Pacific Gas and Electric Company

Statement of Estimated Cash Flows
April 20, 2001

This document provides the latest forecast of cash flows for Pacific Gas and Electric Company (the "Company"). The purpose of this document is to show the Company's estimated sources and uses of cash, by month, through September 2001, and to explain the assumptions on which the estimates are based. Actual amounts may vary significantly from these estimates, due to various factors which are explained in the Business Overview below, and in the Footnotes following the Statement of Estimated Cash Flows.

Business Overview

Pacific Gas and Electric Company is an electric and gas utility serving a population of 13 million people in central and northern California. Electricity is delivered over 131, 000 miles of electric transmission and distribution wires, and gas is delivered through 43, 000 miles of gas transmission and distribution pipelines. To build, operate, and maintain this infrastructure, the Company employs 19,000 people, owns a fleet of vehicles, owns and operates its own communications system, and maintains a system of warehouses and service centers throughout its 70,000 square mile service territory.

The Company owns and operates electric generating stations with a capacity of 6,635 megawatts, enough to serve 6.6 million homes. Among the Company's generating facilities are a 2,200 megawatt nuclear power plant (Diablo Canyon), a hydroelectric system with over a hundred generating units and a capacity of almost 4,000 megawatts, and two gas-fired power plants. The Company also has under contract (Power Purchase Agreements, or PPAs) from independent power producers (including those known as "Qualifying Facilities" or "QFs" as well as irrigation districts) about 5,500 megawatts of operational capacity. The Company's own generation and PPAs provide, on average, about two-thirds of the electric energy demand of the Company's end-use customers, although this amount varies throughout the year. Pursuant to California legislation AB 1X, the remainder of electricity required by the Company's customers (the net open position) is intended to be the responsibility of the California Department of Water Resources (DWR) to purchase from others. Power procured by DWR is sold directly to the Company's customers, with the Company acting as the billing and collection agent for DWR. To the extent DWR has not purchased the net open position, the California Independent System Operator (CAISO or ISO) has purchased electricity in the wholesale markets, on behalf of the Company's customers. PG&E believes it is not responsible for the costs associated with these purchases by the ISO.

The Company procures natural gas for its core customers (residential and small commercial customers) through a number of gas producers and marketers under contract with the Company. About two-thirds of the natural gas procured by PG&E comes from

Canada, and the remainder comes from various states in the Southwest United States. Gas commodity procured by the Company is sold to customers at the Company's cost of procurement, plus the cost of delivering the gas through the Company's system. The prices at which the Company procures gas can vary significantly due to supply and demand, which in turn are often driven by the weather. Gas commodity prices are typically higher during the winter months, when demand for gas is highest due to winter heating. The Company is allowed to adjust gas rates monthly in order to fully collect gas commodity costs from customers.

In recent years electricity consumption has grown at an average annual rate of about two percent, and gas deliveries about 1.5%. Over the last few years the Company's has made annual capital expenditures ranging from $1.2 to $1.5 billion for improvements to its electric and gas infrastructure. These expenditures provide for connection of new customers, capacity expansion of the existing system, replacement of older equipment, and improvements to enhance reliability. New gas-fired electric generation coming on line will require expansion of the Company's electric and gas transmission systems over the next several years.

Regulation

Virtually all of the Company's products and services are price-regulated by two agencies: the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). Generally, regulated rates are set such that the Company collects sufficient revenue to pay its operating expenses, as well as to recover over time investments in plant and equipment, and to earn a reasonable rate of return based on invested capital or on operating performance.

The CPUC sets the prices, or rates, the Company is allowed to charge its retail customers for gas and electricity distribution service. The CPUC has jurisdiction to regulate the Company's electric and gas distribution service, and gas transmission and storage services. The CPUC regulates the Company's rates and conditions of service, sales of securities, dispositions of utility property, rates of return, rates of depreciation, and long-term resource procurement. In the past, California regulators have provided rate adjustment mechanisms such that when rates in one period provide less than full recovery of the Company's costs, typically commodity costs, rates are adjusted in the next period to recover the shortfall. However, starting in the summer of 2000 with skyrocketing prices of wholesale electricity, California regulators have not set electric rates at a level sufficient to recover the Company's costs, nor have the regulators established any mechanism for the Company to recover the billions of dollars of electric commodity cost shortfalls.

