

PG&E Corporation
Condensed Consolidated Statements of Income
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Operating Revenues				
Electric	\$2,470	\$2,107	\$6,547	\$5,546
Natural gas	698	697	2,786	2,424
Total operating revenues	3,168	2,804	9,333	7,970
Operating Expenses				
Cost of electricity	884	742	2,195	1,626
Cost of natural gas	298	326	1,539	1,293
Operating and maintenance	795	740	2,639	2,177
Depreciation, amortization and decommissioning	456	481	1,291	1,320
Total operating expenses	2,433	2,289	7,664	6,416
Operating Income	735	515	1,669	1,554
Interest income	40	22	104	60
Interest expense	(152)	(145)	(470)	(438)
Other income (expense), net	(22)	(14)	6	(16)
Income Before Income Taxes	601	378	1,309	1,160
Income tax provision	208	139	470	436
Income From Continuing Operations	393	239	839	724
Discontinued Operations	-	13	-	13
Net Income	\$393	\$252	\$839	\$737
Weighted Average Common Shares				
Outstanding, Basic	347	372	345	376
Earnings Per Common Share From Continuing Operations, Basic	\$1.09	\$0.63	\$2.36	\$1.88
Net Earnings Per Common Share, Basic	\$1.09	\$0.66	\$2.36	\$1.91
Earnings Per Common Share From Continuing Operations, Diluted	\$1.09	\$0.62	\$2.33	\$1.86
Net Earnings Per Common Share, Diluted	\$1.09	\$0.65	\$2.33	\$1.89
Dividends Declared Per Common Share	\$0.33	\$0.30	\$0.99	\$0.90

Source: PG&E Corporation's and Pacific Gas and Electric Company's Condensed Consolidated Financial Statements and Notes thereto included in PG&E Corporation's and Pacific Gas and Electric Company's combined Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with Generally Accepted Accounting Principles (GAAP)
Third Quarter and Year-to-Date, 2006 vs. 2005
(in millions, except per share amounts)

	Three months ended September 30,				Nine months ended September 30,			
	Earnings		Earnings per Common Share Diluted		Earnings (Loss)		Earnings (Loss) per Common Share Diluted	
	2006	2005	2006	2005	2006	2005	2006	2005
PG&E Corporation Earnings from Operations (1)	\$310	\$239	\$0.86	\$0.62	\$752	\$727	\$2.09	\$1.87
Items Impacting Comparability (2)								
Scheduling Coordinator Cost Recovery (3)	55	-	0.15	-	77	-	0.21	-
Environmental Remediation Liability (4)	-	-	-	-	(18)	-	(0.05)	-
Recovery of Interest on PX Liability (5)	28	-	0.08	-	28	-	0.08	-
Energy Crisis/Chapter 11 Interest Costs (6)	-	-	-	-	-	(3)	-	(0.01)
Total	83	-	0.23	-	87	(3)	0.24	(0.01)
Discontinued Operations – NEGТ (7)	-	13	-	0.03	-	13	-	0.03
PG&E Corporation Earnings on a GAAP basis	\$393	\$252	\$1.09	\$0.65	\$839	\$737	\$2.33	\$1.89

