

PACIFIC GAS AND ELECTRIC COMPANY

ANNUAL REPORT 1990

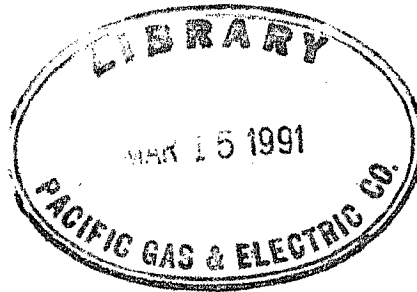
PG&E OPERATIONS, ANNUAL REPORT
+Pacific Gas and Electric Company



HIGHLIGHTS

Pacific Gas and Electric Company

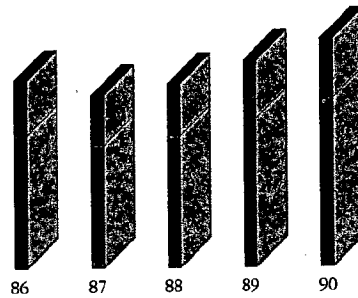
	1990	1989	% Change
Operating revenues	\$ 9,470,092,000	\$ 8,588,264,000	10
Operating income	\$ 1,706,136,000	\$ 1,622,558,000	5
Net income	\$ 987,170,000	\$ 900,628,000	10
Earnings available for common stock	\$ 889,169,000	\$ 799,549,000	11
Earnings per common share	\$ 2.10	\$ 1.90	11
Dividends declared per common share	\$ 1.52	\$ 1.40	9
Construction expenditures (including AFUDC)	\$ 1,541,779,000	\$ 1,448,452,000	6
Total electric sales to customers (kwh)	74,056,536,000	69,765,728,000	6
Total gas sales to customers (mcf)	472,546,000	497,209,000	(5)
At year-end			
Total assets	\$21,958,397,000	\$21,351,970,000	3
Total customers	7,647,000	7,482,000	2
Number of shareholders	349,000	368,000	(5)
Number of common shares outstanding	420,219,011	428,990,166	(2)
Number of employees (PG&E only)	26,200	26,200	0



PACIFIC GAS AND ELECTRIC COMPANY

PG&E is one of the nation's largest investor-owned gas and electric utilities, serving 11.8 million people in Northern and Central California. Our electricity comes from widely diversified resources—fossil-fuel plants, hydroelectric plants, a major pumped storage plant, a geothermal complex, the Diablo Canyon Nuclear Power Plant and from such alternative technologies as wind power, solar power and biomass. Our natural gas comes from Canada, the U.S. Southwest and California. The area PG&E serves is also diversified, with a robust economy based on technology, agriculture and industry.

COVER The Big Sur area is one of the many beautiful scenic areas in PG&E's service territory.

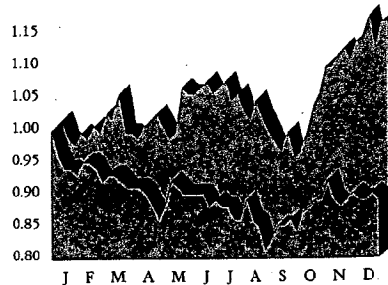


CONSOLIDATED OPERATING REVENUES
In billions

	Electric	Gas
1986	\$5.6	\$2.2
1987	\$5.1	\$2.1
1988	\$5.5	\$2.1
1989	\$6.2	\$2.4
1990	\$7.0	\$2.4

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PG&E STOCK PERFORMANCE vs DOW JONES UTILITIES INDEX
Weekly Data;
12/29/89 = 1.00

PG&E
DJ Utilities

PG&E IS COMMITTED TO

a cleaner, healthier environment.

We will conduct all aspects of our business in an environmentally sensitive manner. We are convinced that sound environmental policy and sound business practice go hand in hand. We will pursue both for the benefit of our customers, shareholders, employees and the communities we serve.

PG&E'S BUSINESS STRATEGY gives the company the potential for superior earnings growth in the 1990s — the growth necessary to sustain future increases in our dividend and stock price.

That strategy is working. Last year we substantially increased the value of your investment in the company. Our strong financial results in 1990 reflect the effectiveness of our business plans and the dedicated performance of PG&E's employees throughout the year.

Earnings for 1990 were \$2.10 per share, up 10.5 percent over the \$1.90 per share recorded in 1989. We achieved strong earnings in 1990 for two primary reasons.

First, we earned the full return on equity invested in our utility business authorized by the California Public Utilities Commission for 1990. Second, we continued to operate the Diablo Canyon Nuclear Power Plant safely and at high levels of performance. The revenues we received for the power generated by the plant added significantly to overall corporate earnings for the year.

In January of 1990, we increased the dividend on common stock by 8.6 percent. This increase, and the market's belief in our continued earnings growth, resulted in a higher price for our stock.

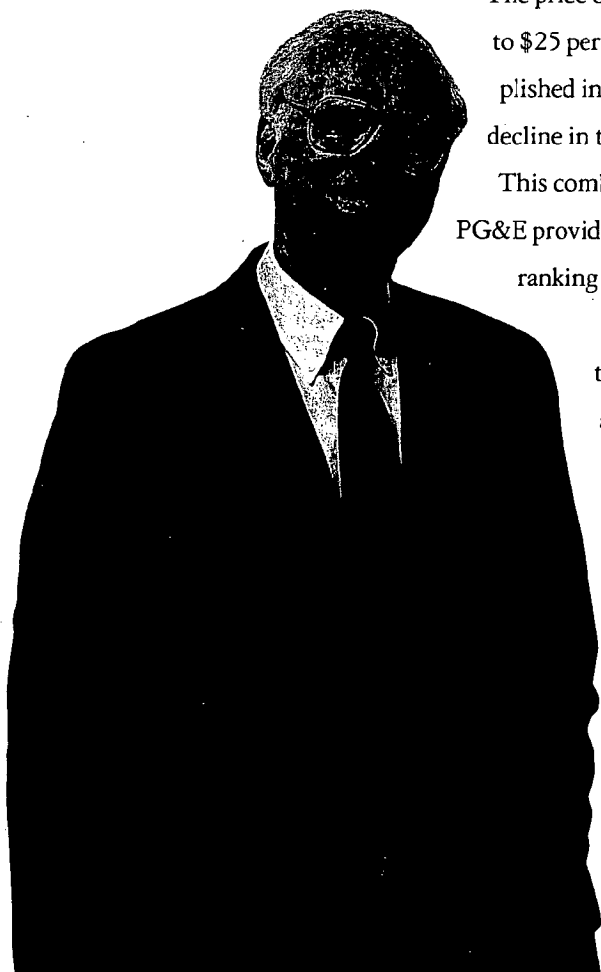
The price of a share of PG&E common stock rose from \$22 at the start of the year to \$25 per share at year's end — an increase of almost 14 percent. This was accomplished in the face of a generally weak stock market and about an 11 percent decline in the Dow Jones Utilities Index during the same period.

This combination of dividend increase and stock price appreciation means that PG&E provided a total return of more than 20 percent to our shareholders in 1990 — ranking PG&E first among the companies listed in the Dow Jones Utilities Index.

The company's excellent performance in 1990 gives us confidence that PG&E can continue to achieve strong financial results in the months and years ahead. Based on that confidence, the Board of Directors on January 16, 1991, raised the quarterly common stock dividend to 41 cents per share, an increase of 3 cents over the previous level.

The new annualized rate is \$1.64 per share, an increase of 7.9 percent from the previous annualized rate of \$1.52 per share.

Our strategy for the '90s is designed to achieve increases in corporate earnings per share from each of the three key elements of our business: basic utility operations, Diablo Canyon and PG&E Enterprises, our unregulated business subsidiary.



UTILITY BUSINESS Earning the full authorized utility return is fundamental to our success.

In 1990 the basic utility business accounted for about 70 percent of the company's earnings. We intend to continue earning the authorized return by focusing on essential work, by continuously seeking better ways to do that work, and by rigorously controlling costs.

We have kept operating budgets essentially flat since 1986, without sacrificing safety, reliability or the quality of service we provide. For the past five years, 90 percent or more of our customers have reported they are satisfied with PG&E service.

Also we have added approximately 634,000 new customers since 1986, absorbed cumulative inflation of 19 percent and improved the ratio of customers served per employee by about 22 percent — strong evidence of PG&E's increased productivity.

We expect PG&E's basic gas and electric utility business will continue to grow because we serve one of the nation's most dynamic markets.

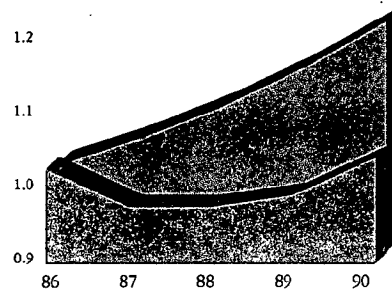
Standing alone, our service territory in Northern and Central California would be the world's 12th largest economy. Historically, the size and diversity of this economy, which includes major high-tech manufacturing, agricultural and service sectors, have enabled it to withstand the effects of national business downturns better than other parts of the country.

