

PG&E CORP
Form PRE 14A
March 01, 2002

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. ___)

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement
 Definitive
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PG & E Corporation

(Name of Registrant as Specified In Its Charter)

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PG&E Corporation and Pacific Gas and Electric Company

Joint Notice of 2002 Annual Meetings Joint Proxy Statement

March 13, 2002

To the Shareholders of PG&E Corporation and Pacific Gas and Electric Company:

You are cordially invited to attend the 6th annual meeting of PG&E Corporation and the 96th annual meeting of Pacific Gas and Electric Company. The meetings will be held concurrently on Wednesday, April 17, 2002, at 10:00 a.m., in the Masonic Auditorium, 1111 California Street, San Francisco, California.

The accompanying Joint Proxy Statement contains information about matters to be considered at both the PG&E Corporation and Pacific Gas and Electric Company annual meetings. At the annual meetings, PG&E Corporation and Pacific Gas and Electric Company shareholders will be asked to vote on the election of directors and ratification of the appointment of independent public accountants for 2002 for their respective companies. The Boards of Directors and management of PG&E Corporation and Pacific Gas and Electric Company recommend that you vote **FOR** the nominees for directors and the ratification of the appointment of Deloitte & Touche LLP as the independent public accountants for 2002, as set forth in the Joint Proxy Statement.

PG&E Corporation shareholders also will be asked to vote on two management proposals to amend PG&E Corporation's Articles of Incorporation and Bylaws to (1) implement enhancement of simple majority voting, and (2) reduce the authorized range of directors and transfer the provision that establishes the authorized range of directors from the Bylaws to the Articles of Incorporation. For the reasons stated in the Joint Proxy Statement, the PG&E Corporation Board of Directors and management recommend that PG&E Corporation shareholders vote **FOR** these proposals.

Pacific Gas and Electric Company shareholders also will be asked to vote on five management proposals to amend Pacific Gas and Electric Company's Articles of Incorporation and Bylaws to (1) establish a classified Board of Directors, (2) reduce the authorized range of directors and transfer the provision that establishes the authorized range of directors from the Bylaws to the Articles of Incorporation, (3) transfer the provision that prohibits cumulative voting in the election of directors from the Bylaws to the Articles of Incorporation, (4) include constituency provisions, and (5) require that shareholder action be taken at an annual or special meeting. For the reasons stated in the Joint Proxy Statement, the Pacific Gas and Electric Company Board of Directors and management recommend that Pacific Gas and Electric Company shareholders vote **FOR** these proposals.

PG&E Corporation shareholders also will be asked to vote on the proposals submitted by individual PG&E Corporation shareholders described in the Joint Proxy Statement, if such proposals are properly presented at the annual meeting. For the reasons stated in the Joint Proxy Statement, the PG&E Corporation Board of Directors and management recommend that PG&E Corporation shareholders vote **AGAINST** these proposals.

Your vote on the business at the annual meetings is important. For your convenience, we offer you the option of executing and submitting your proxy and voting instructions over the Internet, by telephone, or by mail. Whether or not you plan to attend, please vote as soon as possible so that your shares can be represented at the annual meetings.

During the annual meetings, PG&E Corporation and Pacific Gas and Electric Company management also will report on operations and other matters affecting PG&E Corporation and Pacific Gas and Electric Company, act on such other matters as may properly come before the meetings, and respond to shareholders questions.

Sincerely,

Robert D. Glynn, Jr.
Chairman of the Board, Chief Executive Officer,
and President of PG&E Corporation
Chairman of the Board of
Pacific Gas and Electric Company

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Joint Notice of Annual Meetings of Shareholders of PG&E Corporation and Pacific Gas and Electric Company

March 13, 2002

To the Shareholders of PG&E Corporation and Pacific Gas and Electric Company:

The annual meetings of shareholders of PG&E Corporation and Pacific Gas and Electric Company will be held concurrently on Wednesday, April 17, 2002, at 10:00 a.m., in the Masonic Auditorium, 1111 California Street, San Francisco, California, for the purpose of considering the following matters:

- (1) For PG&E Corporation and Pacific Gas and Electric Company shareholders, to elect the following nine and ten directors, respectively, to each Board for the ensuing year:

David R. Andrews
David A. Coulter
C. Lee Cox
William S. Davila

Robert D. Glynn, Jr.
David M. Lawrence, MD
Mary S. Metz

Carl E. Reichardt
Gordon R. Smith*
Barry Lawson Williams

* Gordon R. Smith is a nominee for director of Pacific Gas and Electric Company only.

- (2) For PG&E Corporation and Pacific Gas and Electric Company shareholders, to ratify each Board of Directors appointment of Deloitte & Touche LLP as independent public accountants for 2002 for PG&E Corporation and Pacific Gas and Electric Company,
- (3) For PG&E Corporation shareholders only, to act upon two management proposals described on pages of the Joint Proxy Statement,
- (4) For Pacific Gas and Electric Company shareholders only, to act upon five management proposals described on pages - of the Joint Proxy Statement,
- (5) For PG&E Corporation shareholders only, to act upon proposals submitted by PG&E Corporation shareholders and described on pages - of the Joint Proxy Statement, if such proposals are properly presented at the meeting, and
- (6) For PG&E Corporation and Pacific Gas and Electric Company shareholders, to transact such other business as may properly come before the meetings and any adjournments or postponements thereof.

The Boards of Directors have fixed the close of business on February 19, 2002, as the record date for the purpose of determining shareholders who are entitled to receive notice of and to vote at the annual meetings.

By Order of the Boards of Directors,

Linda Y.H. Cheng
Corporate Secretary,
PG&E Corporation and
Pacific Gas and Electric Company

PG&E Corporation
Pacific Gas and Electric Company

Joint Proxy Statement

This Joint Proxy Statement provides information concerning the Joint Annual Meetings of PG&E Corporation and Pacific Gas and Electric Company, which will be held concurrently on Wednesday, April 17, 2002. The Joint Proxy Statement and proxy cards, together with the PG&E Corporation and Pacific Gas and Electric Company joint 2001 Annual Report to Shareholders, were mailed beginning on or about March 13, 2002.

Questions and Answers

Why did you send me this proxy statement and a proxy card?

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company (Boards) are soliciting proxies for use at their respective annual meetings, including any adjournments or postponements. This proxy statement and a proxy card were sent to anyone who owned shares of common stock of PG&E Corporation and/or shares of preferred stock of Pacific Gas and Electric Company at the close of business on February 19, 2002. This date is the record date set by the Boards to determine which shareholders may vote at the Joint Annual Meetings. This Joint Proxy Statement describes the matters management expects will be voted on at the annual meetings, gives you information about PG&E Corporation and Pacific Gas and Electric Company and their managements, and provides general information regarding the voting process and attendance at the annual meetings.

How do I vote?

You can attend and vote at the meetings, or the proxyholders will vote your shares as you indicate on your proxy. There are three ways to submit your proxy.

Over the Internet at <http://www.eproxy.com/pcg/>

By telephone by calling toll-free 1-800-435-6710

By completing your proxy card and mailing it in the accompanying postage-paid envelope

If you submit your proxy over the Internet or by telephone, your vote must be received by 4:00 p.m., Eastern daylight time, on Tuesday, April 16, 2002. These Internet and telephone voting procedures comply with California law.

What am I voting on and what are the Board's voting recommendations?

