

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

(in millions, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<b>Operating Revenues</b>				
Pacific Gas and Electric Company	\$ 2,714	\$ 2,309	\$ 5,167	\$ 4,871
Integrated Energy and Marketing	3,011	2,676	5,304	6,826
Interstate Pipeline Operations	54	64	113	129
Eliminations and Other	(5)	13	(9)	4
Subtotal NEG	<u>3,060</u>	<u>2,753</u>	<u>5,408</u>	<u>6,959</u>
Other Enterprises and eliminations	(22)	(52)	(56)	(147)
Total operating revenues	<u>5,752</u>	<u>5,010</u>	<u>10,519</u>	<u>11,683</u>
<b>Operating Expenses</b>				
Cost of energy - Pacific Gas and Electric Company	703	67	852	3,300
Cost of energy - National Energy Group	2,823	2,335	4,876	6,174
Operating expenses including depreciation	1,434	1,153	2,677	2,094
Reorganization items	18	8	34	8
Total operating expenses	<u>4,978</u>	<u>3,563</u>	<u>8,439</u>	<u>11,576</u>
Operating Income	774	1,447	2,080	107
Interest expense, net and other	(339)	(234)	(613)	(455)
Income (Loss) Before Income Taxes	<u>435</u>	<u>1,213</u>	<u>1,467</u>	<u>(348)</u>
Income taxes provision (benefit)	156	463	557	(147)
Net Income (Loss) before cumulative effect of a change in accounting principle	<u>279</u>	<u>750</u>	<u>910</u>	<u>(201)</u>
Cumulative effect of a change in an accounting principle (net of applicable income taxes of \$42 million)	(61)	-	(61)	-
Net Income (Loss)	<u>218</u>	<u>750</u>	<u>849</u>	<u>(201)</u>
Weighted Average Common Shares Outstanding, Diluted	372	363	370	363
Earnings (Loss) Per Common Share, Basic	\$ 0.60	\$ 2.07	\$ 2.33	\$ (0.55)
Earnings (Loss) Per Common Share, Diluted	\$ 0.59	\$ 2.07	\$ 2.29	\$ (0.55)
<b>Earnings (Loss)</b>				
Utility				
Pacific Gas and Electric Company	\$ 201	\$ 175	\$ 361	\$ 378
National Energy Group				
Integrated Energy and Marketing	(31)	53	(5)	88
Interstate Pipeline Operations	17	19	35	38
Eliminations and Other	(7)	(1)	(14)	(1)
Subtotal - National Energy Group	<u>(21)</u>	<u>71</u>	<u>16</u>	<u>125</u>
Other Enterprises	6	(3)	29	(5)
Earnings from Operations excluding headroom <sup>(a)</sup>	<u>186</u>	<u>243</u>	<u>406</u>	<u>498</u>
Headroom	366	150	542	150
Earnings from Operations including headroom <sup>(a)</sup>	<u>552</u>	<u>393</u>	<u>948</u>	<u>648</u>
Items impacting comparability <sup>(b)</sup>	(334)	357	(99)	(849)
Reported Earnings (Loss)	<u>\$ 218</u>	<u>\$ 750</u>	<u>\$ 849</u>	<u>\$ (201)</u>
<b>Earnings (Loss) per Share (Diluted)</b>				
Utility				
Pacific Gas and Electric Company	\$ 0.54	\$ 0.48	\$ 0.98	\$ 1.04
National Energy Group				
Integrated Energy and Marketing	(0.08)	0.14	(0.01)	0.24
Interstate Pipeline Operations	0.04	0.05	0.09	0.10
Eliminations and Other	(0.02)	-	(0.04)	-
Subtotal - National Energy Group	<u>(0.06)</u>	<u>0.19</u>	<u>0.04</u>	<u>0.34</u>
Other Enterprises	0.02	-	0.08	(0.01)
Earnings from Operations excluding headroom <sup>(a)</sup>	<u>0.50</u>	<u>0.67</u>	<u>1.10</u>	<u>1.37</u>
Headroom	0.99	0.41	1.46	0.41
Earnings from Operations including headroom <sup>(a)</sup>	<u>1.49</u>	<u>1.08</u>	<u>2.56</u>	<u>1.78</u>
Items impacting comparability <sup>(b)</sup>	(0.90)	0.99	(0.27)	(2.33)
Reported Earnings (Loss)	<u>\$ 0.59</u>	<u>\$ 2.07</u>	<u>\$ 2.29</u>	<u>\$ (0.55)</u>

(a) Earnings from operations exclude items impacting comparability and should not be considered an alternative to net income or an indicator of the Company's operating performance.

(b) Items impacting comparability for the quarter ending June 30, 2002 include impairments and write-offs of long-term turbine prepayments and related capitalized development costs of \$159 million (\$0.43 per share), the net effect of incremental interest costs of \$90 million (\$0.24 per share) from the increased amount and cost of debt resulting from California's electric industry and the Utility's Chapter 11 filing; the cumulative effect of a change in accounting principle of \$61 million (\$0.16 per share); increased costs of \$21 million (\$0.06 per share) related to the Utility's Chapter 11 filing and generally consisting of external legal consulting and financial advisory fees; and \$3 million (\$0.01 per share) of other costs related to California's electric industry.

Items impacting comparability for the quarter ending June 30, 2001 include a decrease of net undercollected electric procurement costs at the Utility of \$402 million (\$1.11 per share) due to the termination of certain bilateral contracts by counterparties and a change in the amount of ISO bills previously recorded; a decrease in the inability to fully utilize tax benefits of losses in California of \$25 million (\$0.07 per share) due to the reduction of net undercollected electric procurement costs; additional interest costs resulting from California's electric industry of \$61 million (\$0.17 per share); and other costs related to the Utility's Chapter 11 filing of \$9 million (\$0.02 per share).

Items impacting comparability for the year-to-date ending June 30, 2002 include impairments and write-offs of long-term turbine prepayments and related capitalized development costs of \$159 million (\$0.43 per share), the Utility's net reversal of wholesale energy charges of \$352 million (\$0.95 per share); the net effect of incremental interest costs of \$188 million (\$0.51 per share) from the increased amount and cost of debt resulting from California's electric industry and the Utility's Chapter 11 filing; the cumulative effect of a change in accounting principle of \$61 million (\$0.17 per share); increased costs of \$34 million (\$0.09 per share) related to the Utility's Chapter 11 filing and generally consisting of external legal consulting and financial advisory fees; and \$9 million (\$0.02 per share) of other costs related to California's electric industry.

Items impacting comparability for the year-to-date ending June 30, 2001 include undercollected electric procurement costs at the Utility of \$713 million (\$1.96 per share); the inability to fully utilize tax benefits of losses in California of \$8 million (\$0.02 per share); additional interest costs resulting from California's electric industry of \$103 million (\$0.28 per share); and other costs related to the Utility's Chapter 11 filing of \$25 million (\$0.07 per share).