

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

(in millions, except per share amounts)	Three months ended December 31,		Twelve months ended December 31,	
	2002	2001	2002	2001
Operating Revenues (a)				
Pacific Gas and Electric Company	\$ 2,398	\$ 2,654	\$ 10,514	\$ 10,462
Integrated Energy and Marketing	531	330	1,855	1,680
Interstate Pipeline Operations	78	60	253	246
Eliminations and Other	(19)	(2)	(33)	(6)
Subtotal NEG	590	388	2,075	1,920
Other Enterprises and eliminations	(20)	(25)	(94)	(172)
Total operating revenues	2,968	3,017	12,495	12,210
Operating Expenses (a)				
Cost of energy - Pacific Gas and Electric Company	910	609	2,436	4,606
Cost of energy - National Energy Group	470	281	1,323	1,047
Operating expenses including depreciation	1,080	1,012	4,682	3,869
Impairments, write-offs, and other charges	2,377	-	2,767	-
Reorganization items	80	64	155	97
Total operating expenses	4,917	1,966	11,363	9,619
Operating Income	(1,949)	1,051	1,132	2,591
Interest expense, net and other	(276)	(285)	(1,232)	(1,073)
Income (Loss) Before Income Taxes	(2,225)	766	(100)	1,518
Income taxes provision (benefit)	(808)	260	(43)	535
Income (Loss) From Continuing Operations	(1,417)	506	(57)	983
Discontinued Operations				
Earnings from operations of USGenNE, Mountain View, and ET Canada (net of income tax of \$2 million in 2002, \$73 million in 2001, and \$75 million in 2000)	(5)	14	11	107
Loss on disposal of USGenNE and ET Canada (net of income tax of \$381 million)	(767)	-	(767)	-
Net Income (Loss) before cumulative effect of a change in accounting principle	(2,189)	520	(813)	1,090
Cumulative effect of a change in an accounting principle (net of applicable income taxes of \$42 million in 2002 and \$6 million in 2001)	-	9	(61)	9
Net Income (Loss)	(2,189)	529	(874)	1,099
Weighted Average Common Shares Outstanding, Diluted	381	366	371	364
Earnings (Loss) Per Common Share, Basic	\$ (5.75)	\$ 1.46	\$ (2.36)	\$ 3.03
Earnings (Loss) Per Common Share, Diluted	\$ (5.75)	\$ 1.45	\$ (2.36)	\$ 3.02
Earnings (Loss)				
Utility				
Pacific Gas and Electric Company	\$ 204	\$ 344	\$ 797	\$ 914
National Energy Group				
Integrated Energy and Marketing	(62)	(29)	(52)	30
Interstate Pipeline Operations	23	19	79	76
Eliminations and Other	8	3	(29)	(4)
Discontinued Operations	(5)	14	15	107
Subtotal - National Energy Group	(36)	7	13	209
Other Enterprises	16	(6)	54	(24)
Earnings from Operations excluding headroom ^(b)	184	345	864	1,099
Headroom	133	-	1,051	-
Earnings from Operations including headroom ^(b)	317	345	1,915	1,099

Items impacting comparability ^(c)	<u>(2,506)</u>	<u>184</u>	<u>(2,789)</u>	<u>-</u>
Reported Earnings (Loss)	<u>\$ (2,189)</u>	<u>\$ 529</u>	<u>\$ (874)</u>	<u>\$ 1,099</u>
Earnings (Loss) per Share (Diluted)				
Utility				
Pacific Gas and Electric Company	\$ 0.54	\$ 0.94	\$ 2.15	\$ 2.51
National Energy Group				
Integrated Energy and Marketing	(0.16)	(0.08)	(0.14)	0.08
Interstate Pipeline Operations	0.06	0.05	0.21	0.21
Eliminations and Other	0.02	0.01	(0.08)	(0.01)
Discontinued Operations	<u>(0.02)</u>	<u>0.04</u>	<u>0.04</u>	<u>0.29</u>
Subtotal - National Energy Group	(0.10)	0.02	0.03	0.57
Other Enterprises				
Earnings from Operations excluding headroom ^(b)	<u>0.04</u>	<u>(0.01)</u>	<u>0.15</u>	<u>(0.06)</u>
	0.48	0.95	2.33	3.02
	-	-	-	-
Headroom				
Earnings from Operations including headroom ^(b)	<u>0.35</u>	<u>-</u>	<u>2.83</u>	<u>-</u>
	0.83	0.95	5.16	3.02
Items impacting comparability ^(c)	<u>(6.58)</u>	<u>0.50</u>	<u>(7.52)</u>	<u>-</u>
Reported Earnings (Loss)	<u>\$ (5.75)</u>	<u>\$ 1.45</u>	<u>\$ (2.36)</u>	<u>\$ 3.02</u>

(a) Operating revenues and operating expenses for the three months and twelve months ended December 31, 2002, reflect the adoption of a new accounting policy implementing a change from gross to net method of reporting revenues and expenses on trading activities. Amounts for trading activities for the comparative periods in 2001 have been reclassified to conform with the new net presentation.

