

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

	(Unaudited)	
	Three Months Ended March 31,	
	2007	2006
Operating Revenues		
Electric	\$ 2,175	\$ 1,863
Natural gas	1,181	1,285
Total operating revenues	3,356	3,148
Operating Expenses		
Cost of electricity	723	530
Cost of natural gas	754	873
Operating and maintenance	920	862
Depreciation, amortization, and decommissioning	430	414
Total operating expenses	2,827	2,679
Operating Income	529	469
Interest income	52	23
Interest expense	(190)	(154)
Other income, net	4	-
Income Before Income Taxes	395	338
Income tax provision	139	124
Net Income	\$ 256	\$ 214
Weighted Average Common Shares Outstanding, Basic	349	344
Net Earnings Per Common Share, Basic	\$ 0.71	\$ 0.61
Net Earnings Per Common Share, Diluted	\$ 0.71	\$ 0.60
Dividends Declared Per Common Share	\$ 0.36	\$ 0.33

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 March 31, 2007.

Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with Generally Accepted Accounting Principles (GAAP)
 First Quarter 2007 vs. First Quarter 2006
 (in millions, except per share amounts)

	Three months ended March 31,			
	Earnings		Earnings per Common Share (Diluted)	
	2007	2006	2007	2006
PG&E Corporation Earnings from Operations ¹	\$ 256	\$ 214	\$ 0.71	\$ 0.60
Items Impacting Comparability ²	-	-	-	-
PG&E Corporation Earnings on a GAAP basis	<u>\$ 256</u>	<u>\$ 214</u>	<u>\$ 0.71</u>	<u>\$ 0.60</u>

- Earnings from operations exclude items impacting comparability.
- Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the periods ended March 31, 2007 and 2006, PG&E Corporation did not have any items impacting comparability to report.

Reconciliation of Pacific Gas and Electric Company's Earnings from Operations to Consolidated Net Income in Accordance with GAAP
First Quarter 2007 vs. First Quarter 2006
(in millions)

	Three months ended	
	March 31,	
	Earnings	
	2007	2006
Pacific Gas and Electric Company Earnings from Operations ¹	\$ 258	\$ 214
Items Impacting Comparability ²	-	-
Pacific Gas and Electric Company Earnings on a GAAP basis	<u>\$ 258</u>	<u>\$ 214</u>

1. Earnings from operations exclude items impacting comparability.
2. Items impacting comparability reconcile earnings from operations with consolidated net income as reported in accordance with GAAP. For the periods ended March 31, 2007 and 2006, Pacific Gas and Electric Company did not have any items impacting comparability to report.

PG&E Corporation Earnings per Common Share from Operations
First Quarter 2007 vs. First Quarter 2006
(\$/Share, Diluted)

Q1 2006 EPS from Operations ¹	\$0.60
Rate base revenue increases	0.07
Storm expenses ²	0.02
Environmental remediation	(0.01)
Miscellaneous items	0.03
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Q1 2007 EPS from Operations ¹	<u>\$0.71</u>

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1. For a reconciliation of earnings per common share (diluted), or EPS, from operations to EPS on a GAAP basis, see table titled Reconciliation of PG&E Corporation's Earnings from Operations to Consolidated Net Income in Accordance with GAAP.
 2. Cost incurred in 2006 with no similar cost in 2007.

PG&E Corporation EPS Guidance

2007 EPS Guidance

	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis	\$2.70	\$2.80
Estimated Items Impacting Comparability	<u>\$0.00</u>	<u>\$0.00</u>
EPS Guidance on a GAAP Basis	<u><u>\$2.70</u></u>	<u><u>\$2.80</u></u>

2008 EPS Guidance

	<u>Low</u>	<u>High</u>
EPS Guidance on an Earnings from Operations Basis	\$2.90	\$3.00
Estimated Items Impacting Comparability	<u>\$0.00</u>	<u>\$0.00</u>
EPS Guidance on a GAAP Basis	<u><u>\$2.90</u></u>	<u><u>\$3.00</u></u>

DISCUSSION RELATED TO TABLE:

Management's statements regarding 2007 and 2008 guidance for earnings from operations per common share for PG&E Corporation, estimated rate base for 2007 and 2008, and general sensitivities for 2007 and 2008 earnings, 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. Actual results may differ materially. Factors that could cause actual results to differ materially include:

- the Utility's ability to timely recover costs through rates;
- the outcome of regulatory proceedings, including ratemaking proceedings pending at the CPUC and the FERC;
- the adequacy and price of electricity and natural gas supplies, and the ability of the Utility to manage and respond to the volatility of the electricity and natural gas markets;
- the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on the Utility's facilities and operations, its customers and third parties on which the Utility relies;
- the potential impacts of climate change on the Utility's electricity and natural gas businesses;
- changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology including the development of alternative energy sources, or other reasons;
- operating performance of the Utility's Diablo Canyon nuclear generating facilities ("Diablo Canyon") the occurrence of unplanned outages at Diablo Canyon, or the temporary or permanent cessation of operations at Diablo Canyon;
- the ability of the Utility to recognize benefits from its initiatives to improve its business processes and customer service;
- the ability of the Utility to timely complete its planned capital investment projects;
- the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;
- the impact of changing wholesale electric or gas market rules, including new rules of the California Independent System Operator ("CAISO") to restructure the California wholesale electricity market;
- how the CPUC administers the conditions imposed on PG&E Corporation when it became the Utility's holding company;
- the extent to which PG&E Corporation or the Utility incur costs and liabilities in connection with pending litigation that are not recoverable through rates, from third parties, or through insurance recoveries;
- the ability of PG&E Corporation and/or the Utility to access capital markets and other sources of credit;
- the impact of environmental laws and regulations and the costs of compliance and remediation;
- the effect of municipalization, direct access, community choice aggregation, or other forms of bypass; and
- other risks and factors disclosed in PG&E Corporation's and Pacific Gas and Electric Company's SEC reports.