PG&E Corporation shareholders will be voting on the following items:

Item No.	Description	Board's Voting Recommendation
1	Election of Directors	For all nominees
2	Ratification of Appointment of Independent Public Accountants	For this proposal
3-4	Management Proposals	For these proposals
10-16	Shareholder Proposals	Against these proposals

Pacific Gas and Electric Company shareholders will be voting on the following items:

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Item No.	Description	Board's Voting Recommendation
1	Election of Directors	For all nominees
2	Ratification of Appointment of Independent Public Accountants	For this proposal
5-9	Management Proposals	For these proposals

What vote is required to approve each item?

To elect directors:

The nominees receiving the largest number of votes cast are elected as directors, up to the maximum number of directors to be chosen at the meetings. In other words, the nine nominees for director of PG&E Corporation and the ten nominees for director of Pacific Gas and Electric Company receiving the greatest number of votes will be elected. Votes against a nominee or votes withheld will have no legal effect.

To approve the PG&E Corporation management proposals to amend the Articles of Incorporation and Bylaws:

A majority of the outstanding shares of PG&E Corporation common stock must approve each proposal. Abstentions and broker non-votes (see definition below) will have the same effect as a vote against a proposal.

To approve the Pacific Gas and Electric Company management proposals to amend the Articles of Incorporation and Bylaws:

A majority of the outstanding shares of Pacific Gas and Electric Company voting stock must approve each proposal. Abstentions and broker non-votes (see definition below) will have the same effect as a vote against a proposal.

To approve other items:

For each properly presented proposal, a majority of the shares represented and voting on the proposal must approve the proposal. The approval votes also must be greater than 25 percent of the shares entitled to vote. Abstentions will have the same effect as a vote against a proposal. Broker non-votes (see definition below) will not be considered in determining whether or not a proposal is approved.

What is a broker non-vote?

If you hold your shares indirectly through a broker, bank, trustee, nominee, or other third party, that party is the registered owner of your shares and submits the proxy to vote your shares. You are the beneficial owner of the shares and typically you will be asked to provide the registered owner with instructions as to how your shares should be voted.

Broker non-votes occur when brokers or nominees have voted on some of the matters to be acted on at a meeting, but do not vote on certain other matters because, under the rules of the New York Stock Exchange, they are not permitted to vote on those other matters without instructions from the beneficial owners of the shares.

Will shareholders be asked to vote on matters other than those described on pages to of the Joint Proxy Statement?

If other matters are raised during the joint annual meetings, shareholders will vote on such matters only if PG&E Corporation or Pacific Gas and Electric Company, as appropriate, determines that these other matters satisfy advance notice requirements in the appropriate Bylaws and otherwise properly come before the annual meetings. If any other matter properly comes before the annual meetings, the proxyholders named on the enclosed proxy card will vote the shares for which they hold proxies at their discretion, to the extent permitted by law.

What shares are included on my proxy card?

For PG&E Corporation, the shares included on your proxy card represent all the shares of PG&E Corporation stock in your account, including shares in the PG&E Corporation Dividend Reinvestment Plan. For Pacific Gas and

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Electric Company, the shares included on your card represent all the shares of Pacific Gas and Electric Company preferred stock in your account.

If you are a shareholder of both PG&E Corporation common stock and Pacific Gas and Electric Company preferred stock, you will receive a separate proxy card for each company. If you receive more than one proxy card for either company, it means your shares are held in more than one account. You should vote the shares on all your proxy cards. If you would like to consolidate your accounts, you may do so by contacting our transfer agent, Mellon Investor Services LLC, toll-free at 1-800-719-9056.

How many copies of the proxy statement and annual report will I receive?

If you are a registered holder of PG&E Corporation common stock and/or Pacific Gas and Electric Company preferred stock, you will receive one proxy statement and annual report for each account.

If you are a beneficial owner of PG&E Corporation common stock and/or Pacific Gas and Electric Company preferred stock and receive your proxy materials through ADP Investor Communication Services (ADP), and there are multiple beneficial owners at the same address, you may receive fewer proxy statements and annual reports than the number of beneficial owners at that address. Securities and Exchange Commission regulations permit ADP to deliver only one proxy statement and annual report to multiple beneficial owners sharing an address, unless we receive contrary instructions from any beneficial owner at that same address. If you receive your proxy materials through ADP and wish to receive a separate proxy statement or annual report in the future, please contact the office of the Corporate Secretary of PG&E Corporation or Pacific Gas and Electric Company, as appropriate, at P.O. Box 193722, San Francisco, CA 94119-3722 or by calling 1 415-267-7070.

What if I return my proxy but don't specify how I want my shares voted?

The PG&E Corporation proxyholders will vote those shares For Items 1 through 4 and Against Items 10 through 16. The Pacific Gas and Electric Company proxyholders will vote those shares For Items 1, 2, and 5 through 9.

What if I do not submit my proxy?

Your shares will not be voted if you do not provide a proxy or vote at the annual meetings.

Can I change my proxy vote?

Yes, you can change your proxy vote or revoke your proxy any time before the annual meetings by (1) returning a later-dated proxy card, (2) entering a new vote over the Internet or by telephone, (3) notifying the Corporate Secretary in writing, or (4) submitting a written ballot at the meetings.

Is my vote confidential?

Yes. According to each company's confidential voting policy, shareholder votes will only be revealed to a non-employee proxy tabulator or an independent inspector of election, except (1) as necessary to meet legal requirements, (2) in a dispute regarding authenticity of proxies and ballots, (3) in the event of a proxy contest, if the other party does not agree to comply with the confidential voting policy, and (4) where disclosure may be necessary for either company to assert or defend claims.

Who will count the votes?

Mellon Investor Services LLC (MIS) will act as the proxy tabulators and the inspectors of election for the 2002 annual meetings. MIS is independent of PG&E Corporation and Pacific Gas and Electric Company and their directors, officers, and employees.

How many shares are eligible to vote at the annual meetings?

On February 19, 2002, there were 364,206,190 shares of PG&E Corporation common stock, without par value, outstanding and entitled to vote. Each share is entitled to one vote.

On February 19, 2002, there were 17,258,280 shares of Pacific Gas and Electric Company preferred stock, \$25 par value, and 326,926,667 shares of Pacific Gas and Electric Company common stock, \$5 par value, outstanding and entitled to vote. Each share is entitled to one vote. PG&E Corporation and a subsidiary hold 100 percent of the issued and outstanding shares of Pacific Gas and Electric Company common stock. Together they own approximately 95 percent of the total outstanding voting stock of Pacific Gas and Electric Company. Holders of Pacific Gas and Electric Company's preferred stock hold approximately 5 percent of the Company's total outstanding voting stock.

May I attend the annual meetings?

All shareholders of record as of the close of business on February 19, 2002, may attend the annual meetings of PG&E Corporation and Pacific Gas and Electric Company.

Real-time captioning services and assistive listening devices will be available at the meetings for the hearing impaired. Please contact an usher if you wish to be seated in the real-time captioning section or require an assistive listening device. Audio cassette recordings of the meetings may be requested by calling the office of the Corporate Secretary to request a cassette.

What do I need to do in order to attend the annual meetings?

If you are a registered shareholder, you will receive an admission ticket along with your proxy card. Please bring the admission ticket to the meetings.