(b) Earnings from operations exclude items impacting comparability and should not be considered an alternative to net income in accordance with accounting principles generally accepted in the USA or an indicator of a Company's operating performance.

(c) Items impacting comparability for the quarter ending December 31, 2002 include impairments and write-offs of merchant assets, long-term turbine prepayments and related capitalized development and construction costs of \$1.3 billion (\$3.45 per share) related to the planned sale, transfer or abandonment of these assets; an impairment charge of \$767 million (\$2.01 per share) related to the planned sale of USGen New England and Energy Trading Canada which are assets held for sale and classified as discontinued operations; net charges of \$156 million (\$0.41 per share) for hedge contracts, primarily interest rate swaps, at PG&E NEG that were terminated by counterparties as a result of defaults in the terms of various financing arrangements; net tax charges of \$109 million (\$0.29 per share) primarily related to a valuation allowance against state deferred tax assets of PG&E NEG that are not probable of future realization; the net effect of incremental interest costs of \$89 million (\$0.23 per share) from the increased amount and cost of debt resulting from the Utility's Chapter 11 filing; increased costs of \$56 million (\$0.15 per share) related to the Utility's Chapter 11 filing and other costs and generally consisting of external legal consulting and financial advisory fee of \$16 million (\$0.04 per share) at PG&E NEG generally consisting of external legal costs and financial advisory fees, severance costs and lease cancellation costs

Items impacting comparability for the quarter ending December 31, 2001 include the collection of previously written-off transition costs of \$335 million (\$0.92 per share) and the cumulative effect of a change in accounting principle of \$9 million (\$0.02 per share) partially offset by the incremental interest costs of \$97 million (\$0.26 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's bankruptcy; increased costs of \$28 million (\$0.08 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees; and the loss on termination of certain contracts with Enron Corp. of \$35 million (\$0.10 per share) attributed to its bankruptcy filing.

Items impacting comparability for the year ended December 31, 2002 include PG&E NEG impairments and write-offs of merchant assets, long-term turbine prepayments and related capitalized development and construction costs of \$1.6 billion (\$4.21 per share) related to the planned sale, transfer or abandonment of these assets; an impairment charge of \$767 million (\$2.07 per share) related to the planned sale of USGen New England and Energy Trading Canada which are assets held for sale and classified as discontinued operations; net charges of \$156 million (\$0.42 per share) for hedge contracts, primarily interest rate swaps, at PG&E NEG that were terminated by counterparties as a result of defaults in the terms of various financing arrangements; the net effect of incremental interest costs of \$351 million (\$0.95 per share) from the increased amount and cost of debt resulting from the Utility's Chapter 11 filing; the write-off of \$68 million (\$0.18 per share) of previously capitalized debt costs and discounts associated with PG&E Corporation's prepayment of its Tranche A loan and changes in the terms of its Tranche B loan in conjunction with its loan waiver extension; the net cumulative effect of a change in accounting principle and mark-to-market methodology of \$55 million (\$0.14 per share); restructuring costs at PG&E NEG of \$27 million (\$0.07 per share), generally consisting of external legal consulting and financial advisory fees, severance costs and lease cancellation costs; increased costs of \$132 million (\$0.36 per share) related to the Utility's Chapter 11 filing and generally consisting of external legal consulting and financial advisory fees; and net tax charges of \$66 million (\$0.18 per share) primarily related to a valuation allowance against state deferred tax assets of PG&E NEG that are not probable of future realization. Partially offsetting these charges was the Utility's net reversal of wholesale energy charges of \$352 million (\$0.95 per share); and the third quarter change in the mark-to-market value of PG&E NEG warrants of \$42 million (\$0.11 per share) outstanding under PG&E Corporation's loans.

Items impacting comparability for the twelve-month period ended December 31, 2001 include the collection of previously written-off transition costs of \$458 million (\$1.26 per share) and the cumulative effect of a change in accounting principle of \$9 million (\$0.02 per share) partially offset by a loss of \$66 million (\$0.18 per share) on involuntary terminations of gas transportation hedges resulting from the Utility's bankruptcy; incremental interest costs of \$262 million (\$0.72 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's bankruptcy; increased costs of \$78 million (\$0.21 per share) related to the Utility's bankruptcy and generally consisting of external legal consulting and financial advisory fees; the net prior year impacts associated with current year decisions issued by the California Public Utilities Commission on rehearings of the Utility's 1999 General Rate Case of \$26 million (\$0.07 per share); and the loss on termination of certain contracts with Enron Corp. of \$35 million (\$0.10 per share) attributed to its bankruptcy filing.