- Earnings from operations exclude items impacting comparability.
- Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP.
- Items impacting comparability for the three and nine months ended September 30, 2006 reflect the recovery of approximately \$55 million (\$0.15 per common share) and \$77 million (\$0.21 per common share), after-tax, respectively, of Scheduling Coordinator, or SC, costs, incurred from April 1998 through September 2006, which were determined by the Federal Energy Regulatory Commission, or FERC, to be recoverable through the transmission revenue balancing account, or TRBA.
- Items impacting comparability for the nine months ended September 30, 2006 reflect an increase of approximately \$18 million (\$0.05 per common share), after-tax, in the estimated cost of environmental remediation associated with the Utility's gas compressor station located near Hinkley, California, as a result of changes in the California Regional Water Quality Control Board's imposed remediation levels.
- Items impacting comparability for the three and nine months ended September 30, 2006 reflect the recovery of approximately \$28 million (\$0.08 per common share), after-tax, of previously recorded net interest expense on the Power Exchange Corporation, or PX, liability from April 12, 2004 to February 10, 2005, in the Energy Recovery Bond Balancing Account as a result of completion of the verification audit by the California Public Utilities Commission, or CPUC, in the Utility's 2005 annual electric true-up proceeding.
- Items impacting comparability for the nine months ended September 30, 2005 include the net effect of incremental interest costs of approximately \$3 million (\$0.01 per common share), after-tax, incurred by the Utility through February 10, 2005 related to generator disputed claims in the Utility's Chapter 11 proceeding, which were not considered recoverable.
- During the third quarter of 2005, PG&E Corporation received additional information from NEGТ regarding income to be included in PG&E Corporation's 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, the 2004 federal income tax liability was reduced by approximately \$19 million. In addition, NEGТ provided additional information with respect to amounts previously included in PG&E Corporation's 2003 federal income tax return. This change resulted in PG&E Corporation's 2003 federal income tax liability increasing by approximately \$6 million. These two adjustments, netting to \$13 million, were recognized in income from discontinued operations in the third quarter of 2005.

Reconciliation of Pacific Gas and Electric Company's Earnings from Operations to Consolidated Net Income in Accordance with GAAP
Third Quarter and Year-to-Date, 2006 vs. 2005
(in millions)

	Three months ended September 30,		Nine months ended September 30,	
	Earnings		Earnings (Loss)	
	2006	2005	2006	2005
Pacific Gas and Electric Company Earnings from Operations (1)	\$292	\$244	\$729	\$738
Items Impacting Comparability (2)				
Scheduling Coordinator Cost Recovery (3)	55	-	77	-
Environmental Remediation Liability (4)	-	-	(18)	-
Recovery of Interest on PX Liability (5)	28	-	28	-
Energy Crisis/Chapter 11 Interest Costs (6)	-	-	-	(3)
Total	83	-	87	(3)
Pacific Gas and Electric Company Earnings on a GAAP basis	\$375	\$244	\$816	\$735

- Earnings from operations exclude items impacting comparability.
- Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP.
- Items impacting comparability for the three and nine months ended September 30, 2006 reflect the recovery of approximately \$55 million and \$77 million, after-tax, respectively, of SC costs incurred from April 1998 through September 2006, which were determined by FERC to be recoverable through the TRBA.
- Items impacting comparability for the nine months ended September 30, 2006 reflect an increase of approximately \$18 million, after-tax, in the estimated cost of environmental remediation associated with the Utility's gas compressor station located near Hinkley, California, as a result of changes in the California Regional Water Quality Control Board's imposed remediation levels.
- Items impacting comparability for the three and nine months ended September 30, 2006 reflect the recovery of approximately \$28 million, after-tax, of previously recorded net interest expense on the PX liability from April 12, 2004 to February 10, 2005, in the Energy Recovery Bond Balancing Account as a result of completion of the verification audit by the CPUC in the Utility's 2005 annual electric true-up proceeding.
- Items impacting comparability for the nine months ended September 30, 2005 include the net effect of incremental interest costs of approximately \$3 million, after-tax, incurred by the Utility through February 10, 2005 related to generator disputed claims in the Utility's Chapter 11 proceeding, which were not considered recoverable.

PG&E Corporation Earnings per Common Share from Operations
 Third Quarter 2006 vs. Third Quarter 2005
 (\$/Share, Diluted)

Q3 2005 EPS from Operations (1)	\$0.62
Share variance	0.05
Effect of increase in authorized return on equity	0.01
Electric transmission revenue	0.01
Gas transmission revenue	0.02
LTD Plan savings	0.02
Recovery of energy supplier litigation costs	0.03
Tax benefit for capital loss utilization	0.05
Reduction in litigation settlements (2)	0.02
Refund of overcollection (2)	0.03
Miscellaneous items	0.04
ERB Series 2 equity carrying cost credit	<u>(0.04)</u>
Q3 2006 EPS from Operations (1)	<u>\$0.86</u>