If a broker, bank, trustee, nominee, or other third party holds your shares, please inform that party that you plan to attend the annual meetings and ask for a legal proxy. Bring the legal proxy to the shareholder registration area when you arrive at the meetings and we will issue you an admission ticket. If you cannot get a legal proxy in time, we will issue an admission ticket to you if you bring a copy of your brokerage or bank account statement showing that you owned PG&E Corporation or Pacific Gas and Electric Company stock as of February 19, 2002.

All shareholders must have an admission ticket to attend the annual meetings. Also, shareholders may be asked to present valid picture identification, such as a driver's license or passport, before being admitted to the meetings. Cameras, recording devices, and other electronic devices will not be permitted at the meetings.

Will I be able to ask questions during the annual meetings?

During the meetings, there may be time for some shareholders to ask questions. The Chair of the meetings may need to limit questions in order to maintain an orderly meeting and to give shareholders the maximum opportunity to participate. Therefore, there may not be enough time for everyone to get a chance to speak. If you do not get a chance to ask questions during the meetings, members of management will be available after the meetings, and no items will be allowed into the meetings which might pose a concern for the safety of those attending.

How do I recommend someone to be a director?

You may recommend any person to be a director of PG&E Corporation or Pacific Gas and Electric Company by writing to the Corporate Secretary. The Nominating and Compensation Committee will consider nominees recommended by shareholders for election to the Boards.

If you wish to nominate a candidate for director, you must provide timely and proper written notice of the nomination in the manner described in the Bylaws of the appropriate company. Notice of director nominations proposed to be brought before the 2003 annual meetings of PG&E Corporation or Pacific Gas and Electric Company must be received at the principal executive office of the appropriate company no later than January 27, 2003. For a copy of either company's Bylaws, send a written request to that company's Corporate Secretary.

When are shareholder proposals due for the 2003 annual meetings?

If you would like to submit a proposal for inclusion in either company's proxy statement for the 2003 annual meetings, the company's Corporate Secretary must receive your proposal by November 13, 2002.

If you would like to introduce any other business at either company's 2003 annual meeting of shareholders, you must provide timely and proper written notice of the matter in the manner described in the Bylaws of the appropriate company. For a copy of either company's Bylaws, send a written request to that company's Corporate Secretary.

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Notice of other business proposed to be brought before the 2003 annual meetings of PG&E Corporation or Pacific Gas and Electric Company must be received at the principal executive office of the appropriate company no later than January 27, 2003. However, if the 2003 annual meeting of either company is scheduled for a date that differs by more than 30 days from the anniversary date of the 2002 Joint Annual Meetings, the shareholder's notice will be timely if it is received no later than the tenth day following the date on which each company publicly discloses the date of its 2003 annual meeting.

Shareholder proposals and nominations received after these deadlines will not be considered at the 2003 annual meetings.

How much did this proxy solicitation cost?

PG&E Corporation and Pacific Gas and Electric Company hired D.F. King & Co., Inc. to assist in the distribution of proxy materials and solicitation of votes. The estimated fee is \$11,500 plus reasonable out-of-pocket expenses. In addition, PG&E Corporation and Pacific Gas and Electric Company will reimburse brokerage houses and other custodians, nominees, and fiduciaries for reasonable out-of-pocket expenses for forwarding proxy and solicitation material to shareholders.

What is the address of the principal executive office?

Correspondence may be addressed to:

PG&E Corporation or Pacific Gas and Electric Company
Corporate Secretary
P.O. Box 193722
San Francisco, CA 94119-3722

Your vote is important.

If you are not executing and submitting your proxy and voting instructions over the Internet or by telephone, please mark, sign, date, and mail the enclosed proxy card as soon as possible.

**Item No. 1:
Election of Directors of PG&E Corporation and
Pacific Gas and Electric Company**

Nine and ten directors will be elected to serve on the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company, respectively, to hold office until the next annual meetings or until their successors shall be elected and qualified, except in the case of death, resignation, or removal of a director. The nine nominees for director of PG&E Corporation and the ten nominees for director of Pacific Gas and Electric Company whom the respective Boards propose for election are the same, except for Gordon R. Smith, who is a nominee for the Pacific Gas and Electric Company Board only. The composition of these slates of nominees is consistent with the policy of PG&E Corporation and Pacific Gas and Electric Company that at least 75 percent of their Boards shall be composed of directors who are neither current nor former officers or employees of PG&E Corporation, Pacific Gas and Electric Company, or any of their respective subsidiaries.

Information is provided on the following pages about the nominees for directors, including their principal occupations for the past five years, certain other directorships, age, and length of service as a director of PG&E Corporation and Pacific Gas and Electric Company. Membership on Board committees, attendance at Board and committee meetings, and ownership of stock of PG&E Corporation and Pacific Gas and Electric Company are indicated in separate sections following the individual resumes of the nominees.

All of the nominees have agreed to serve if elected. Should any of the nominees become unavailable at the time of the meeting to accept nomination or election as a director, the respective proxyholders named on the enclosed PG&E Corporation or Pacific Gas and Electric Company proxy card will vote for substitute nominees at their discretion.

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company Unanimously Recommend the Election of Their Respective Nominees for Director Presented in This Joint Proxy Statement.

Nominees for Directors of PG&E Corporation and

Pacific Gas and Electric Company

Biographical Information

David R. Andrews

Mr. Andrews is Senior Vice President Government Affairs, General Counsel, and Secretary of PepsiCo, Inc. (food and beverage businesses), and has held that position since February 2002. Prior to joining PepsiCo, Inc., Mr. Andrews was a partner in the law firm of McCutchen, Doyle, Brown & Enersen, LLP from May 2000 to January 2002 and from 1981 to July 1997. From August 1997 to April 2000, he served as the legal advisor to the U.S. Department of State and former Secretary Madeleine Albright. Mr. Andrews, 60, has been a director of PG&E Corporation and Pacific Gas and Electric Company since 2000. He also is a director of UnionBanCal Corporation.

David A. Coulter

Mr. Coulter is Vice Chairman of J.P. Morgan Chase & Co. (financial services and retail banking), and has held that position since January 2001. Prior to the merger with J.P. Morgan & Co. Incorporated, he was Vice Chairman of The Chase Manhattan Corporation (bank holding company) from August 2000 to December 2000. He was a partner in the Beacon Group, L.P. (investment banking firm) from January 2000 to July 2000, and was Chairman and Chief Executive Officer of BankAmerica Corporation and Bank of America NT&SA from May 1996 to October 1998. Mr. Coulter, 54, has been a director of PG&E Corporation and Pacific Gas and Electric Company since 1996.

C. Lee Cox

Mr. Cox is retired Vice Chairman of AirTouch Communications, Inc. and retired President and Chief Executive Officer of AirTouch Cellular (cellular telephone and paging services). He was an executive officer of AirTouch Communications, Inc. and its predecessor, PacTel Corporation, from 1987 until his retirement in April 1997. Mr. Cox, 60, has been a director of PG&E Corporation and Pacific Gas and Electric Company since 1996. He also is a director of Riverstone Networks, Inc.

William S. Davila

Mr. Davila is President Emeritus of The Vons Companies, Inc. (retail grocery). He was President of The Vons Companies, Inc. from 1986 until his retirement in May 1992. Mr. Davila, 70, has been a director of Pacific Gas and Electric Company since 1992 and a director of PG&E Corporation since 1996. He also is a director of The Home Depot, Inc. and Hormel Foods Corporation.