We plan to invest between \$1.5 billion and \$1.75 billion annually in our basic utility business for the next five years. These investments are needed for projects in the basic utility business, and will provide an opportunity to increase earnings in that business.

We also plan to expand our pipeline that brings competitively priced Canadian gas to California. Scheduled for completion in 1993, the pipeline expansion would greatly increase our gas transmission capacity. Most of this increased gas supply would be transported to utilities and large industrial customers in Southern California and the Pacific Northwest. This \$1.5 billion project is an additional potential source of earnings growth in our utility business. It also would assist our efforts to reduce oil consumption.

Another source of earnings growth is Customer Energy Efficiency (CEE). We now are able for the first time to make a profit on the energy savings we achieve by assisting customers to conserve gas and electricity. Described more fully later in this report, CEE is a new means to build earnings, reduce oil use and at the same time benefit customers and California's environment.

Continuing to provide excellent customer service is essential to our sustained business success. The investments PG&E plans to make in its utility system will help maintain safe and



EXPENSE PER CUSTOMER
Non-fuel Annual Data; 1985 = 1.0

■ Inflation

■ Expense per customer

Expense includes transmission, distribution, customer services, administrative and general, maintenance and other expenses.

reliable service, and our broad array of CEE programs will give customers additional value for their energy dollars. We also have identified those services which are most important to our customers, and we will focus on providing those services in the most courteous and responsive manner possible.

DIABLO CANYON Diablo Canyon is the second key element of PG&E's business. In 1990, the plant achieved a "capacity factor" — a measure of actual performance against the theoretical maximum performance — of 86 percent for both units combined.

It generated more than 16 billion kilowatthours of electricity — the equivalent power output of burning 25 million barrels of oil — and produced \$1.5 billion in revenues.

As a result of management's commitment to safety and outstanding performance, Diablo Canyon is recognized as one of the nation's top nuclear power plants. Its lifetime capacity factor of 76 percent is considerably higher than the national average for similar plants. In August 1990, the Institute of Nuclear Power Operations again rated Diablo Canyon as one of the nation's best operated nuclear power plants.

As part of the Diablo Canyon rate case settlement, the price for power produced by the plant increases each year through 1994.

These escalations give us the opportunity to achieve earnings growth from the plant through 1994, if we continue to operate it as well in the future as we have in the past. After 1994, the escalations will level out and the price of Diablo Canyon power will be adjusted to generally track inflation.

PG&E ENTERPRISES Our objective is to sustain earnings growth through the third element of our business, PG&E Enterprises. Through Enterprises the company is investing in unregulated ventures in which we have expertise. These ventures hold the potential for returns on our investment that are higher than those authorized in our regulated utility business.

Enterprises is making progress in its various businesses and our objective is that it begin contributing to PG&E's earnings in the mid-1990s. Some examples of that progress are:

PG&E-Bechtel Generating Company, which builds, owns and operates independent power projects nationwide, has completed one plant in Montana, is constructing another in Pennsylvania and plans to begin construction on a third in New Jersey early this year. In addition, this affiliate has projects totaling 1,644 megawatts in an advanced stage of development, mostly in the eastern part of the U.S.

PG&E Resources, which acquires, develops, produces and markets natural gas and oil resources, achieved excellent exploration and drilling results in 1990. Resources increased its reserves in 1990 by purchasing the Corpus Christi Exploration Company, a gas and oil exploration and development firm that operates primarily offshore in the Gulf of Mexico.

PG&E Properties is a real estate company focusing on property development in PG&E's service area. It has completed five projects in California, including an apartment complex,

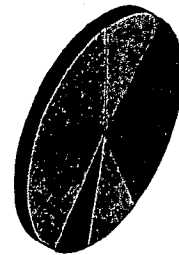
several office buildings and a retail center. In all, Properties owns or controls about 30,000 acres in the PG&E service area, which it plans to develop as residential subdivisions and related retail or commercial sites.

MEETING THE CHALLENGES OF THE '90s During the coming years, America's energy utilities must overcome major challenges: reducing dependence on foreign oil to achieve national energy security because of continuing uncertainty in the Middle East; controlling costs and raising productivity during a period of national economic recovery; increasing the efficiency with which customers use energy to help spur that recovery and regain American competitiveness; and improving the quality of our environment.

PG&E will meet each of these challenges. We have greatly reduced our reliance on oil to generate electricity, and our resource plans should enable us to continue using a minimal amount of oil in the future. We are controlling costs by the use of new technologies and by the innovative efforts of our employees to raise productivity in all our operations. We have launched a major program to increase customer energy efficiency which, together with a wide array of additional environmental initiatives, will help to improve the quality of California's air and water.

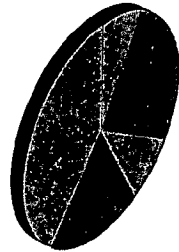
For all of these reasons, PG&E is strongly positioned to continue its success in the 1990s. We have the people, plans and direction to build earnings and increase shareholder value. We have a market that is strong and should continue to grow. We are aggressively acting to meet the challenges of the decade ahead.

We are determined to achieve that business success to the benefit of our shareholders, customers, employees and the communities we serve.



ENERGY RESOURCES
Percentage of total area load

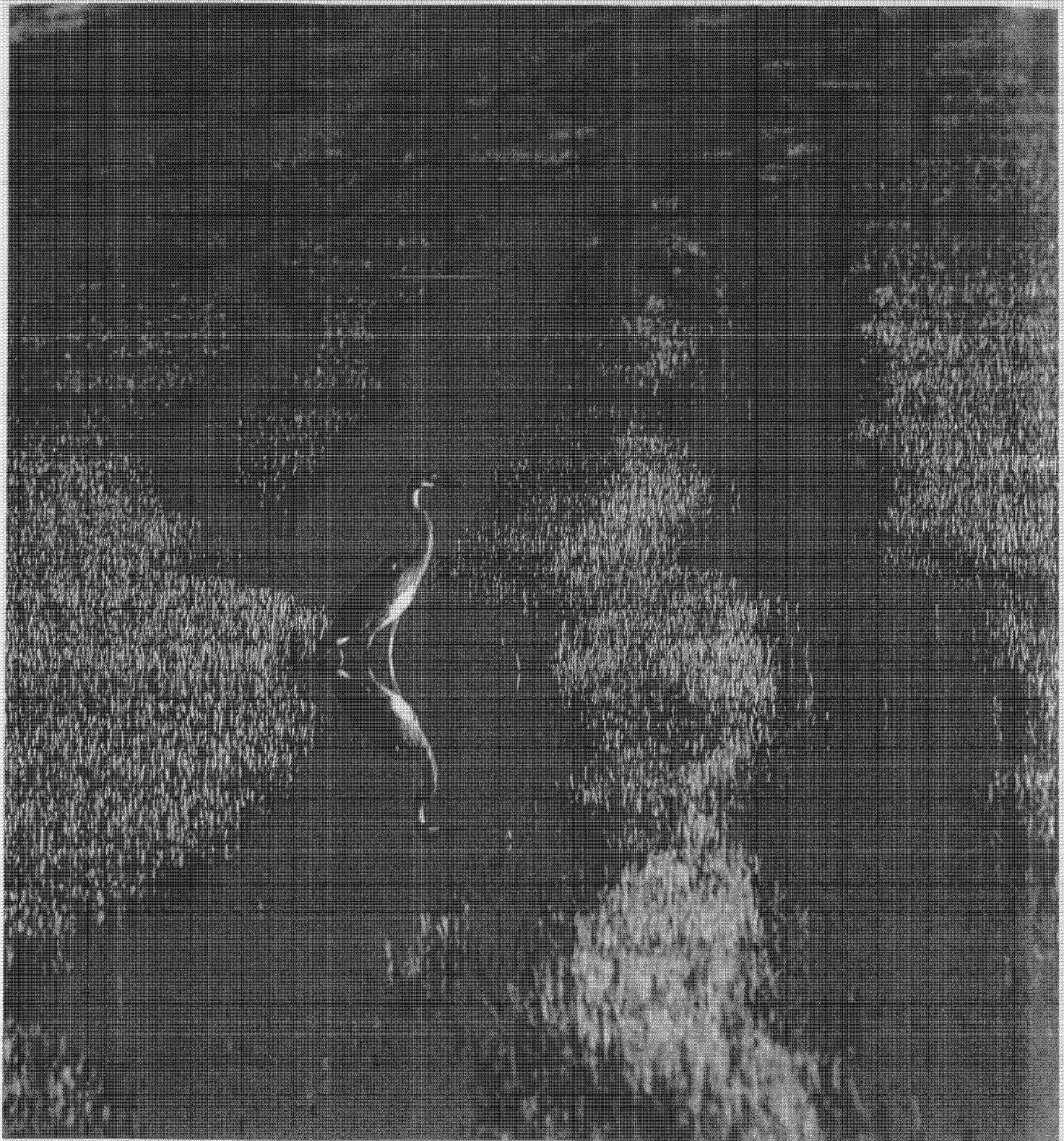
- 1985**
- Hydro 13.3%
 - Fossil 30.3%
 - Geothermal 9.9%
 - Nuclear 7.6%
 - Other 38.9%



