

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

(in millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Operating Revenues (a)				
Pacific Gas and Electric Company	\$ 2,949	\$ 2,937	\$ 8,116	\$ 7,808
Integrated Energy and Marketing	1,030	733	2,277	2,042
Interstate Pipeline Operations	62	57	175	186
Eliminations and Other	(5)	(8)	(14)	(4)
Subtotal NEG	1,087	782	2,438	2,224
Other Enterprises and eliminations	(18)	-	(74)	(147)
Total operating revenues	4,018	3,719	10,480	9,885
Operating Expenses (a)				
Cost of energy - Pacific Gas and Electric Company	674	697	1,526	3,997
Cost of energy - National Energy Group	745	462	1,564	1,119
Operating expenses including depreciation	1,553	983	4,230	3,077
Reorganization items	41	25	75	33
Total operating expenses	3,013	2,167	7,395	8,226
Operating Income	1,005	1,552	3,085	1,659
Interest expense, net and other	(325)	(294)	(938)	(749)
Income (Loss) Before Income Taxes	680	1,258	2,147	910
Income taxes provision (benefit)	214	487	771	340
Net Income (Loss) before cumulative effect of a change in accounting principle	466	771	1,376	570
Cumulative effect of a change in an accounting principle (net of applicable income taxes of \$42 million)	-	-	(61)	-
Net Income (Loss)	466	771	1,315	570
Weighted Average Common Shares Outstanding, Diluted	395	364	378	363
Earnings (Loss) Per Common Share, Basic	\$ 1.25	\$ 2.12	\$ 3.57	\$ 1.57
Earnings (Loss) Per Common Share, Diluted	\$ 1.19	\$ 2.12	\$ 3.49	\$ 1.57
Earnings (Loss)				
Utility				
Pacific Gas and Electric Company	\$ 232	\$ 192	\$ 593	\$ 570
National Energy Group				
Integrated Energy and Marketing	15	64	10	152
Interstate Pipeline Operations	21	19	56	57
Eliminations and Other	(3)	(6)	(17)	(7)
Subtotal - National Energy Group	33	77	49	202
Other Enterprises	9	(13)	38	(18)
Earnings from Operations excluding headroom ^(b)	274	256	680	754
Headroom	376	636	918	786
Earnings from Operations including headroom ^(b)	650	892	1,598	1,540
Items impacting comparability ^(c)	(184)	(121)	(283)	(970)
Reported Earnings (Loss)	\$ 466	\$ 771	\$ 1,315	\$ 570
Earnings (Loss) per Share (Diluted)				
Utility				
Pacific Gas and Electric Company	\$ 0.59	\$ 0.53	\$ 1.57	\$ 1.57
National Energy Group				
Integrated Energy and Marketing	0.04	0.18	0.02	0.42
Interstate Pipeline Operations	0.05	0.05	0.15	0.16
Eliminations and Other	(0.01)	(0.02)	(0.04)	(0.02)
Subtotal - National Energy Group	0.08	0.21	0.13	0.56
Other Enterprises	0.02	(0.04)	0.10	(0.05)
Earnings from Operations excluding headroom ^(b)	0.69	0.70	1.80	2.08
Headroom	0.95	1.75	2.43	2.17
Earnings from Operations including headroom ^(b)	1.64	2.45	4.23	4.25
Items impacting comparability ^(c)	(0.45)	(0.33)	(0.74)	(2.68)
Reported Earnings (Loss)	\$ 1.19	\$ 2.12	\$ 3.49	\$ 1.57

(a) Operating revenues and operating expenses for the three months and nine months ended September 30, 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 principles generally accepted in the USA or an indicator of a Company's operating performance.

(c) Items impacting comparability for the quarter ending September 30, 2002 include a goodwill write-off of \$71 million (\$0.18 per share); an impairment charge for dispersed generation equipment of \$18 million (\$0.05 per share); the net effect of incremental interest costs of \$75 million (\$0.18 per share) from the increased amount and cost of debt resulting from California's electric industry and the Utility's Chapter 11 filing; the write-off of \$68 million (\$0.17 per share) 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; increased costs of \$32 million (\$0.08 per share) related to the Utility's Chapter 11 filing and other costs and generally consisting of external legal consulting and financial advisory fees; and a restructuring charge of \$11 million (\$0.03 per share). Offsetting these decreases was a change in PG&E NEG's mark-to-market methodology of \$6 million (\$0.02 per share); increase in tax benefits related to PG&E NEG's synthetic fuel investment tax credits of \$43 million (\$0.11 per share); and the change in the mark-to-market value of PG&E NEG warrants of \$42 million (\$0.11 per share).

Items impacting comparability for the quarter ending September 30, 2001 include a decrease of net undercollected electric procurement costs at the Utility of \$51 million (\$0.14 per share) due to the termination of certain bilateral contracts by counterparties and a change in the amount of ISO bills previously recorded; the net impacts associated with decisions issued by the California Public Utilities Commission (CPUC) on rehearings of the Utility's 1999 General Rate Case (GRC) of \$27 million (\$0.07 per share); additional interest costs caused by California's electric industry of \$62 million (0.17 per share); costs associated with termination of gas transportation hedges of \$66 million (\$0.18 per share); other costs related to the Utility's Chapter 11 filing of \$25 million (\$0.07 per share); and a decrease in the inability to fully utilize tax benefits of losses in California of \$8 million (\$0.02 per share) due to the recovery of previously written off transition costs.

Items impacting comparability for the year-to-date ending September 30, 2002 include impairments and write-offs of long-term turbine prepayments and related capitalized development costs of \$159 million (\$0.42 per share); a goodwill write-off of \$71 million (\$0.18 per share); an impairment charge for dispersed generation equipment of \$18 million (\$0.05 per share); the net effect of incremental interest costs of \$263 million (\$0.69 per share) from the increased amount and cost of debt resulting from California's electric industry and 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 cumulative effect of a change in accounting principle of \$61 million (\$0.16 per share); increased costs of \$64 million (\$0.17 per share) related to the Utility's Chapter 11 filing and generally consisting of external legal consulting and financial advisory fees; a restructuring charge of \$11 million (\$0.03 per share); and other costs related to California's electric industry crisis of \$11 million (\$0.03 per

a change in PG&E NEG's mark-to-market methodology of \$6 million (\$0.02 per share); increase in tax benefits related to PG&E NEG's synthetic fuel investment tax credits of \$43 million (\$0.11 per share); and the change in the mark-to-market value of PG&E NEG warrants of \$42 million (\$0.11 per share).

Items impacting comparability for the year-to-date ending September 30, 2001 include undercollected electric procurement costs at the Utility of \$663 million (\$1.83 per share); additional interest costs resulting from California's electric industry of \$165 million (\$0.46 per share); costs associated with the termination of gas transportation hedges of \$66 million (\$0.18 per share); the net impacts associated with decisions issued by the CPUC on rehearings of the Utility's 1999 GRC of \$27 million (\$0.07 per share); and other costs related to the Utility's Chapter 11 filing of \$49 million (\$0.14 per share).