Robert D. Glynn, Jr.

Mr. Glynn is Chairman of the Board, Chief Executive Officer, and President of PG&E Corporation and Chairman of the Board of Pacific Gas and Electric Company. He has been an officer of PG&E Corporation since December 1996 and an officer of Pacific Gas and Electric Company since January 1988. Mr. Glynn, 59, has been a director of Pacific Gas and Electric Company since 1995 and a director of PG&E Corporation since 1996.

David M. Lawrence, MD

Dr. Lawrence is Chairman and Chief Executive Officer of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals, and has been an executive officer of those companies for more than the past five years. Dr. Lawrence, 61, has been a director of Pacific Gas and Electric Company since 1995 and a director of PG&E Corporation since 1996. He also is a director of Agilent Technologies Inc.

Mary S. Metz

Dr. Metz is President of S. H. Cowell Foundation, and has held that position since January 1999. Prior to that date, she was Dean of University Extension, University of California, Berkeley from July 1991 to June 1998. Dr. Metz, 64, has been a director of Pacific Gas and Electric Company since 1986 and a director of PG&E Corporation since 1996. She also is a director of Longs Drug Stores Corporation, SBC Communications Inc., and UnionBanCal Corporation.

Carl E. Reichardt

Mr. Reichardt is Vice Chairman of the Ford Motor Company, and has held that position since October 2001. He is the retired Chairman of the Board and Chief Executive Officer of Wells Fargo & Company (bank holding company) and Wells Fargo Bank, N.A. He was an executive officer of Wells Fargo Bank, N.A. from 1978 until his retirement in December 1994. Mr. Reichardt, 70, has been a director of Pacific Gas and Electric Company since 1985 and a director of PG&E Corporation since 1996. He also is a director of ConAgra Foods, Inc., Ford Motor Company, HCA, Inc., HSBC Holdings PLC, McKesson Corporation, and Newhall Management Corporation.

Gordon R. Smith*

Mr. Smith is President and Chief Executive Officer of Pacific Gas and Electric Company, and has been an officer of Pacific Gas and Electric Company since 1980. Mr. Smith, 54, has been a director of Pacific Gas and Electric Company since 1997.

Barry Lawson Williams

Mr. Williams is President of Williams Pacific Ventures, Inc. (business consulting and mediation), and has held that position since 1987. He also served as interim President and Chief Executive Officer of the American Management Association (management development organization) from November 2000 to June 2001. Mr. Williams, 57, has been a director of Pacific Gas and Electric Company since 1990 and a director of PG&E Corporation since 1996. He also is a director of CH2M Hill Companies, Ltd., Newhall Management Corporation, R.H. Donnelley Inc., The Simpson Manufacturing Company Inc., Synavant Inc., and USA Education, Inc.

* Gordon R. Smith is a nominee for director of Pacific Gas and Electric Company only.

Information Regarding the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company

Board Committees

The committees of the PG&E Corporation Board of Directors are the Executive Committee, Audit Committee, Finance Committee, Nominating and Compensation Committee, and Public Policy Committee. The Pacific Gas and Electric Company Board of Directors has an Executive Committee and Audit Committee. The current membership and duties of these committees are as follows:

Executive Committees	Audit Committees	Finance Committee	Nominating and Compensation Committee	Public Policy Committee
R. D. Glynn, Jr.*	C. L. Cox*	B. L. Williams*	C. E. Reichardt*	M. S. Metz*
C. L. Cox	D. R. Andrews	D. R. Andrews	D. A. Coulter	W. S. Davila
M. S. Metz	W. S. Davila	D. A. Coulter	C. L. Cox	D. M. Lawrence, MD
C. E. Reichardt	M. S. Metz	C. E. Reichardt	D. M. Lawrence, MD	
G. R. Smith ⁽¹⁾	B. L. Williams			
B. L. Williams				

* Chair

(1) Member of the Pacific Gas and Electric Company Executive Committee only.

Executive Committees

Each Executive Committee, subject to the provisions of law and certain limits imposed by the PG&E Corporation or the Pacific Gas and Electric Company Board (as the case may be), may exercise any of the powers and perform any of the duties of the PG&E Corporation Board or the Pacific Gas and Electric Company Board, respectively. The Executive Committees meet as needed. One PG&E Corporation Executive Committee meeting was held in 2001 and no Pacific Gas and Electric Company Executive Committee meetings were held in 2001.

Audit Committees

The Audit Committees of PG&E Corporation (five meetings were held in 2001) and Pacific Gas and Electric Company (five meetings were held in 2001) advise and assist the Boards of Directors of those entities in fulfilling their responsibilities in connection with financial and accounting practices, internal controls, external and internal auditing programs, business ethics, and compliance with laws, regulations, and policies that may have a material impact on the consolidated financial statements of PG&E Corporation, Pacific Gas and Electric Company, and their respective subsidiaries. The Audit Committees satisfy themselves as to the independence and competence of PG&E Corporation's and Pacific Gas and Electric Company's independent public accountants, and review and discuss with the independent accountants and with PG&E Corporation's and Pacific Gas and Electric Company's officers and internal auditors the scope and results of the independent accountants' audit work, consolidated quarterly and annual financial statements, the quality and effectiveness of internal controls, and compliance with laws, regulations, policies, and programs. The Audit Committees also recommend to the appropriate Board of Directors the firm of independent public accountants to be selected to audit PG&E Corporation's and Pacific Gas and Electric Company's accounts, and make further inquiries as they deem necessary or desirable to inform themselves as to the conduct of the affairs of PG&E Corporation, Pacific Gas and Electric Company, and their respective subsidiaries.

The members of the Audit Committees of PG&E Corporation and Pacific Gas and Electric Company are identical. The Audit Committees are composed entirely of directors who are (1) financially knowledgeable, including at least one member who has accounting or related financial management expertise, (2) neither current nor former officers or employees of PG&E Corporation, Pacific Gas and Electric Company, or their subsidiaries, (3) not consultants to PG&E Corporation, Pacific Gas and Electric Company, or any of their subsidiaries, and (4) neither current nor former officers or employees of any other corporation on whose board of directors any PG&E Corporation or Pacific Gas and Electric Company officer serves as a member. The members of the Audit Committees are independent as defined in the listing standards of the New York Stock Exchange and the American

Stock Exchange. One member of each Committee is appointed by the appropriate Board of Directors as the Committee's Chair.

Finance Committee

The Finance Committee of PG&E Corporation (eight meetings were held in 2001) advises and assists the Board with respect to the financial and capital investment policies and objectives of PG&E Corporation and its subsidiary companies, including specific actions required to achieve those objectives. The Finance Committee reviews long-term financial and investment plans and strategies, annual financial plans, dividend policy, short-term and long-term financing plans, proposed capital investments, proposed divestments, major commercial banking, investment banking, financial consulting, and other financial relations of PG&E Corporation or its subsidiaries, and risk management activities.

One member of the Committee, who is neither a current nor former employee of, nor current consultant to, PG&E Corporation or any of its subsidiaries, is appointed by the Board of Directors as the Committee's Chair.