- 1990**
- Hydro 8.3%
 - Fossil 26.6%
 - Geothermal 7.9%
 - Nuclear 17.7%
 - Other 39.5%

Richard A. Clarke
Chairman of the Board
and Chief Executive Officer

January 31, 1991



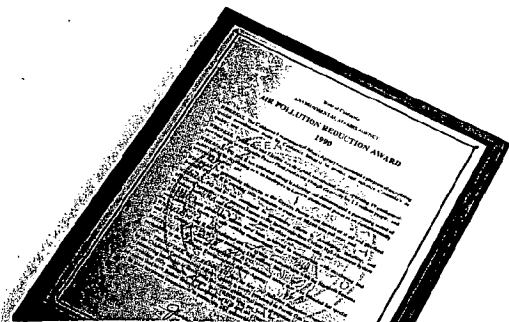
DURING 1990 PG&E PROPERTIES, THE REAL ESTATE ARM OF PG&E ENTERPRISES, PURCHASED LAND IN YOLO COUNTY NEAR SACRAMENTO, A SIGNIFICANT PORTION OF WHICH WILL BE RESTORED TO WETLANDS.

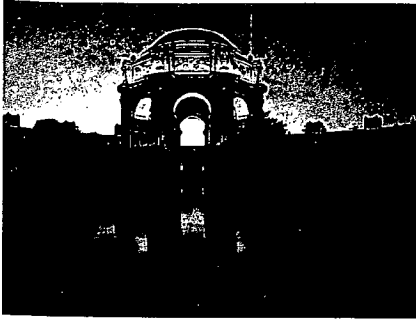
FOR MANY DECADES, PG&E has been a responsible steward of rivers, mountains, lakes, forests, seashore and the animal habitats these natural resources provide. Our commitment to the environment has been to help preserve the quality of California's air, water, land and wildlife. Today there are increased opportunities to link that stewardship with the legitimate business interests of our owners. ■ We strongly believe the comprehensive environmental initiatives we are taking are an effective means to sustain the value PG&E provides shareholders, customers and the communities we serve — the value upon which our continued success depends.

ELECTRIC RESOURCE PLAN The heart of PG&E's environmental initiatives is a "green" electric resource plan. One objective of this plan is to meet about 75 percent of our area's growing electric needs between now and the year 2000 by increasing the efficiency with which our customers use energy. ■ We estimate that peak demand for electricity in our service area will rise by about 3,300 megawatts over the next decade. Our plan calls for meeting 2,500 megawatts of this growth — enough to serve the electric needs of 2.5 million people — through expanded Customer Energy Efficiency (CEE) programs. ■ Those 2,500 megawatts of energy savings represent several large generating units that we won't have to build in the 1990s. They also mean that by the year 2000 we can avoid emitting three million tons of carbon dioxide into the air each year — the equivalent of taking more than 300,000 cars off California's roads. ■ The cost to customers of CEE programs is about half the cost of building a major new power plant, and avoids the financial uncertainty inherent in such investments.

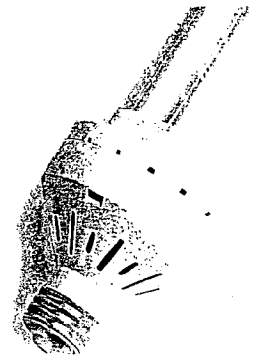
CUSTOMER ENERGY EFFICIENCY Promoting customer energy efficiency is nothing new to PG&E. The company is the world's largest private investor in energy conservation programs, which over the past 15 years have saved our customers an estimated \$3 billion to \$4 billion. ■ What is new is that now our shareholders can also benefit from these programs. Under an agreement approved by the California Public Utilities Commission in 1990, PG&E will for the first time

PG&E HAS BEEN WORKING WITH LOCAL, STATE AND FEDERAL AGENCIES, INCLUDING THE CALIFORNIA AIR RESOURCES BOARD AND THE ENVIRONMENTAL PROTECTION AGENCY, TO MONITOR AND IMPROVE THE REGION'S AIR QUALITY.



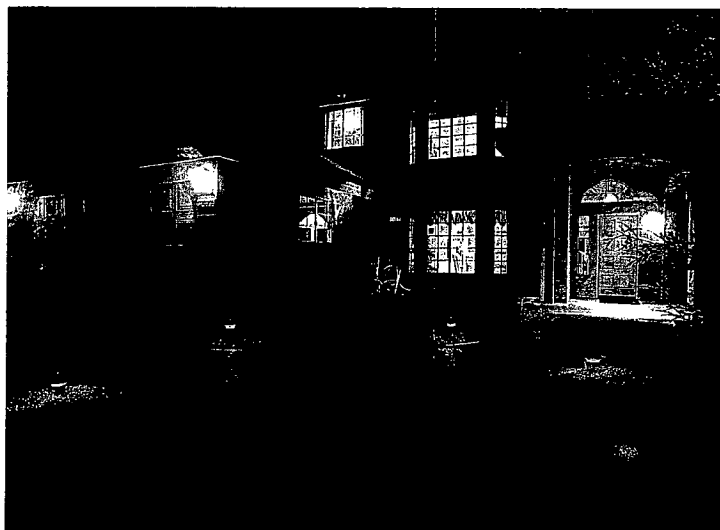


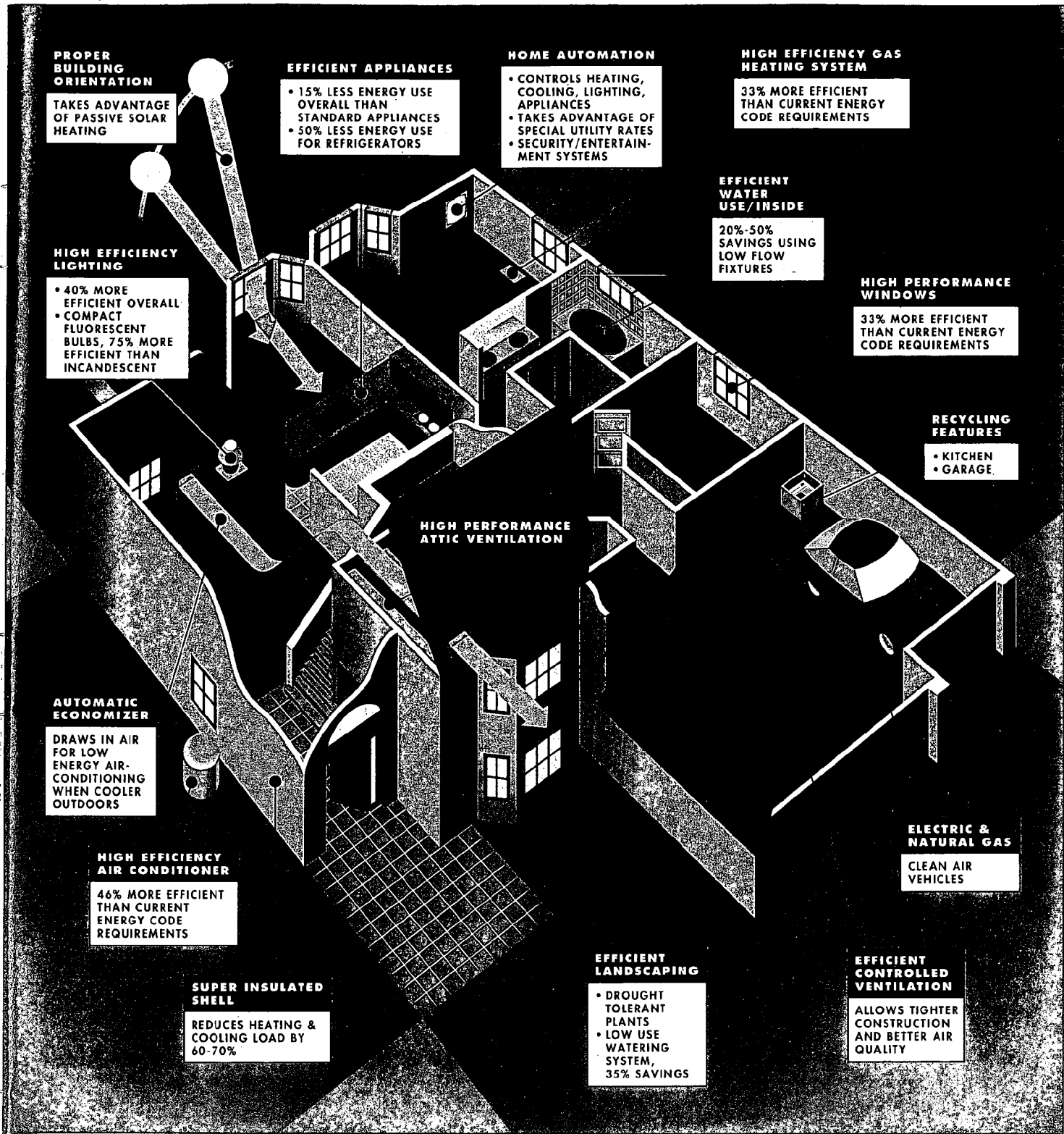
SAN FRANCISCO'S PALACE OF FINE ARTS WAS RECENTLY EQUIPPED WITH NEW, STATE-OF-THE-ART LIGHTING. PG&E ASSISTED IN THE LIGHTING DESIGN.



