

**PG&E Corporation**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
<b>Operating Revenues</b>				
Electric	\$ 2,107	\$ 2,042	\$ 5,546	\$ 5,902
Natural gas	697	581	2,424	2,198
<b>Total operating revenues</b>	<u>2,804</u>	<u>2,623</u>	<u>7,970</u>	<u>8,100</u>
<b>Operating Expenses</b>				
Cost of electricity	742	792	1,626	2,003
Cost of natural gas	326	239	1,293	1,096
Operating and maintenance	740	677	2,177	2,297
Recognition of regulatory assets	-	-	-	(4,900)
Depreciation, amortization and decommissioning	481	406	1,320	1,056
Reorganization professional fees and expenses	-	-	-	6
<b>Total operating expenses</b>	<u>2,289</u>	<u>2,114</u>	<u>6,416</u>	<u>1,558</u>
<b>Operating Income</b>	515	509	1,554	6,542
Reorganization interest income	-	-	-	8
Interest income	22	15	60	46
Interest expense	(145)	(159)	(438)	(565)
Other income (expense), net	(14)	4	(16)	(46)
<b>Income Before Income Taxes</b>	378	369	1,160	5,985
Income tax provision	139	141	436	2,352
<b>Income from Continuing Operations</b>	239	228	724	3,633
<b>Discontinued Operations (Note 7)</b>	13	-	13	-
<b>Net Income</b>	<u>\$ 252</u>	<u>\$ 228</u>	<u>\$ 737</u>	<u>\$ 3,633</u>
<b>Weighted Average Common Shares Outstanding, Basic</b>	<u>372</u>	<u>399</u>	<u>376</u>	<u>397</u>
<b>Earnings Per Common Share From Continuing Operations, Basic</b>	<u>\$ 0.63</u>	<u>\$ 0.55</u>	<u>\$ 1.88</u>	<u>\$ 8.73</u>
<b>Net Earnings Per Common Share, Basic</b>	<u>\$ 0.66</u>	<u>\$ 0.55</u>	<u>\$ 1.91</u>	<u>\$ 8.73</u>
<b>Earnings Per Common Share From Continuing Operations, Diluted</b>	<u>\$ 0.62</u>	<u>\$ 0.53</u>	<u>\$ 1.86</u>	<u>\$ 8.55</u>
<b>Net Earnings Per Common Share, Diluted</b>	<u>\$ 0.65</u>	<u>\$ 0.53</u>	<u>\$ 1.89</u>	<u>\$ 8.55</u>
<b>Dividends Declared Per Common Share</b>	\$ 0.30	\$ -	\$ 0.90	\$ -

Source: PG&E Corporation's and Pacific Gas and Electric's Condensed Consolidated Financial Statements and Notes thereto included in PG&E Corporation's and Pacific Gas and Electric Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

**Earnings Summary**
**Third Quarter and Year-to-Date, 2005 vs. 2004**

(in millions, except per share amounts)

	<b>Three months ended September 30,</b>				<b>Nine months ended September 30,</b>			
	<b>Earnings (Loss)</b>		<b>Earnings (Loss) per Common Share</b>		<b>Earnings (Loss)</b>		<b>Earnings (Loss) per Common Share</b>	
	<b>2005</b>	<b>2004</b>	<b>(Diluted)</b>		<b>2005</b>	<b>2004</b>	<b>(Diluted)</b>	
		<b>2005</b>	<b>2004</b>			<b>2005</b>	<b>2004</b>	
<b>Pacific Gas and Electric Company and Holding Company <sup>1</sup></b>								
Pacific Gas and Electric Company	\$ 244	\$ 252	\$ 0.63	\$ 0.59	\$ 738	\$ 740	\$ 1.89	\$ 1.74
Holding Company	(5)	(10)	(0.01)	(0.02)	(11)	(25)	(0.02)	(0.06)
Earnings from Operations	<u>239</u>	<u>242</u>	<u>0.62</u>	<u>0.57</u>	<u>727</u>	<u>715</u>	<u>1.87</u>	<u>1.68</u>
<b>Items Impacting Comparability <sup>2</sup></b>								
Ch. 11 Settlement Agreement	-	-	-	-	-	2,950	-	6.94
2003 GRC Settlement	-	-	-	-	-	120	-	0.28
Energy Crisis/ Chapter 11 Interest Costs	-	(11)	-	(0.03)	(3)	(94)	(0.01)	(0.21)
Dividend Participation Rights	-	(3)	-	(0.01)	-	(41)	-	(0.10)
Other	-	-	-	-	-	(17)	-	(0.04)
Total	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>(0.04)</u>	<u>(3)</u>	<u>2,918</u>	<u>(0.01)</u>	<u>6.87</u>
<b>Discontinued Operations - NEGT <sup>3</sup></b>	<u>13</u>	<u>-</u>	<u>0.03</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>0.03</u>	<u>-</u>
<b>PG&amp;E Corporation Earnings on a GAAP basis</b>	<u>\$ 252</u>	<u>\$ 228</u>	<u>\$ 0.65</u>	<u>\$ 0.53</u>	<u>\$ 737</u>	<u>\$ 3,633</u>	<u>\$ 1.89</u>	<u>\$ 8.55</u>

<sup>1</sup> Earnings from operations exclude items impacting comparability as noted in the following discussion

<sup>2</sup> Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with generally accepted accounting principles, or GAAP.