Nominating and Compensation Committee

The Nominating and Compensation Committee of PG&E Corporation (four meetings were held in 2001) advises and assists the Boards of PG&E Corporation and Pacific Gas and Electric Company with respect to the selection and compensation of directors. It also advises and assists PG&E Corporation and its subsidiaries on employment, compensation, benefits policies and practices, and the development, selection, and compensation of policy-making officers. The Nominating and Compensation Committee reviews and acts upon the compensation of officers of PG&E Corporation and its subsidiaries, except that the compensation of the Chief Executive Officers of PG&E Corporation and Pacific Gas and Electric Company is established by the full Board of Directors of PG&E Corporation or Pacific Gas and Electric Company (as the case may be) upon recommendation of the Committee, and the Committee has delegated to the PG&E Corporation Chief Executive Officer the authority to approve compensation for certain officers of PG&E Corporation and its subsidiaries. The Committee also reviews long-range planning for executive development and succession, and the composition and performance of the Boards of PG&E Corporation and Pacific Gas and Electric Company.

The Nominating and Compensation Committee is composed entirely of directors who are (1) neither current nor former officers or employees of PG&E Corporation or any of its subsidiaries, (2) not consultants to PG&E Corporation or any of its subsidiaries, and (3) neither current nor former officers or employees of any other corporation on whose board of directors any PG&E Corporation officer serves as a member. One member of the Committee is appointed by the Board of Directors as the Committee's Chair.

Public Policy Committee

The Public Policy Committee of PG&E Corporation (two meetings were held in 2001) advises and assists the Board of Directors with respect to public policy issues that could affect significantly the interests of the customers, shareholders, or employees of PG&E Corporation, Pacific Gas and Electric Company, and their respective subsidiaries. The Public Policy Committee reviews the policies and practices of PG&E Corporation and its subsidiaries with respect to protection and improvement of the quality of the environment, charitable and community service organizations and activities, equal opportunity in hiring and promoting employees, and development of minority-owned and women-owned businesses as suppliers to PG&E Corporation, Pacific Gas and Electric Company, and their subsidiaries. The Committee also reviews significant societal, governmental, and environmental trends and issues that may affect the operations of PG&E Corporation, Pacific Gas and Electric Company, or their subsidiaries.

One member of the Committee, who is neither a current nor former employee of, nor current consultant to, PG&E Corporation or any of its subsidiaries, is appointed by the Board of Directors as the Committee's Chair.

Attendance at Board and Committee Meetings

Thirteen meetings of the PG&E Corporation Board of Directors and twenty meetings of the PG&E Corporation Board committees were held in 2001. Overall attendance of incumbent directors at such meetings was 94%. Individual attendance at meetings of the PG&E Corporation Board of Directors and Board committees was as follows: D. R. Andrews 96%, D. A. Coulter 84%, C. L. Cox 95%, W. S. Davila 100%, R. D. Glynn, Jr. 100%, D. M. Lawrence 84%, M. S. Metz 95%, C. E. Reichardt 96%, and B. L. Williams 96%.

Twelve meetings of the Pacific Gas and Electric Company Board of Directors and five meetings of the Pacific Gas and Electric Company Board committees were held in 2001. Overall attendance of incumbent directors at such meetings was 96%. Individual attendance at the meetings was as follows: D. R. Andrews 100%, D. A. Coulter 92%, C. L. Cox 94%, W. S. Davila 100%, R. D. Glynn, Jr. 100%, D. M. Lawrence 92%, M. S. Metz 94%, C. E. Reichardt 92%, G. R. Smith 100%, and B. L. Williams 94%.

Compensation of Directors

Each director who is not an officer or employee of PG&E Corporation or Pacific Gas and Electric Company receives a quarterly retainer of \$7,500 plus a fee of \$1,000 for each Board or Board committee meeting attended. Non-employee directors who chair Board committees receive an additional quarterly retainer of \$625. Under the Deferred Compensation Plan for Non-Employee Directors, directors of PG&E Corporation or Pacific Gas and Electric Company may elect to defer all or part of such compensation for varying periods. Directors who participate in the Deferred Compensation Plan may convert their deferred compensation into a number of common stock equivalents, the value of which is tied to the market value of PG&E Corporation common stock. Alternatively, participating directors may direct that their deferred compensation earn interest.

No director who serves on both the PG&E Corporation and Pacific Gas and Electric Company Boards and corresponding committees is paid additional compensation for concurrent service on Pacific Gas and Electric Company's Board or its committees, except that separate meeting fees are paid for each meeting of the Pacific Gas and Electric Company Board, or a Pacific Gas and Electric Company Board committee, that is not held concurrently or sequentially with a meeting of the PG&E Corporation Board or a corresponding PG&E Corporation Board committee. It is the usual practice of PG&E Corporation and Pacific Gas and Electric Company that meetings of the respective Boards and corresponding committees are held concurrently and, therefore, that a single meeting fee is paid to each director for each set of meetings.

In addition, directors of PG&E Corporation or Pacific Gas and Electric Company are reimbursed for reasonable expenses incurred in attending Board or committee meetings. Directors of PG&E Corporation or Pacific Gas and Electric Company also are reimbursed for reasonable expenses incurred in connection with other activities undertaken on behalf of or for the benefit of PG&E Corporation or Pacific Gas and Electric Company.

Effective January 1, 1998, the PG&E Corporation Retirement Plan for Non-Employee Directors was terminated. Directors who had accrued benefits under the Plan were given a one-time option of receiving at retirement the benefit accrued through 1997, or of converting the present value of their accrued benefit into a PG&E Corporation common stock equivalent investment held in the Deferred Compensation Plan for Non-Employee Directors. The payment of frozen accrued retirement benefits, or distributions from the Deferred Compensation Plan attributable to the conversion of retirement benefits, cannot be made until the later of age 65 or retirement from the Board.

Under the Non-Employee Director Stock Incentive Plan, a component of the PG&E Corporation Long-Term Incentive Program, on the first business day of January of each year, each non-employee director of PG&E Corporation is entitled to receive stock-based grants with a total aggregate equity value of \$30,000, composed of (1) restricted shares of PG&E Corporation common stock valued at \$10,000 (based on the closing price of PG&E Corporation common stock on the first business day of the year), and (2) a combination, as elected by the director, of non-qualified stock options and common stock equivalents with a total equity value of \$20,000, based on equity value increments of \$5,000. The exercise price of stock options is equal to the market value of PG&E Corporation common stock (i.e., the closing price) on the date of grant. Restricted stock and stock options vest over the five-year period following the date of grant, except that restricted stock and stock options will vest immediately upon mandatory retirement from the Board, upon a director's death or disability, or in the event of a change in control. Common stock equivalents awarded are payable in the form of PG&E Corporation common stock

only following a director's retirement from the Board, upon a director's death or disability, or in the event of a change in control. Unvested awards are forfeited if the recipient ceases to be a director for any other reason.

On January 2, 2001, each non-employee director received 511 restricted shares of PG&E Corporation common stock. In addition, directors who were granted stock options received options to purchase 1,077 shares of PG&E Corporation common stock for each \$5,000 increment of equity value (subject to the aggregate \$20,000 limit) at an exercise price of \$19.5625 per share, and directors who were granted common stock equivalents received 255 common stock equivalent units for each \$5,000 increment of equity value (subject to the aggregate \$20,000 limit).

Certain Relationships and Related Transactions

Mr. Andrews, a director of PG&E Corporation and Pacific Gas and Electric Company, resigned from the law firm of McCutchen, Doyle, Brown & Enersen, LLP (McCutchen) in January 2002. Mr. Andrews did not personally provide legal services to PG&E Corporation, Pacific Gas and Electric Company, or their affiliates. During 2001, McCutchen provided general legal services to Pacific Gas and Electric Company in the normal course of business.