The Federal Energy Regulatory Commission (FERC) has authority over wholesale electric rates, and over retail rates for electric transmission service. The FERC regulates electric transmission rates and access, the operation of the ISO, and contracts involving the wholesale sale of power. Further, most of the Company's hydroelectric facilities are subject to licenses issued by the FERC. Since 1998, FERC has allowed wholesale electricity prices in California to be established by market forces, rather than by setting cost-based rates for each generator.

The Nuclear Regulatory Commission (NRC) oversees the licensing, construction, operation, and decommissioning of nuclear facilities, including Diablo Canyon and the retired nuclear generation unit at Humboldt bay Power Plant (Unit 3).

Cash Forecast Summary

The Company had a cash balance of $2.5 billion at April 5, 2001. During the forecast period, the Company assumes that it remains under the protection of the federal bankruptcy court. It is assumed that cash payments for electricity procurement costs do not exceed the cash received from customers for the electric commodity portion of their bills. Because the Company's gas and electric rates are otherwise sufficient to recover the Company's operating costs for gas and electric transmission and distribution, the overall cash position of the Company remains near its April starting point.

However, it is possible that existing and future CPUC ratemaking decisions may mandate that the Company make cash payments for electricity procurement and other utility costs in excess of cash received from customers through retail electric rates. If this occurs, the Company's overall cash position would deteriorate significantly. The Company would challenge such decisions.

Pacific Gas and Electric Company
Statement of Estimated Cash Flows
(Millions of $)

Line	For the month of	Apr 2001	May 2001	Jun 2001	Jul 2001	Aug 2001	Sep 2001
	Cash Flows From Operating Activities						
	Receipts from customers:						
1	Electric receipts for DWR	146	180	194	163	152	198
2	Electric receipts - other	376	428	412	517	719	825
3	Gas receipts	525	413	294	243	218	185
4	Total receipts from customers	1,047	1,022	900	923	1,089	1,209
5	Other receipts	1	1	1	1	1	1
6	Total receipts	1,048	1,023	901	924	1,090	1,210
	Disbursements:						
7	Purchased power - DWR	-146	-180	-194	-163	-152	-198
8	Purchased power - other	-89	-103	-236	-281	-324	-324
9	Gas (incl UEG)	-415	-218	-158	-149	-143	-144
10	O&M/A&G	-211	-201	-206	-185	-202	-193
11	Interest paid	-11	-11	-130	-9	-10	-11
12	Income and property taxes - net	-37	0	-1	-2	-1	-276
13	Other - net	0	0	0	0	0	0
14	Total disbursements	-909	-712	-925	-789	-832	-1,145
15	**Net cash provided by operating activities**	139	310	-24	135	259	64
	Cash Flows From Investing Activities						
16	Capital expenditures	-135	-126	-94	-131	-122	-129
17	Proceeds from sale of assets	0	0	0	0	0	0
18	Other - net	-3	-1	0	0	-1	0
19	**Net cash used by investing activities**	-137	-128	-94	-131	-124	-129
	Cash Flows From Financing Activities						
20	Rate reduction bonds principal payments	-23	-22	-21	-23	-24	-27
21	**Net cash provided(used) by financing activities**	-23	-22	-21	-23	-24	-27
22	**Net Change in Cash and Cash Equivalents**	-21	160	-140	-19	111	-92
23	**Cash and Cash Equiv. at Beginning of Month**	2,582	2,561	2,721	2,582	2,563	2,674
24	**Cash and Cash Equivalents at End of Month**	2,561	2,721	2,582	2,563	2,674	2,582

Notes to Statement of Estimated Cash Flows

Cash Receipts (lines 1 - 6): Virtually all cash receipts are from end-use gas and electric customers, and are based on current estimates of sales volumes and currently authorized or proposed CPUC and FERC tariffs. The forecast assumes that a future CPUC order authorizes collection of a three-cent electric retail rate increase no later than June 1, consistent with a CPUC order effective March 27, 2001. This rate increase will result in additional monthly receipts of approximately $200 million. However, due to the lag between mailing customers' bills and receipt of their payments, the full increase in monthly cash received is not realized until August.