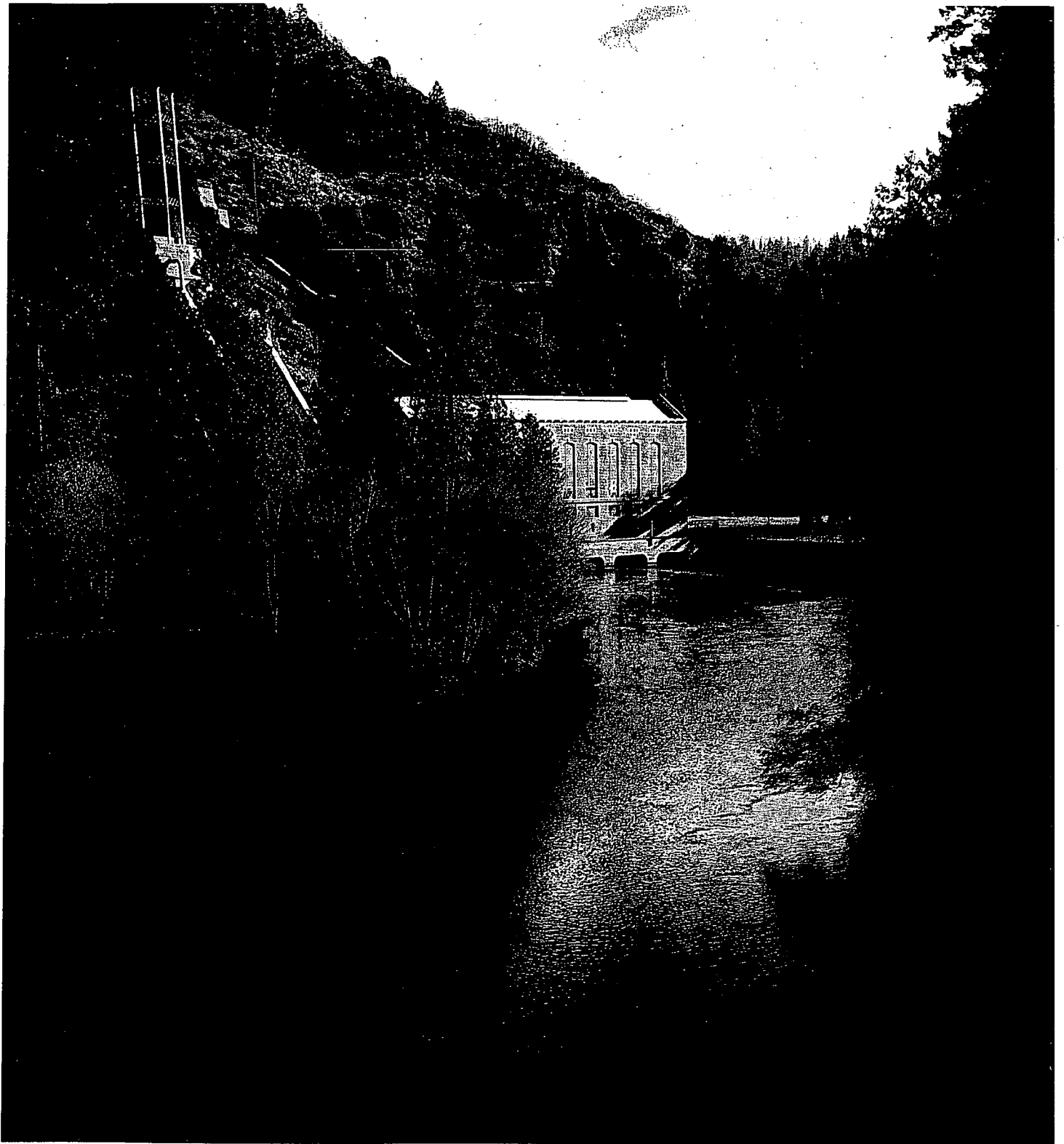
have an opportunity to earn on the energy savings resulting from CEE. ■ We invested \$138 million in new and expanded CEE programs in 1990. We plan to invest an additional \$300 million in CEE over 1991 and 1992. These programs recognize that increasing efficient use of energy is the most environmentally acceptable and cost effective way to meet growing needs for electricity and gas. ■ In the past, many customers felt energy conservation meant less light and heat at home and decreased service for businesses, farms and factories. The CEE programs PG&E offers today help residential, business and industrial customers to control their energy costs without sacrificing comfort, convenience or the services they want and need. ■ These cost savings should also help to strengthen our economy, by enabling California businesses to increase their competitiveness in domestic and overseas markets. ■ Through these programs, we are working with customers to install more efficient lighting, motors, refrigeration and cooling systems, electric and gas appliances and insulation. And we are providing rebates to help defray the cost of these improvements. ■ The potential energy savings are substantial. In the home, a fluorescent screw-in bulb uses a quarter of the energy of an incandescent bulb; adding attic insulation and replacing an old air conditioner with an energy efficient unit can reduce the energy required for heating and cooling by up to 50 percent; and new refrigerators are designed to use only half the energy of older, less efficient models. ■ Our goal in 1990 was to reduce

THIS ENERGY-EFFICIENT SHOWCASE HOME, LOCATED IN FRESNO, WAS COMPLETED IN NOVEMBER. MORE THAN 4,000 PEOPLE VISITED IT THE WEEKEND IT WAS OPENED.

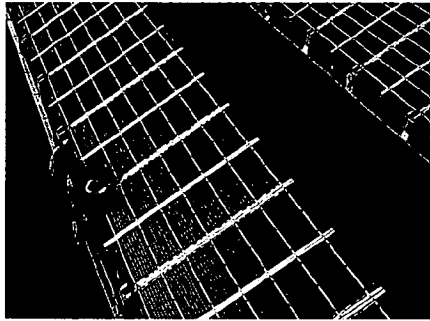




THIS DIAGRAM REPRESENTS PG&E'S ENERGY EFFICIENT HOME, CO-SPONSORED BY THE CALIFORNIA ENERGY COMMISSION AND THE BUILDING INDUSTRY ASSOCIATION OF SUPERIOR CALIFORNIA. ADDITIONALLY, THE COMPANY IS SPONSORING 25 HIGH-EFFICIENCY SHOWCASE HOMES TO PROMOTE ENERGY EFFICIENT BUILDING TECHNIQUES.

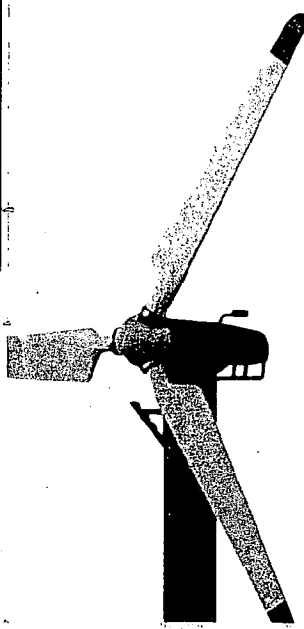


**WE ARE CONTINUING OUR EFFORTS TO INCREASE THE AVAIL-
ABILITY OF LOW-COST HYDROELECTRIC POWER. CURRENTLY THE
COMPANY OWNS 71 HYDROELECTRIC POWERHOUSES.**



PG&E IS A RECOGNIZED LEADER IN UTILITY SOLAR RESEARCH. SHOWN HERE IS ONE OF ELEVEN PHOTO-VOLTAIC SYSTEMS CURRENTLY UNDERGOING TESTING IN DAVIS, CALIFORNIA.

growth in peak electric demand by 60 megawatts through CEE. We exceeded that goal, reducing this demand by 68 megawatts. Similarly, our goal was to earn \$10 million pre-tax from these energy savings. In fact, we earned \$15.4 million before income taxes. ■ PG&E has joined with the Natural Resources Defense Council, Rocky Mountain Institute and Lawrence Berkeley Laboratory in a multi-year test of new ways to increase energy efficiency. ■ And late in 1991, we will open the Pacific Energy Center in San Francisco to promote and demonstrate cost effective, energy efficient lighting systems and construction technologies. **RENEWABLE RESOURCES AND CLEAN FUELS** Using alternative and renewable energy resources to generate power is another major contributor to a cleaner environment. PG&E produces electricity from a wide array of these resources. We operate the largest privately owned hydroelectric system in the U.S., as well as the world's largest privately owned geothermal complex. ■ PG&E now buys more wind-generated electricity than any other utility in the world, and we're a leader in the development of solar energy technology. ■ We believe wind and solar power will play an even larger role in our nation's energy future and are focusing our research efforts to develop them for economic, large-scale utility applications. ■ Natural gas is the most environmentally acceptable of the fossil fuels and is a major part of our business. Since the late 1970s we have greatly increased the use of cleaner-burning natural gas in our power plants. As a result, in 1990 only 1 percent of



NATURAL GAS IS A CLEAN-BURNING FUEL. THE EXPANSION OF OUR CANADA TO CALIFORNIA PIPELINE WILL BRING ADDITIONAL SUPPLIES OF GAS TO CALIFORNIA.



