



Leadership in Energy Efficiency

Pacific Gas and Electric Company has a 25-year history of success in developing and implementing energy efficiency programs in partnership with our residential, commercial, industrial and agricultural customers. In 2002, these programs helped to save customers \$56 million in energy costs. Some of the awards and recognition received by the company in 2002 for these efforts include:

Energy Star Award for Energy Efficiency Excellence for Energy Star. Pacific Gas and Electric Company, along with the state's other investor-owned utilities, received this award for its work in developing and implementing the Statewide Residential Single Family Incentive Program.

The **American Council for an Energy-Efficient Economy** selected four of the company's energy efficiency programs to be profiled as **Exemplary Energy Efficiency Programs**:

- Nonresidential Standard Performance Contract Program
- Nonresidential Express Efficiency Program
- Nonresidential Light Emitting Diode Traffic Signal Program
- Residential Lighting Instant Discount Program

Pacific Gas and Electric Company, along with the state's two other investor-owned utilities, received the **Energy Star Award for Partner of the Year for New Homes** in recognition of the successful development and implementation of the 2002 Statewide California Energy Star New Homes Program.