Year-to-Date 2006 vs. Year-to-Date 2005
 (\$/Share, Diluted)

Q3 2005 YTD EPS from Operations (1)	\$1.87
Share variance	0.15
Effect of increase in authorized return on equity	0.02
Electric transmission revenue	0.01
Gas transmission revenue	0.05
LTD Plan savings	0.02
Recovery of energy supplier litigation costs	0.03
Tax benefit for capital loss utilization	0.05
Environmental remediation (2)	0.04
Reduction in litigation settlements (2)	0.02
Refund of overcollection (2)	0.03
Miscellaneous items	0.03
ERB Series 2 equity carrying cost credit	(0.12)
Diablo Canyon refueling outage timing	(0.07)
Elimination of earnings on the settlement regulatory asset (Q1 of 2005)	<u>(0.04)</u>
Q3 2006 YTD EPS from Operations (1)	<u>\$2.09</u>

1. See attached tables for a reconciliation of earnings per common share, or EPS, from operations to EPS on a GAAP basis.
2. Incurred in 2005 with no similar cost in 2006.

PG&E Corporation Earnings per Common Share (EPS) Guidance

2006 EPS Guidance

	Low	High
EPS Guidance on an Earnings from Operations Basis	\$2.45	\$2.55
Estimated Items Impacting Comparability		
Scheduling Coordinator Cost Recovery	\$0.21	\$0.21
Environmental Remediation Liability	(0.05)	(0.05)
Recovery of Interest on PX Liability	0.08	0.08
EPS Guidance on a GAAP Basis	<u>\$2.69</u>	<u>\$2.79</u>

2007 EPS Guidance

	Low	High
EPS Guidance on an Earnings from Operations Basis	\$2.65	\$2.75
Estimated Items Impacting Comparability	\$0.00	\$0.00
EPS Guidance on a GAAP Basis	<u>\$2.65</u>	<u>\$2.75</u>

Management's statements regarding 2006 and 2007 guidance for earnings from operations per common share for PG&E Corporation constitute forward-looking statements that are based on current expectations and assumptions which management believes are reasonable, including that the Utility earns its authorized rate of return. These statements and assumptions are necessarily subject to various risks and uncertainties the realization or resolution of which are outside of management's control. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- Unanticipated changes in operating expenses or capital expenditures, which may affect the Utility's ability to earn its authorized rate of return;
- How the Utility manages its responsibility to procure electric capacity and energy for its customers;
- The adequacy and price of natural gas supplies, the ability of the Utility to manage and respond to the volatility of the natural gas market for its customer;
- The operation of the Utility's Diablo Canyon nuclear power plant, which could cause the Utility to incur potentially significant environmental costs and capital expenditures, and the extent to which the Utility is able to timely increase its spent nuclear fuel storage capacity at Diablo Canyon;
- Whether the Utility is able to recognize the anticipated cost benefits and savings expected to result from its efforts to improve customer service through implementation of specific initiatives to streamline business processes and deploy new technology;
- The outcome of proceedings pending at the FERC and the CPUC, including the Utility's 2007 General Rate Case and the Utility's application for approval of new long-term generation resource commitments;
- How the CPUC administers the capital structure, stand-alone dividend, and first priority conditions of the CPUC's decisions permitting the establishment of holding companies for the California investor-owned electric utilities, and the outcome of the CPUC's new rulemaking proceeding concerning the relationship between the California investor-owned energy utilities and their holding companies and non-regulated affiliates;
- The impact of the recently adopted Energy Policy Act of 2005 and future legislative or regulatory actions or policies affecting the energy industry;
- Whether the Utility is determined to be in compliance with all applicable rules, regulations, tariffs and orders relating to electricity and natural gas operations, including those related to the procurement of renewable energy, resource adequacy, greenhouse gas emissions, electric reliability standards, and billing and collection practices, and the extent to which a finding of non-compliance could result in customers refunds, penalties or other non-recoverable expenses;
- Increased municipalization and other forms of bypass in the Utility's service territory; and
- Other factors discussed in PG&E Corporation's SEC reports.