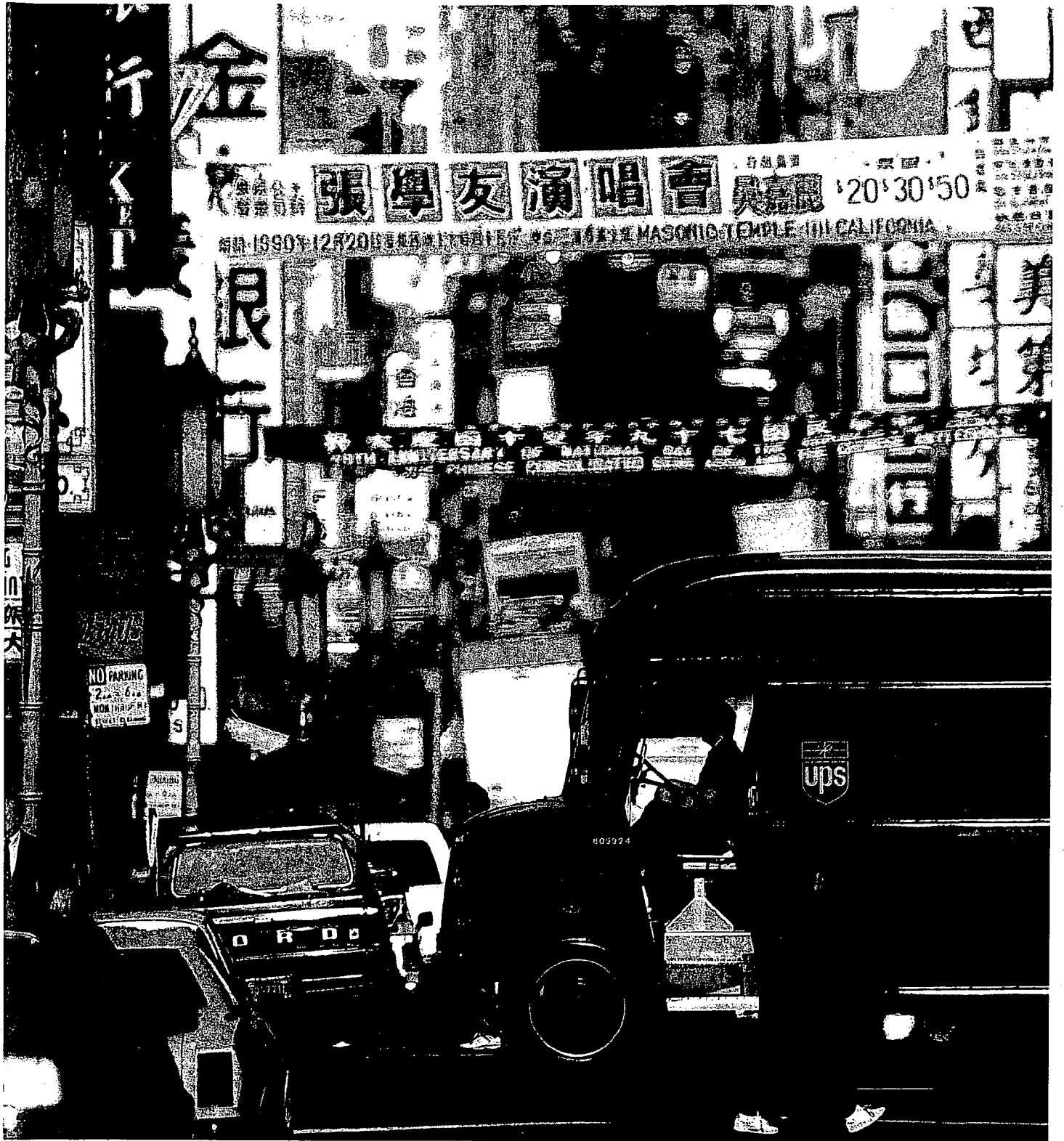


PG&E IS CURRENTLY REPLACING OLD GAS PIPES THROUGHOUT ITS SERVICE TERRITORY. THE NEW FLEXIBLE PIPES REQUIRE MINIMUM MAINTENANCE.

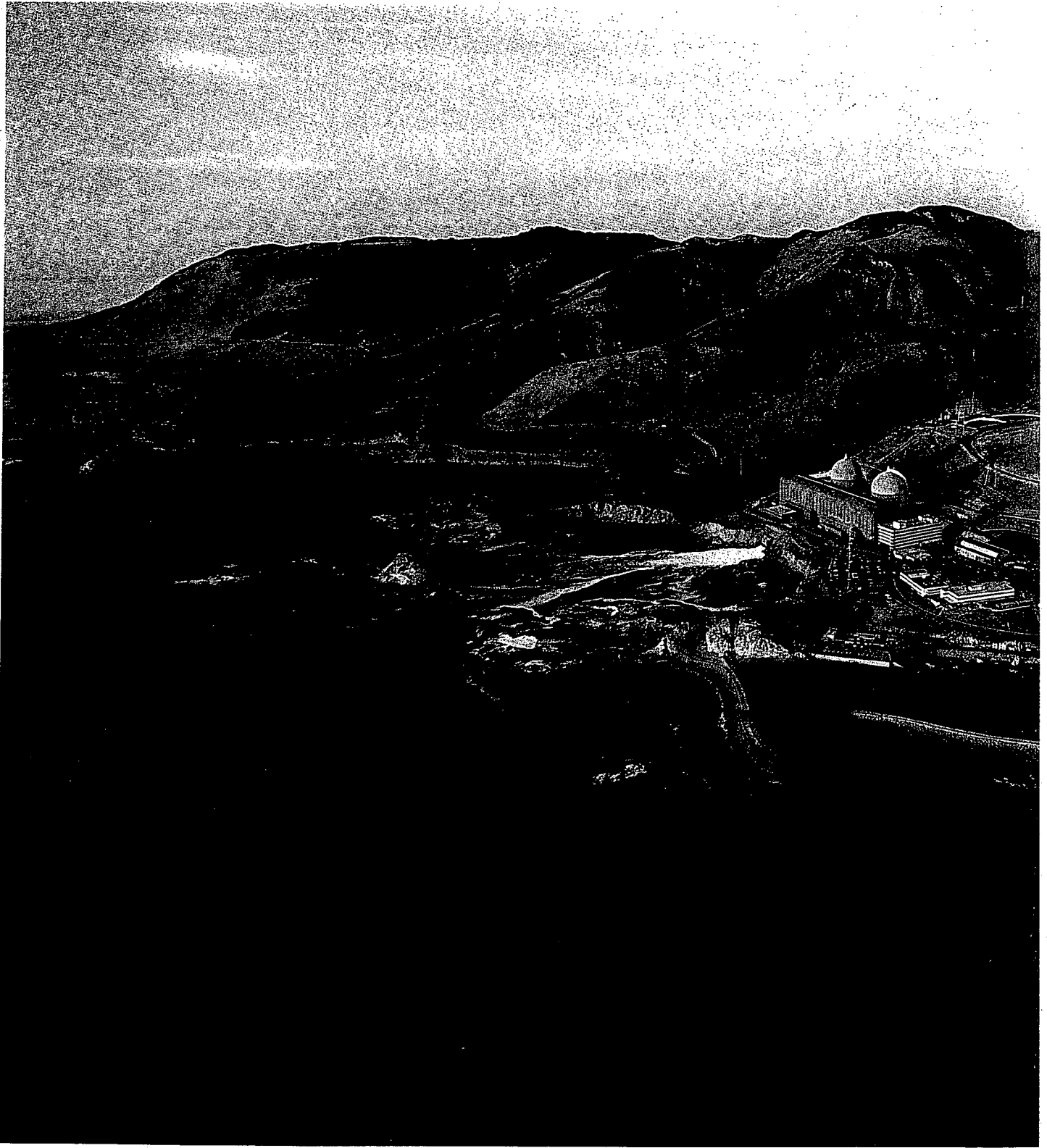
PG&E's electric generation came from burning oil. ■ PG&E's gas business serves about 200,000 business customers and almost 3.3 million residential customers. And we expect the market for environmentally preferred gas to grow, both in California and elsewhere in the nation. **CLEAN AIR VEHICLES** One such market is for clean air vehicles in California. The state's new auto emission laws — the toughest in the nation — will require more vehicles in the 1990s to be powered by clean fuels. ■ Natural gas is a cleaner and more economic alternative to gasoline. We are promoting the use of natural gas for the 500,000 fleet vehicles in our service area suitable for conversion to this fuel. ■ We now have seven natural gas vehicle (NGV) fueling stations, and plan to open five more early this year. We also signed an agreement with Shell Oil Company to install natural gas compressors at selected Shell service stations in Northern and Central California. ■ Looking farther down the road, we are actively involved in the development of electric cars which produce no direct emissions. **NATURAL RESOURCES STEWARDSHIP** PG&E's commitment to the environment does not end with the energy services it provides. We are dedicated to responsible environmental stewardship of the land and water resources we own or manage, and the wildlife they support. ■ The artificial reef we built near Diablo Canyon provides an important habitat for a variety of marine life. ■ We balance harvesting and new growth of trees on the more than 70,000 acres of timberlands we manage. PG&E