Legal Proceedings

Proofs of Claims Filed in the Bankruptcy Case

On April 6, 2001, Pacific Gas and Electric Company filed a voluntary petition for relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of California (Bankruptcy Court). Pursuant to Chapter 11 of the U.S. Bankruptcy Code, Pacific Gas and Electric Company retains control of its assets and is authorized to operate its business as a debtor in possession while being subject to the jurisdiction of the Bankruptcy Court.

Bankruptcy law imposes an automatic stay to prevent parties from making certain claims or taking certain actions that would interfere with the estate or property of a Chapter 11 debtor. In general, Pacific Gas and Electric Company may not pay pre-petition debts without the Bankruptcy Court's permission. Through September 5, 2001, the last day for non-governmental creditors to file proofs of claim, non-governmental claims were submitted for an approximate aggregate amount of \$42.1 billion. This amount includes claims filed by generators, which Pacific Gas and Electric Company believes have been overstated, and claims by financial institutions, which Pacific Gas and Electric Company believes contain significant duplication. The Bankruptcy Court also has disallowed approximately \$9 billion of claims filed by non-governmental entities. J.P. Morgan Trust Co. of Delaware submitted a proof of claim for approximately \$1.45 million dollars relating to its ownership interest in shares of Pacific Gas and Electric Company's preferred stock. J.P. Morgan Chase Bank submitted a proof of claim for approximately \$173 million, related to its provision of a stand-by letter of credit which provides credit and liquidity support for certain of Pacific Gas and Electric Company's Pollution Control Bonds. Both entities are subsidiaries of J.P. Morgan Chase & Co., which was created on December 31, 2000, in a merger between The Chase Manhattan Corporation and J.P. Morgan & Co. Incorporated. Mr. David Coulter, a director of both PG&E Corporation and Pacific Gas and Electric Company, is a Vice Chairman of J.P. Morgan Chase & Co. and J.P. Morgan Chase Bank, responsible for Retail and Middle Market Financial Services and for Investment Management and Private Banking.

California Attorney General Complaint

On January 10, 2002, the California Attorney General (AG) filed a complaint in the San Francisco Superior Court against PG&E Corporation and its directors, as well as against the directors of Pacific Gas and Electric Company, based on allegations of unfair or fraudulent business acts or practices in violation of California Business and Professions Code Section 17200. Among other allegations, the AG alleges that past transfers of money from Pacific Gas and Electric Company to PG&E Corporation, and allegedly from PG&E Corporation to other affiliates of PG&E Corporation, violated various conditions established by the California Public Utilities Commission (CPUC) in decisions approving the holding company formation. The AG also alleges that the December 2000 and January and February 2001 ringfencing transactions by which PG&E Corporation subsidiaries complied with credit rating agency criteria to establish independent credit ratings violated the holding company conditions. The AG alleges that these ringfencing transactions included conditions that restricted PG&E National Energy Group's ability to provide any funds to PG&E Corporation through dividends, capital distributions or similar payments, reducing PG&E Corporation's cash and thereby impairing PG&E Corporation's ability to comply with the first priority condition and subordinating Pacific Gas and Electric Company's interests to the interests of PG&E Corporation and its other

affiliates. (On January 9, 2002, the CPUC issued a decision interpreting the first priority condition and concluded that the condition, at least under certain circumstances, includes the requirement that each of the holding companies infuse the utility with all types of capital necessary for the utility to fulfill its obligation to serve. The three major California investor-owned energy utilities and their parent holding companies had opposed the broader interpretation, first contained in a proposed decision released for comment on December 26, 2001, as being inconsistent with the prior 15 years understanding of that condition as applying more narrowly to a priority on capital needed for investment purposes.)

The AG seeks injunctive relief, the appointment of a receiver, restitution in an amount according to proof, civil penalties of \$2,500 against each defendant for each violation of California Business and Professions Code section 17200 and that the total penalty not be less than \$500 million, and costs of the lawsuit.

In addition, the AG alleges that, through Pacific Gas and Electric Company's bankruptcy proceedings, PG&E Corporation and Pacific Gas and Electric Company engaged in unlawful, unfair, and fraudulent business practices by seeking to implement the transactions proposed in the proposed Plan of Reorganization filed in Pacific Gas and Electric Company's bankruptcy proceeding. The AG's complaint also seeks restitution of assets allegedly wrongfully transferred to PG&E Corporation from Pacific Gas and Electric Company. The Bankruptcy Court has original and exclusive jurisdiction of these claims. Therefore, on February 8, 2002, PG&E Corporation filed a notice of removal in the Bankruptcy Court to transfer the AG's complaint to the Bankruptcy Court.

On February 15, 2002, a motion to dismiss, or in the alternative, to stay, the complaint was filed in the Bankruptcy Court.

Federal Securities Lawsuit

On April 16, 2001, a complaint was filed against PG&E Corporation and Pacific Gas and Electric Company in the U.S. District Court for the Central District of California entitled *Jack Gillam; DOES 1 TO 5, Inclusive, and All Persons similarly situated vs. PG&E Corporation, Pacific Gas and Electric Company; and DOES 6 to 10, Inclusive*. The complaint was filed after Pacific Gas and Electric Company filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Pacific Gas and Electric Company informed plaintiff that the action is stayed by the automatic stay provisions of the U.S. Bankruptcy Code and on or about April 23, 2001, plaintiff filed a notice of voluntary dismissal without prejudice with respect to Pacific Gas and Electric Company. By order entered on or about May 31, 2001, the case was transferred to the U.S. District Court for the Northern District of California.

On August 9, 2001, the plaintiff filed a first amended complaint entitled *Jack Gillam, et al. vs. PG&E Corporation, Robert D. Glynn, Jr., and Peter A. Darbee*, in the U.S. District Court for the Northern District of California. The first amended complaint, purportedly brought on behalf of all persons who purchased PG&E Corporation common stock or certain shares of Pacific Gas and Electric Company's preferred stock between July 20, 2000, and April 9, 2001, claims that defendants caused PG&E Corporation's Condensed Consolidated Financial Statements for the second and third quarters of 2000 to be materially misleading in violation of federal securities laws by recording as a deferred cost and capitalizing as a regulatory asset the under-collections that resulted when escalating wholesale energy prices caused Pacific Gas and Electric Company to pay far more to purchase electricity than it was permitted to collect from customers. The defendants filed a motion to dismiss the first amended complaint, based largely on public disclosures by PG&E Corporation, Pacific Gas and Electric Company, and others regarding the under-collections, the risk that they might not be recoverable, the financial consequences of non-recovery, and other information from which analysts and investors could assess for themselves the probability of recovery. On January 14, 2002, the district court granted the defendants' motion to dismiss the plaintiffs' complaint with leave to amend the complaint. On February 4, 2002, the plaintiffs filed a second amended complaint in the U.S. District Court for the Northern District of California entitled *Jack Gillam, et al. vs. PG&E Corporation, and Robert D. Glynn, Jr.* In addition to containing many of the same allegations as were contained in the prior complaint, the complaint contains allegations similar to the allegations in the California Attorney General's complaint against PG&E Corporation, discussed above. The defendants intend to file a motion to dismiss the second amended complaint.