<sup>3</sup> During the third quarter of 2005, PG&E Corporation received additional information from NEGT regarding income to be included in PG&E Corporations 2004 federal income tax return. This information was incorporated in the 2004 tax return, which was filed with the IRS in September 2005. As a result, 2004 federal income tax liability was reduced approximately \$19 million. In addition, NEGT provided additional information with respect to amounts previously included in PG&E Corporations 2003 federal income tax return. This change resulted in PG&E Corporations 2003 federal income tax liability increasing approximately \$6 million. These two adjustments, netting to \$13 million, were recognized in income from discontinued operations in the third quarter of 2005.

## DISCUSSION ON EARNINGS SUMMARY TABLE

1. Earnings from operations for PG&E Corporation excludes items impacting comparability, as discussed below. On a GAAP basis, PG&E Corporation earned \$252 million for the three months ended September 30, 2005 and \$228 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, the Corporation earned \$737 million on a GAAP basis and \$3,633 million for the nine months ended September 30, 2004.

On a GAAP basis, the Utility earned \$244 million for the three months ended September 30, 2005 and \$244 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, the Utility earned \$735 million on a GAAP basis and \$3,718 million for the nine months ended September 30, 2004.

2. Items impacting comparability for the three months ended September 30, 2004 include:
  - a) The effect of the incremental interest costs of \$7 million (\$0.02 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's Chapter 11 filing;
  - b) The increased costs of \$4 million (\$0.01 per share) related to the NEGТ's Chapter 11 filing and generally consisting of external legal consulting fees, financial advisory fees and other related costs
  - c) The change in the estimated market value of non-cumulative dividend participation rights of \$3 million (\$0.01 per share) included within the Holding Company's \$280 million principal amount of 9.5% Convertible Subordinated Notes
3. Items impacting comparability for the nine months ended September 30, 2005 include:
  - a) The net effect of incremental interest costs of approximately \$3 million (\$0.01 per share), after-tax incurred by the Utility through February 10, 2005 and related to generator disputed claims in the Utility's Chapter 11 proceeding, which are not considered recoverable.
4. Items impacting comparability for the nine months ended September 30, 2004 include:
  - a) A gain of approximately \$2,950 million (\$6.94 per share) related to the establishment of regulatory assets contemplated in the December 19, 2003 settlement agreement, or Settlement Agreement, entered into between the Utility, PG&E Corporation and the CPUC to resolve the Utility's Chapter 11 proceeding
  - b) The Utility's recognition of a gain of approximately \$120 million (\$0.28 per share), after-tax, related to the prior year impact and regulatory asset recognition resulting from the CPUC decision approving the 2003 GRC
  - c) The net effect of incremental interest costs of \$80 million (\$0.18 per share) from the increased amount and cost of debt resulting from the California energy crisis and the Utility's Chapter 11 filing
  - d) The increased cost of \$14 million (\$0.03 per share) related to the Utility's and NEGТ's Chapter 11 filings and generally consisting of external legal consulting fees, financial advisory fees and other related costs
  - e) The change in the estimated value of non-cumulative dividend participation rights of \$41 million (\$0.10 per share) included within the Holding Company's \$280 million principal amount of 9.5% Convertible Subordinated Notes.
  - f) The Utility's recognition of \$17 million (\$0.04 per share) in charges related to obligations to invest in clean energy technology and donate land, included in the Settlement Agreement.

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**2005 Earnings per Common Share Guidance**

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	<b>Low</b>	<b>High</b>
Total EPS from Operations	<u><b>\$2.20</b></u>	<u><b>\$2.30</b></u>
Estimated Items Impacting Comparability:		
Incremental interest expense <sup>1</sup>	(0.01)	(0.01)
Demand-side management and energy efficiency initiatives <sup>2</sup>	0.24	0.24
Discontinued Operations - NEGT <sup>3</sup>	<u>0.03</u>	<u>0.03</u>
Total EPS on a GAAP Basis	<u><b>\$2.46</b></u>	<u><b>\$2.56</b></u>

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<sup>1</sup> The net effect of incremental interest costs incurred by the Utility through February 10, 2005 and related to generator disputed claims in the Utility's Chapter 11 proceeding, which are not considered recoverable.

<sup>2</sup> The net effect of the settlement agreement between the utility and the CPUC's Office of Ratepayer Advocates in the Utility's Annual Earnings Assessment Proceeding, or AEAP, approved by the CPUC on October 27, 2005. The decision resolves the Utility's claims that have been pending for several years for the shareholder incentives earned by the Utility for the successful implementation of demand-side management, energy efficiency, and low-income energy efficiency programs for past program years 1994-2001.

<sup>3</sup> The net effect of adjustments made in PG&E Corporation's federal income tax returns for 2003 and 2004, based on additional information from NEGT.

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**2006 Earnings per Common Share Guidance**

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	<b>Low</b>	<b>High</b>
Total EPS from Operations	<u><b>\$2.35</b></u>	<u><b>\$2.45</b></u>
Estimated Items Impacting Comparability:	<u>0.00</u>	<u>0.00</u>
Total EPS on a GAAP Basis	<u><b>\$2.35</b></u>	<u><b>\$2.45</b></u>

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