PG&E IS WORKING WITH VARIOUS ORGANIZATIONS THROUGHOUT THE COUNTRY TO DEVELOP AND EXPAND ELECTRIC VEHICLE (EV) TECHNOLOGY. EV'S ARE MORE ENERGY EFFICIENT THAN GASOLINE VEHICLES AND CAN SIGNIFICANTLY REDUCE URBAN AIR POLLUTION.

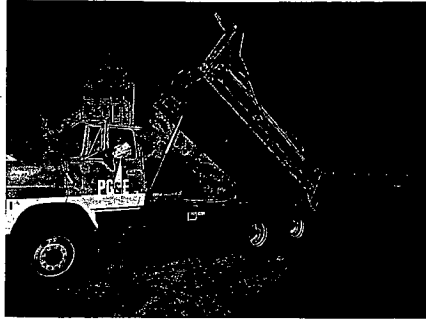




FLEET VEHICLES OPERATING ON NATURAL GAS, SUCH AS THIS UPS TRUCK, REDUCE AIR POLLUTANTS BY AS MUCH AS 50 PERCENT—WHILE ACHIEVING IMPROVED FUEL ECONOMY.



BIOLOGISTS AT DIABLO CANYON, NEAR SAN LUIS OBISPO, PROTECT AND MONITOR THE PRISTINE COASTLINE. AS A RESULT, WILDLIFE FINDS SANCTUARY IN THIS AREA. THE LARGE ROCK AT THE NORTH OF DIABLO COVE PROVIDES A NESTING SITE FOR ENDANGERED PEREGRINE FALCONS.



AS PART OF AN ON-GOING PROJECT, PG&E, IN CONJUNCTION WITH THE U.S. FISH AND WILDLIFE SERVICE, CREATES NEW HABITAT TO PROTECT RARE SPECIES AT THE ANTIOCH DUNES.

employs more than 150 full-time botanists, biologists, chemists, environmental engineers and scientists. Among their many responsibilities is protection of the more than 40 rare or endangered species of wildlife, such as the bald eagle, peregrine falcon, southern sea otter and San Joaquin kit fox, that inhabit our properties.

ENVIRONMENTAL MANAGEMENT AND EMPLOYEE INVOLVEMENT Our environmental initiatives pervade every aspect of our business and are designed to involve every employee in our commitment to a cleaner, healthier California. Environmental considerations are becoming an integral part of our planning and operating decisions at every level of the company. ■ Proposals for new capital projects sent to management require an environmental impact analysis. Our purchasing managers use a “green” materials catalogue that identifies sources of environmentally preferred materials. Our crews receive training that provides them with information about environmental problems they may encounter. ■ Our employees are encouraged to play a part in their individual jobs — including finding ways to reduce energy consumption at company facilities, recycling paper, aluminum, glass and other waste materials from our operations, and by using car and van pools, and public transportation. ■ We are convinced that improving the quality of the environment is more than good social policy. It’s good business. PG&E is confident that its commitment to a cleaner California will benefit our shareholders and the communities we serve, for many years to come.



A PG&E BIOLOGIST MONITORS GROUND TEMPERATURES AT THE GEYSERS. THIS IS PART OF A STUDY THE COMPANY IS CONDUCTING TO TRACK THE GROWTH OF ENDANGERED PLANTS.



SELECTED FINANCIAL DATA

Pacific Gas and Electric Company

	1990	1989	1988	1987	1986
<i>In thousands, except per share amounts</i>					
Operating revenues	\$ 9,470,092	\$ 8,588,264	\$ 7,645,748	\$ 7,185,701	\$ 7,816,661
Operating income	\$ 1,706,136	\$ 1,622,558	\$ 1,297,372	\$ 1,261,701	\$ 1,653,625
Net income	\$ 987,170	\$ 900,628	\$ 62,127	\$ 688,517	\$ 1,081,223
Earnings (loss) per common share	\$ 2.10	\$ 1.90	\$ (.10)	\$ 1.53	\$ 2.60
Dividends declared per					
common share	\$ 1.52	\$ 1.40	\$ 1.66	\$ 1.92	\$ 1.90
At year-end					
Book value per common share	\$ 17.86	\$ 17.38	\$ 16.79	\$ 18.68	\$ 19.06
Common stock price per share	\$ 25.00	\$ 22.00	\$ 17.50	\$ 16.25	\$ 24.25
Total assets	\$21,958,397	\$21,351,970	\$21,067,685	\$21,733,652	\$21,002,253
Long-term debt, preferred stock					
with mandatory redemption					
provision and capital lease					
obligations	\$ 7,929,734	\$ 7,978,968	\$ 8,116,603	\$ 8,511,789	\$ 7,832,921

The above includes data discussed in Management's Discussion and Analysis of Consolidated Results of Operations and Financial Condition.



Presented on the following pages are endangered California species photographed by Susan Middleton and David Liittschwager. Their work is part of a project supported by the California Nature Conservancy, the California Academy of Sciences, and PG&E. A book featuring these photographs will be published in Fall 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Pacific Gas and Electric Company

RESULTS OF OPERATIONS

Earnings In 1990, the Company's earnings per common share were \$2.10 compared to earnings of \$1.90 in 1989 and a loss of \$.10 in 1988. Earnings per common share for 1990 were higher than for 1989 primarily due to an increase in Diablo Canyon Nuclear Power Plant (Diablo Canyon) earnings, and improved earnings from gas transportation services. Higher earnings were offset partially by a reserve for certain costs related to the Helms Pumped Storage Plant (Helms) due to an adverse decision in the litigation with USX Corporation. (See Note 10 of the Notes to Consolidated Financial Statements.) The effect on earnings of the reserve and litigation settlement costs was a decrease of approximately \$66 million after tax. The 1990 earnings for the Company equal a 12% return on average common equity and an 11.1% return on average utility rate base.

The Company has three types of operations: utility, Diablo Canyon and nonregulated through PG&E Enterprises (Enterprises), the parent company for the non-regulated subsidiaries. For 1990 and 1989, selected financial information is shown below:

	Utility	Diablo Canyon	Enterprises
<i>In millions, except per share amounts</i>			
1990			
Operating revenues	\$ 7,899	\$1,509**	\$ 62
Operating income (loss)	\$ 1,189	\$ 550	\$ (33)
Net income (loss)	\$ 688*	\$ 318	\$ (19)
Earnings (loss) per common share	\$ 1.48*	\$.67	\$ (.05)
Total assets at year-end	\$15,869	\$5,660	\$429
1989			
Operating revenues	\$ 7,169	\$1,373**	\$ 46
Operating income (loss)	\$ 1,150	\$ 497	\$ (24)
Net income (loss)	\$ 715	\$ 225	\$ (39)
Earnings (loss) per common share	\$ 1.54	\$.45	\$ (.09)
Total assets at year-end	\$15,271	\$5,786	\$295

*Utility net income and earnings per common share decreased in 1990 primarily due to adjustments for Helms costs discussed above.

**Diablo Canyon operating revenues include decommissioning and regulatory costs recovered through base rates as well as revenues based on plant performance.

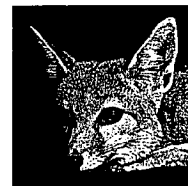
In 1990 and 1989, revenues increased \$882 million and \$943 million, respectively, over the preceding year primarily due to Diablo Canyon and the recovery of increased energy costs. Revenues for Diablo Canyon increased \$136 million and \$533 million in 1990 and 1989, respectively.