Board of Directors Retirement Policy

It is the policy of the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company that a person may not be designated as a candidate for election or re-election as a director after he or she has reached the age of 70. Due to the current financial and business situation, the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company elected to adopt a one-year waiver of the retirement policy for purposes of nominating candidates for re-election at the 2002 annual meetings of shareholders. The Boards may determine whether to waive

the retirement policy on a year-to-year basis in light of the current business climate.

Security Ownership of Management

The following table sets forth the number of shares of PG&E Corporation common stock beneficially owned (as defined in the rules of the Securities and Exchange Commission) as of January 31, 2002, by the respective directors of PG&E Corporation and Pacific Gas and Electric Company, the nominees for director, the current executive officers of PG&E Corporation and Pacific Gas and Electric Company named in the Summary Compensation Table on pages , and all directors and executive officers of PG&E Corporation and Pacific Gas and Electric Company as a group. The number of shares shown for each such person, and for the directors, nominees for director, and executive officers as a group, constituted less than 1 percent of the outstanding shares of PG&E Corporation common stock. As of January 31, 2002, no director, nominee for director, or executive officer owned shares of any class of Pacific Gas and Electric Company securities. The table also sets forth common stock equivalents credited to the accounts of directors and executive officers under PG&E Corporation's deferred compensation and equity plans.

Name	Beneficial Stock Ownership ⁽¹⁾⁽²⁾	Common Stock Equivalents ⁽³⁾	Total
David R. Andrews ⁽⁴⁾	1,025	767	1,792
David A. Coulter ⁽⁴⁾	4,630	15,218	19,848
C. Lee Cox ⁽⁴⁾	28,544	1,506	30,050
William S. Davila ⁽⁴⁾	16,865	11,530	28,395
Robert D. Glynn, Jr. ⁽⁵⁾	1,029,201	92,451	1,121,652
David M. Lawrence, MD ⁽⁴⁾	27,206	2,307	29,513
Mary S. Metz ⁽⁴⁾	19,860	2,262	22,122
Carl E. Reichardt ⁽⁴⁾	16,788	13,601	30,389
Gordon R. Smith ⁽⁶⁾	471,289	13,664	484,953
Barry Lawson Williams ⁽⁴⁾	14,314	5,689	20,003

All PG&E Corporation directors and executive officers as a group (18 persons)

All Pacific Gas and Electric Company directors and executive officers as a group (15 persons)

(1) Includes any shares held in the name of the spouse, minor children, or other relatives sharing the home of the director or executive officer and, in the case of executive officers, includes shares of PG&E Corporation common stock held in the defined contribution retirement plans maintained by PG&E Corporation, Pacific Gas and Electric Company, and their subsidiaries. Except as otherwise indicated below, the directors, nominees for director, and executive officers have sole voting and investment power over the shares shown. Voting power includes the power to direct the voting of the shares held, and investment power includes the power to direct the disposition of the shares held.

Also includes the following shares of PG&E Corporation common stock in which the beneficial owners share voting and investment power: Mr. Coulter 4,630 shares, Mr. Cox 16,761 shares, Mr. Davila 200 shares, Dr. Lawrence 360 shares, Dr. Metz 5,850 shares, Mr. Smith 3,884 shares, _____ shares, all PG&E Corporation directors and executive officers as a group _____ shares, and all Pacific Gas and Electric Company directors and executive officers as a group _____ shares.

(2) Includes shares of PG&E Corporation common stock which the directors and executive officers have the right to acquire within 60 days of January 31, 2002, through the exercise of vested stock options granted under the PG&E Corporation Long-Term Incentive Program, as follows: Mr. Cox 11,783 shares, Mr. Glynn 1,006,691 shares, Dr. Lawrence 11,783 shares, Dr. Metz 11,783 shares, Mr. Reichardt 11,783 shares, Mr. Smith 448,434 shares, Mr. Williams 9,510 shares, _____, all PG&E Corporation directors and executive officers as a group 2,910,256 shares, and all Pacific Gas and Electric Company directors and executive officers as a group _____ shares.

2,182,837 shares. The directors and executive officers have neither voting power nor investment power with respect to shares shown unless and until such shares are purchased through the exercise of the options, pursuant to the terms of the PG&E Corporation Long-Term Incentive Program.

- (3) Reflects the number of stock units purchased by officers and directors through salary and other compensation deferrals or awarded under equity compensation plans. The value of each stock unit is equal to the value of a share of PG&E Corporation common stock and fluctuates daily based on the market price of PG&E Corporation common stock. The directors and officers who own these stock units share the same market risk as PG&E Corporation shareholders, although they do not have voting rights with respect to these stock units.
- (4) Mr. Andrews, Mr. Coulter, Mr. Cox, Mr. Davila, Dr. Lawrence, Dr. Metz, Mr. Reichardt, and Mr. Williams are directors of both PG&E Corporation and Pacific Gas and Electric Company.
- (5) Mr. Glynn is a director and executive officer of PG&E Corporation, and also is a director of Pacific Gas and Electric Company. He is named in the Summary Compensation Table on pages .
- (6) Mr. Smith is a director and an executive officer of Pacific Gas and Electric Company, and also is an executive officer of PG&E Corporation. He is named in the Summary Compensation Table on pages .

Item No. 2: Ratification of Appointment of Independent Public Accountants

On the recommendation of the Audit Committees of PG&E Corporation and Pacific Gas and Electric Company, the Boards of Directors of those entities have selected Deloitte & Touche LLP as the independent public accountants to examine the consolidated financial statements of PG&E Corporation and Pacific Gas and Electric Company for the year 2002. Deloitte & Touche LLP is a major national accounting firm with substantial expertise in the energy and utility businesses. Deloitte & Touche LLP has been employed to perform this function for PG&E Corporation and Pacific Gas and Electric Company since 1999.

Audit Fees. For the year ended December 31, 2001, estimated fees for services rendered by Deloitte & Touche LLP for the reviews of Forms 10-Q and for the audits of the financial statements of PG&E Corporation and its subsidiaries are \$3.6 million. This amount includes fees for stand-alone audits of various subsidiaries, including estimated fees of \$0.9 million for Pacific Gas and Electric Company and its subsidiaries.

Financial Information Systems Design and Implementation Fees. For the year ended December 31, 2001, Deloitte & Touche LLP and its affiliates did not render any services related to the design and implementation of financial information systems for PG&E Corporation or Pacific Gas and Electric Company.

All Other Fees. For the year ended December 31, 2001, aggregate fees for all other services rendered by Deloitte & Touche LLP and its affiliates to PG&E Corporation and its subsidiaries consisted of \$1.6 million of fees for services relating to financings, regulatory filings, and accounting consultations that should be performed only by the Corporation's independent auditor (audit related fees), \$3.0 million of fees for tax services, and \$4.0 million of other non-audit related fees. These amounts include \$24,000 of audit related fees and \$21,000 of other non-audit related fees for Pacific Gas and Electric Company and its subsidiaries.

One or more representatives of Deloitte & Touche LLP will be present at the annual meetings. They will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from shareholders.

PG&E Corporation and Pacific Gas and Electric Company are not required to submit these appointments to a vote of the shareholders. If the shareholders of either PG&E Corporation or Pacific Gas and Electric Company should not ratify the appointment, the respective Audit Committee will investigate the reasons for rejection by the shareholders and the respective Board of Directors will reconsider the appointment.

The Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company Unanimously Recommend a Vote FOR the Proposal to Ratify the Appointment of Deloitte & Touche LLP.

Item Nos. 3-4: PG&E Corporation Management Proposals

To Be Voted on by PG&E Corporation Shareholders Only

Item No. 3: Management Proposal Regarding a Proposed Amendment to PG&E Corporation's Articles of Incorporation to Implement Enhancement of Simple Majority Voting

At the 2001 annual meeting of PG&E Corporation, a majority of shares present and voting approved a shareholder proposal recommending that the Board of Directors amend the fair price provision in the Corporation's Restated Articles of Incorporation to provide that a simple majority vote of shareholders be the only fair price provision requirement to effect a merger or business combination involving the Corporation or any of its subsidiaries. Because a majority vote of shareholders is already required under California law for significant corporate transactions involving the Corporation or any of its subsidiaries, the adoption of this recommendation would render the fair price provision unnecessary. Also, because the Corporation's Shareholder Rights Plan already affords shareholders substantial protection against inadequate offers or coercive or unfair takeover tactics, the Board of Directors believes that the fair price provision no longer provides shareholders with any meaningful incremental protection.

The Board of Directors therefore proposes to delete the fair price provision from the Corporation's Restated Articles of Incorporation. This proposed amendment would not affect the constituency provision contained in the Corporation's Restated Articles of Incorporation. A copy of Article Eighth of the Restated Articles of Incorporation of PG&E Corporation as proposed to be amended is attached to this Joint Proxy Statement as Appendix A.

The proposed amendment to Article Eighth of the Restated Articles of Incorporation of PG&E Corporation is permitted under California law and the rules of the New York Stock Exchange, the principal exchange upon which PG&E Corporation's common stock is listed and traded. The proposed amendment will not become effective until (1) it is approved by the affirmative vote of a majority of the outstanding shares of PG&E Corporation common stock, and (2) a certificate of amendment is filed with the California Secretary of State.

The Board of Directors of PG&E Corporation Unanimously Recommends a Vote FOR the Foregoing Amendment to the Articles of Incorporation of PG&E Corporation.

Item No. 4: Management Proposal Regarding Proposed Amendment to PG&E Corporation's Articles of Incorporation and Bylaws to Reduce the Authorized Range of Directors and Transfer the Provision That Establishes the Authorized Range of Directors from the Bylaws to the Articles of Incorporation

PG&E Corporation's Restated Articles of Incorporation currently provide that the authorized number of directors shall be within a range of between seven and thirteen. PG&E Corporation's Bylaws also list the range of the authorized number of directors as set forth in the Restated Articles of Incorporation, and fix the exact authorized number of directors. The current authorized number of directors to be elected at the 2002 annual meeting is nine.

On September 20, 2001, PG&E Corporation and Pacific Gas and Electric Company jointly filed a proposed Plan of Reorganization in U.S. Bankruptcy Court that would enable Pacific Gas and Electric Company to pay all valid creditor claims in full and emerge from Chapter 11 bankruptcy proceedings. The proposed Plan reorganizes Pacific Gas and Electric Company and PG&E Corporation into two separate stand-alone companies no longer affiliated with one another. The common shares of the reorganized Pacific Gas and Electric Company will be distributed to PG&E Corporation shareholders (spin-off).

As part of the spin-off of Pacific Gas and Electric Company, the current members of the PG&E Corporation and Pacific Gas and Electric Company Boards of Directors will be divided between the entities. PG&E Corporation is expected to have five directors immediately following the spin-off. This number falls outside the range of directors currently authorized in the Restated Articles of Incorporation and set forth in the Bylaws.

The Board of Directors of PG&E Corporation has unanimously approved (1) an amendment to the Corporation's Restated Articles of Incorporation to provide that the Board of Directors shall consist of not less than

five nor more than nine directors and (2) an amendment to the Corporation's Bylaws to delete provisions setting forth the range of the authorized number of directors, as it is unnecessary to have this range stated in both documents, and to clarify the permissible methods for fixing the exact number of directors within the range established by the Articles of Incorporation. These amendments only will become effective when Pacific Gas and Electric Company becomes a stand-alone entity, as contemplated in the Plan of Reorganization. The proposed amendments would not affect the number of directors to be elected at the 2002 annual meeting. Copies of Article Third of the Restated Articles of Incorporation of PG&E Corporation and of Article II, Section 1 of the Bylaws of PG&E Corporation as proposed to be amended are attached to this Joint Proxy Statement as Appendix A.

The proposed amendment to Article Third of the Restated Articles of Incorporation of PG&E Corporation is permitted under California law and the rules of the New York Stock Exchange, the principal exchange upon which PG&E Corporation's common stock is listed and traded. The proposed amendment to the Corporation's Restated Articles of Incorporation will not become effective until (1) it is approved by the affirmative vote of a majority of the outstanding shares of PG&E Corporation common stock, (2) Pacific Gas and Electric Company becomes a stand-alone entity, as contemplated in the proposed Plan of Reorganization, and (3) a certificate of amendment is filed with the California Secretary of State. The proposed amendment to the Corporation's Bylaws will not become effective until (1) it is approved by the affirmative vote of a majority of the outstanding shares, and (2) the foregoing amendment to the Restated Articles of Incorporation becomes effective.

The Board of Directors of PG&E Corporation Unanimously Recommends a Vote FOR the Foregoing Amendments to the Articles of Incorporation and Bylaws of PG&E Corporation.

Item Nos. 5-9: Pacific Gas and Electric Company Management Proposals

To Be Voted on by Pacific Gas and Electric Company Shareholders Only

On September 20, 2001, PG&E Corporation and Pacific Gas and Electric Company jointly filed a proposed Plan of Reorganization in U.S. Bankruptcy Court that would enable Pacific Gas and Electric Company to pay all valid creditor claims in full and emerge from Chapter 11 bankruptcy proceedings. The proposed Plan reorganizes Pacific Gas and Electric Company and PG&E Corporation into two separate stand-alone companies no longer affiliated with one another. The common shares of the reorganized Pacific Gas and Electric Company will be distributed to PG&E Corporation shareholders (spin-off).

All amendments to Pacific Gas and Electric Company's Restated Articles of Incorporation and Bylaws proposed in Items Nos. 5 through 9 will only become effective once the Company becomes a stand-alone entity, as contemplated in the Plan of Reorganization. Appendix B of this Joint Proxy Statement sets forth the Company's Restated Articles of Incorporation and Bylaws, as proposed to be amended in Items Nos. 5 through 9.

Item No. 5: Management Proposal Regarding a Proposed Amendment to Pacific Gas and Electric Company's Articles of Incorporation to Establish a Classified Board of Directors

Currently, the total number of directors constituting the Board of Directors of Pacific Gas and Electric Company is ten with each director serving a term of one year. As a consequence, shareholders must elect directors to fill the authorized positions at each annual meeting of shareholders.

Pacific Gas and Electric Company proposes amending the Company's Restated Articles of Incorporation to establish a classified board. If the authorized number of directors is nine or greater, the Board of Directors would be divided into three classes, with members of each class elected for staggered terms of three years. Each class would consist of one-third of the directors or as close an approximation as possible. If the authorized number of directors is reduced to between six and eight directors, the Board would be divided into two classes, with members of each class elected for staggered terms of two years.

If the nu