Forecast electric sales volumes reflect the Company's estimate that customers will reduce demand by about 6% in the remainder of the year, relative to 2000 sales, due to higher electric prices and conservation efforts. Actual monthly sales volumes can vary with weather and the level of economic activity. Generally, gas sales are highest in the winter due to heating demand, and electric sales are highest in the summer due to air conditioning load.

Amounts for cash receipts are shown when the cash is estimated to be available to the Company.

Line 1: Electric Receipts for DWR
This line shows the collections from customers for power sales to them by DWR, based on the CPUC order effective March 27, 2001. Pursuant to California legislation AB 1X passed February 1, 2001, DWR retains title to the power it purchases and payment for any sale of power by DWR is a direct obligation of retail end use customers to DWR. The Company acts as the billing and collection agent for DWR.

Amounts shown here assume that the CPUC authorized three-cent per kWh electric rate increase will start to be included in customer bills June 1. The three cent increase is effective April 1, however, billing will not occur until June. Therefore, the forecast assumes that the unbilled amounts from April 1 to the date that billing begins will be collected from customers over twelve months starting with their June 1 bills. Because the CPUC has not finalized its authorization of collection of the three-cent increase, the actual implementation dates and methods may differ from those assumed here, which could impact the cash available and the portion of the Company's revenues the CPUC allocates to DWR.

The amounts shown on this line are equal to, and determined by, the disbursements to DWR shown on line 7. Please see the note to Line 7 for additional information.

Line 2: Electric receipts – other
This line includes payments by retail customers for electric services from the Company, including electric transmission and distribution services as well as power produced or purchased by the Company. Also included are payments from other utilities for their use of the Company's electric transmission and distribution systems payments for other energy-related services.

This line also includes a dedicated rate component of customers' bills which is collected by the Company as a pass-through for the repayment of principal and interest on rate reduction bonds, which were issued in 1997 in connection with the partial deregulation of the electric industry in 1996 under AB 1890.

Line 3: Gas receipts
This line includes gas receipts from core gas customers (residential and commercial gas customers who take "bundled" service from the Company, meaning that the commodity charge and delivery cost are combined into a single rate), as well as receipts for non-core customers who buy commodity gas directly from producers or gas marketers, and pay the Company only for the cost of delivery over the Company's gas system. Gas receipts are seasonal, with gas demand and rates highest in the winter.

Line 5: Other receipts
This line includes estimated amounts the Company may receive from salvage of used equipment, and miscellaneous proceeds from other activities. These amounts are typically immaterial, and are very difficult to forecast with any accuracy. Forecast amounts shown are based on average actual proceeds from past years.

Cash Disbursements (lines 7 – 14): Amounts for disbursements are shown on the date the payment is made, whether by check or electronic funds transfer. Note that checks typically do not clear for several days after they are issued.

Line 7: Purchased power – DWR

Following the decline in the utilities' credit ratings and the consequent unwillingness of electric producers to sell to the utilities, the California legislature passed AB 1X, which authorized DWR to buy sufficient power to meet the utilities' net open position. This forecast assumes that DWR carries out that legislative intent.

Based on an interim order by the CPUC, the amounts shown for DWR purchased power are calculated by multiplying the volume of DWR procurement (assumed to equal the Company's full net open position) by the monthly generation-related component of the Company's overall electric rates. (The generation-related component of electric rates fluctuates throughout the year.)

Future monthly disbursements to DWR will be affected by the size of the Company's net open position, which in turn is driven by the demand for electricity, and the availability of the Company's generation resources, primarily hydroelectric, nuclear and QF generation.

The CPUC has not issued a final order establishing the allocation of electric revenues to DWR. To the extent the Company is required to allocate a larger portion of electric revenues to DWR without increasing rates appropriately, the amount on this line would increase, potentially depleting the Company's cash reserves.

Line 8: Purchased power – other
This line shows payments for electricity to producers under contract with the Company, such as QFs, irrigation districts, bilateral suppliers, and other wholesale generators. Also

included are the Company's pro-rata share of the costs of ancillary and other grid reliability services from the ISO. (These services generally help ensure that extra generating capacity is standing by, ready to accommodate fluctuations in loads if necessary.) QF payments are estimated based on forecast output and forecast QF prices.