In 1990 and 1989, the performance of Diablo Canyon significantly contributed to the Company's earnings whereas in 1988, settlement of the Diablo Canyon rate case resulted in a substantial charge to earnings.

In 1988, as a result of the Diablo Canyon rate case settlement, the Company charged to earnings approximately \$871 million of Diablo Canyon revenues previously recorded but uncollected through rates, as well as approximately \$150 million of litigation and other Diablo Canyon costs. In addition, the Company charged to earnings various non-Diablo Canyon costs. The effect on earnings of the above charges was a decrease of \$576 million after tax.

Annual dividend In January 1991, the Company announced the second increase in the quarterly common stock dividend in two years. On an annualized basis, the current dividend of \$1.64 per share is an increase of 7.9% compared to the 1990 dividend of \$1.52 per share, which represented an increase of 8.6% over the previous dividend of \$1.40 per share. The increases were based on a number of financial considerations, including estimates that future earnings will be sufficient to sustain the higher dividends while providing adequate financial flexibility.

Diablo Canyon The Diablo Canyon rate case settlement, effective July 1988, bases revenues for the plant primarily on the amount of electricity generated, rather than on traditional cost-based ratemaking. Under this "performance-based" approach, the Company assumes a significant portion of the operating risk of the plant. The extent and timing of the recovery of actual operating costs, depreciation and a return on the investment in the



San Joaquin Kit Fox

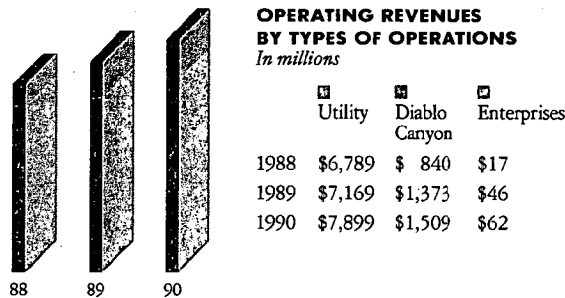
Vulpes macrotis mutica

Status: State Threatened and Federal Endangered

Inhabits foothills and bottomlands of arid San Joaquin Valley and Carrizo Plains.

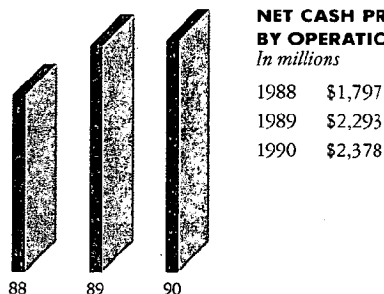
OPERATING REVENUES BY TYPES OF OPERATIONS

In millions



NET CASH PROVIDED BY OPERATIONS

In millions



MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Pacific Gas and Electric Company

plant primarily depend on the amount of power produced and the level of costs incurred. The Company's earnings are affected directly by plant performance and costs.

Diablo Canyon revenues are based primarily on a pre-established price for each kilowatt-hour of electricity generated by the plant. (Pricing for Diablo Canyon is discussed in Note 2 of the Notes to Consolidated Financial Statements.) From the revenues received for Diablo Canyon, the Company must recover the costs of owning and operating the plant, including all future capital additions. If power generation drops below specified capacity levels, the Company may request floor payments which ensure that the Company will receive some revenue, even if the plant stops producing power. However, payments received must be refunded to customers under specified conditions. Decommissioning and regulatory costs will continue to be recovered through base rates and are not subject to plant performance.

The plant capacity factors for 1990 and 1989 were 86% and 84%, respectively, reflecting a scheduled refueling outage for Unit 2 in 1990 and for Unit 1 in 1989 and no extended unscheduled outages for either unit during either year. Through December 31, 1990, the lifetime capacity factor for the plant was 76%. The Company will report significantly lower revenues for the plant during any extended outages, including refueling outages. Refueling outages, the lengths of which depend on the scope of the work, typically occur every eighteen months. Refueling outages for Unit 1 and Unit 2 are scheduled to begin in February 1991 and September 1991, respectively, and are planned to last about ten weeks each. Therefore, since each Diablo Canyon unit will contribute approximately \$2.5 million in revenues per day at full power operation in 1991, the Company expects to report lower revenues from Diablo Canyon in 1991 compared to 1990.

Regulatory matters Pacific Gas and Electric Company's (PG&E) charges for electric and gas energy are regulated by the California Public Utilities Commission (CPUC) through base rates and balancing accounts. Base rates compensate the Company for operating and maintenance costs, taxes and depreciation, and provide a return on capital. Base rates are set in general rate case (GRC) proceedings, the most recent of which was for 1990. Between rate cases, the Attrition Rate Adjustment (ARA) mechanism makes annual adjustments for certain changes in financial and operational expenses.

Balancing accounts help stabilize PG&E's earnings. Energy-cost balancing accounts reduce the effect on

earnings of fluctuations in most electric and core gas energy costs. Sales balancing accounts reduce the effect on earnings of fluctuations in sales to electric and core gas customers. For those customers, the CPUC sets rates based on estimated sales; differences between revenues authorized by the CPUC and actual revenues are accumulated in the balancing accounts for subsequent rate adjustment.

The Annual Energy Rate (AER) provided for recovery of 9% of forecasted electric fuel and purchased energy costs. There was no balancing account protection associated with the AER. In August 1990, as a result of uncertainty in the oil and gas markets caused by events in the Middle East, the CPUC suspended this mechanism, with all such costs to be recovered through a balancing account.

The regulatory mechanisms in place have helped to neutralize the effects of inflation on the Company's utility operations. Both the ARA mechanism and the energy-cost balancing accounts limit the effect of inflation on PG&E's earnings by closely matching rates with costs. Diablo Canyon rates after 1994 are based on a formula that includes the prior year's change in the consumer price index.

Gas regulatory framework PG&E's gas customers are separated into "core" and "noncore" classes, effective May 1988. Core customers include all residential customers and small commercial customers. Noncore customers are industrial and larger commercial customers. For noncore customers, PG&E offers an array of services from which the customer may select, ranging from full gas service to more limited transportation of customer-owned gas. This arrangement gives the Company greater flexibility in competing for some customers through the ability to negotiate transport rates; it also puts the Company at risk for achieving projected noncore gas transportation revenues forecasted for ratemaking purposes.

The Annual Cost Allocation Proceeding (ACAP) is part of the gas regulatory framework which allocates costs between core and noncore customers and authorizes rate discounting to retain customers in the competitive noncore markets. Utilities are placed at risk for collecting noncore transportation revenues. To the extent that gas transportation revenues collected from noncore customers are less than the projected revenues allocated to these customers, the Company currently is not allowed recovery of the shortfall. Conversely, revenues and earnings may be enhanced by collecting higher than forecast transportation revenues from noncore customers. In 1989, after limited balancing account protection, the Company had a noncore revenue shortfall of approximately \$33 million.



Bald Eagle

Haliaeetus leucocephalus
Status: State and Federal Endangered

One-third of the 93 breeding pairs in California live on the lands and waters of PG&E's hydroelectric system.

Effective April 1990, the CPUC authorized a \$62 million increase in core gas rates and a \$64 million decrease in noncore transportation rates. This 1990 ACAP decision allocated approximately \$218 million in revenues to be collected from noncore transportation customers. The 1990 allocation is less than the 1989 allocation, and in 1990, the Company collected higher than forecast noncore transportation revenues. After limited balancing account treatment, the additional revenues were approximately \$43 million.

In November 1990, the Company, the Division of Ratepayer Advocates, a part of the CPUC staff, and several other parties entered into a settlement of several of the issues in the 1991 ACAP. The parties recommended an allocation of approximately \$259 million in revenues to be collected from noncore transportation customers with 90% balancing account protection for revenues from such customers. The proposal would become effective in April 1991 and would remain in effect until new rates were set after the next cost allocation proceeding. At that time, the 90% balancing account would be discontinued. However a 75% balancing account, established by the new gas purchasing rules discussed below, would then take effect. A CPUC decision in the 1991 ACAP is expected in March 1991.

As part of its effort to provide increased opportunities for competition in the natural gas industry in California, the CPUC adopted new gas purchasing rules effective August 1991. These rules established a 75% balancing account for noncore transportation revenues. Timing of the implementation of this balancing account will depend on the CPUC's decision in the 1991 ACAP discussed above.

Rate changes In December 1990, the CPUC granted PG&E an increase in electric and gas rates of approximately \$688 million and \$82 million, respectively, effective January 1, 1991. The electric rate increase is primarily due to forecasted increases in the cost of fuel and purchased energy, and in Diablo Canyon revenues. The gas rate increase is primarily due to increases in operating expenses resulting from inflation and a higher gas rate base, on which the Company is allowed to earn a return. These amounts are based on a 12.9% return on common equity authorized by the CPUC for 1991, which is the same as that authorized for 1990.