Given the assumptions reflected in this forecast, the Company anticipates that it will have sufficient revenues to pay its procurement costs over the forecast period. However, a number of factors could affect this going forward, including the extent to which the ISO attempts to continue to charge the utility for purchases of the portion of the net open position which DWR fails to purchase, the extent to which DWR does not assume responsibility for its pro-rata share of ancillary and related services from the ISO, requirements to increase the portion of electric revenues allocable to the DWR, and prices paid to QFs (which in turn are affected by future gas prices).

Line 9: Gas (incl. UEG)

These payments are to natural gas suppliers for gas delivered to the Company's core gas customers and to interstate pipelines for the transportation of gas into PG&E's system. Although actual gas costs can vary significantly from forecast, the overall impact on cash flows over time is minimal, since PG&E is permitted to adjust its retail gas rates monthly to reflect changes in actual and forecast gas commodity prices. The demand for gas is directly correlated with temperature, with the highest demands in the winter for heating, and the lowest demands in the summer. Cash disbursements for gas can still be high in the non-winter months, since that is when the Company buys gas and injects it into local underground storage fields for withdrawal during the next winter season.

Amounts on this line also contain the cost of natural gas used in the Company's own gas-fired generation units.

Line 10: M&O/A&G

These disbursements are for the costs of operating and maintaining PG&E's gas and electric infrastructure for delivering energy, as well as for the non-fuel costs of the Company's electric generating facilities. These disbursements are for the portion of costs that are not capitalized, and include employee compensation and benefits, payroll taxes, materials and supplies, contract labor, franchise fees paid to the cities and counties the Company serves, and other costs and fees. Activities covered by these costs include, energy efficiency programs, tree trimming, customer service, repair to poles, wires, pipes, towers, substations and other equipment, meter reading, billing, call centers, as well as the administrative costs of running the business. These costs do not fluctuate a great deal from month to month, although certain types of payments, such as franchise fees, are paid once or twice yearly. Unexpected cost increases can occur due to major earthquakes or other events.

Line 11: Interest paid
These disbursements are to holders of the Company's mortgage debt only, as well as the interest portion of the payments made to the rate reduction bond trustee. The Company acts as the billing and collection agent on behalf of the trustee.

Mortgage debt interest is paid in June and December, while interest on rate reduction bonds is paid daily.

Line 12: Income and property taxes – net
Disbursements on this line are for Federal and California income taxes paid, net of any refunds, and for California property taxes. Income tax payments are made quarterly, with the largest payment typically coming in December. PG&E pays property taxes twice a year in April and December.

Line 13: Other – net
No amounts are currently estimated during the forecast period.

Cash Flows from Investing Activities (lines 16 – 18)
Line 16: Capital Expenditures
The Company self-constructs much of the infrastructure used to deliver gas and electric energy. Costs such as meters, poles, transformers, substations, buildings, conductors, switches, vehicles, computers, telecommunications equipment etc., as well as the cost of installation, are capitalized to plant and equipment. Included in this line are the capitalized portion of costs, such as employee compensation and benefits, payroll taxes, materials and supplies, contract labor, interest etc. that are incurred for the construction or major repair of plant and equipment.

Line 17: Proceeds from sale of assets
This line contains a forecast of proceeds from the sale of significant assets. At this time, the Company is not forecasting the sale of any significant assets.

Line 18: Other – net
This line reflects the cost of purchasing nuclear fuel.

Cash Flows from Financing Activities (line 20): This section would typically show the proceeds from the issuance of securities, or the payments for maturing or reacquired debt. Due to the Company's current financial condition, it is unable to issue securities, or to pay the principal of any maturing debt. Hence, there are no financing activities, with one exception described below.

Line 21: Rate reduction bonds matured

These disbursements are the principal portion of the payments made to the rate reduction bond trustee. Like the interest on these bonds, the principal is paid daily.

In December 1997, PG&E Funding LLC (SPE), a special-purpose entity wholly owned by Pacific Gas and Electric Company, issued $2.9 billion of rate reduction bonds to the California Infrastructure and Economic Development Bank. The proceeds of the rate reduction bonds were used by the SPE to purchase from the Company the right, known as "transition property," to be paid a specified amount from a non-bypassable tariff levied on residential and small commercial customers which was authorized by the CPUC pursuant to state legislation. The SPE is legally separate from the Company, and the assets of the SPE are not available to creditors of the Company, and the transition property is not legally an asset of the Company.