As required by the 1990 GRC decision, the Company filed a study in December 1990 with the CPUC on segregating the costs of operating Diablo Canyon from those considered in establishing electric and gas rates for utility customers. Based on the study and the comments of interested parties, the CPUC may conduct further

hearings to consider revisions to the revenue requirement for utility expenses for the 1991 and 1992 attrition years.

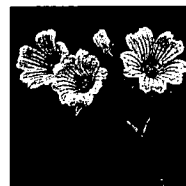
New accounting standards Statement of Financial Accounting Standards (SFAS) No. 96, *Accounting for Income Taxes*, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, established new financial accounting standards which must be adopted by 1992 and 1993, respectively. (See Note 8 and Note 7, respectively, of the Notes to Consolidated Financial Statements.)

LIQUIDITY AND CAPITAL RESOURCES

Capital requirements The Company's three-year projection of capital requirements is shown below:

	1991	1992	1993
<i>In millions</i>			
Utility	\$1,636	\$2,290	\$2,122
Diablo Canyon Enterprises	114	112	118
	174	162	215
Total capital expenditures	1,924	2,564	2,455
Maturing debt and sinking funds	107	189	382
Total capital requirements	\$2,031	\$2,753	\$2,837

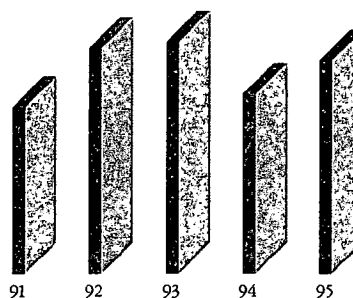
Utility expenditures, which primarily will be for replacing, modernizing and expanding the Company's facilities, include the allowance for funds used during



Baker's Meadowfoam

Limnanthes bakeri
Status: State Rare and Federal Candidate

Restricted to two locations in the wet meadows of central Mendocino County.



PROJECTED CAPITAL REQUIREMENTS

In millions

1991	\$2,031
1992	\$2,753
1993	\$2,837
1994	\$2,193
1995	\$2,610

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Pacific Gas and Electric Company

construction and 100% of the estimated costs for the PGT-PG&E pipeline expansion project discussed below.

Enterprises' actual capital expenditures may vary significantly depending on the availability of attractive investment opportunities. Enterprises' amounts include oil and gas exploration and development costs and its equity share of generating facilities.

PGT-PG&E pipeline expansion project PG&E and Pacific Gas Transmission Company (PGT), a wholly-owned subsidiary, have proposed to expand PGT's Alberta-California pipeline and PG&E's transmission facilities in California to provide additional natural gas from Canada to customers in California and the Pacific Northwest. Approval by both the CPUC and the Federal Energy Regulatory Commission (FERC) is required. Construction is estimated to be completed in late 1993 at an escalated cost of \$1.5 billion.

In December 1990, the CPUC authorized construction of the California portion of the project. The CPUC found that the expansion project is in the public interest although the Company bears the burden of assessing the market demand for gas transportation to determine whether it should undertake the project.

In January 1991, the FERC issued a preliminary determination on the non-environmental issues associated with the interstate portion of the project. A decision on environmental issues is pending.

Common stock repurchase programs In 1990, the Company announced two programs to repurchase its common stock on the open market or in negotiated transactions, primarily to offset new shares issued through the Company's dividend reinvestment and employee savings fund plans. The first program is for the repurchase of \$500 million of common stock, of which approximately \$455 million was repurchased in 1990. The Company expects to repurchase the remaining \$45 million under this program in the first quarter of 1991. The second program, announced in December 1990, is for the repurchase of up to an additional \$750 million of common stock over two and one-half years. In 1990, the Company also repurchased approximately \$60 million of its common stock which was used in the acquisition of a nonregulated business.

Sources of capital Internally generated cash flows and external financings will continue to supply capital. In 1990, the Company did not require significant long-term debt financing due to strong cash flows from operations and increases in short-term borrowings. Cash proceeds from long-term debt and common stock issued

were approximately \$376 million and \$261 million, respectively. Common stock was issued primarily through the Company's dividend reinvestment and employee savings fund plans.

The Company's authorized utility capital structure for 1991 is 46.75% common equity, 6.0% preferred stock and 47.25% long-term debt. Authorized return on rate base for 1991 is 10.98%.

The Company's capital structure helps provide financial flexibility and access to capital markets at reasonable rates. The Company's actual consolidated capital structure at December 31, 1990 and 1989 was 45% common equity, 7% preferred stock and 48% long-term debt.

The Company's bond indenture permits issuance of mortgage bonds up to an amount approved by the Board of Directors and the CPUC. At December 31, 1990, the Company had \$6.4 billion outstanding in mortgage bonds and may issue, subject to regulatory approval, up to \$3.6 billion more. In March 1990, the Board of Directors authorized the Company to reacquire up to \$542 million of certain high-cost mortgage bonds, and up to \$200 million of preferred stock over two years to reduce financing costs. In 1990, the Company reacquired approximately \$273 million of the high-cost mortgage bonds, at a premium, and approximately \$26 million of preferred stock under this authorization.

The Company issues short-term debt (principally commercial paper) for interim construction financing and for fluctuations in general working capital. Short-term debt also has helped fund fuel oil, nuclear fuel and gas inventories, advances to gas producers, and unrecovered balances in balancing accounts. The Company must use external financing when balancing account revenues are undercollected, as in 1989 and 1990, until the revenues, plus interest, are received in rates. Short-term borrowings were \$1,024 million at December 31, 1990.

PG&E has a \$750 million, long-term revolving credit facility agreement with a group of banks to support the sale of commercial paper and for other corporate purposes. Pacific Energy Fuels Company, a wholly-owned subsidiary, has a \$250 million, long-term revolving credit facility agreement with a group of banks to support its commercial paper issued to finance the purchase of nuclear fuel.

At December 31, 1990, the Company had total credit facilities available of \$1,100 million, including those mentioned above.



Rough Sculpin

Cottus asperimus
Status: State
Threatened and
Federal Candidate

**This 3-inch long
bottom-dwelling
fish is found in a
small portion of
the Pit River Basin,
including several
PG&E reservoirs.**

**In case you were
wondering...**

The photography of the endangered species was completed on location and involved creating a studio set for each subject. To photograph the rough sculpin, for example, biologists caught four fish from a spring near PG&E's Pit #1 Powerhouse. Each fish was photographed in a small aquarium; following the photo session, the fish were returned to their exact capture site.

All photography was completed with the assistance of qualified biologists.

STATEMENT OF CONSOLIDATED INCOME

Pacific Gas and Electric Company

Years ended December 31	1990	1989	1988
<i>In thousands, except per share amounts</i>			
OPERATING REVENUES			
Electric	\$7,036,071	\$6,216,050	\$5,512,865
Gas	2,434,021	2,372,214	2,132,883
TOTAL OPERATING REVENUES	9,470,092	8,588,264	7,645,748
OPERATING EXPENSES			
Cost of electric energy	2,233,879	1,755,955	1,666,971
Cost of gas	1,168,464	1,181,772	1,031,353
Transmission	180,157	161,996	142,572
Distribution	195,352	199,972	201,231
Customer accounts and services	345,194	329,756	304,654
Administrative and general	794,368	698,544	641,943
Maintenance	404,154	372,845	382,366
Depreciation	1,046,417	1,000,316	931,964
Income taxes	856,401	724,718	508,258
Property and other taxes	278,231	270,573	252,257
Other	261,339	269,259	284,807
TOTAL OPERATING EXPENSES	7,763,956	6,965,706	6,348,376
OPERATING INCOME	1,706,136	1,622,558	1,297,372
OTHER INCOME AND (INCOME DEDUCTIONS)			
Diablo Canyon rate case settlement	—	—	(1,021,858)
Income tax benefit related to Diablo Canyon rate case settlement	—	—	509,547
Allowance for equity funds used during construction	24,585	25,200	18,603
Interest income	127,375	131,250	115,442
Other—net	(67,023)	(43,530)	(55,258)
TOTAL OTHER INCOME AND (INCOME DEDUCTIONS)	84,937	112,920	(433,524)
INCOME BEFORE INTEREST EXPENSE	1,791,073	1,735,478	863,848
INTEREST EXPENSE			
Interest on long-term debt	699,849	733,776	722,074
Other interest charges	126,745	119,335	91,813
Allowance for borrowed funds used during construction	(22,691)	(18,261)	(12,166)
NET INTEREST EXPENSE	803,903	834,850	801,721
NET INCOME	987,170	900,628	62,127
Preferred dividend requirement	98,001	101,079	102,457
EARNINGS (LOSS) APPLICABLE TO COMMON STOCK	\$ 889,169	\$ 799,549	\$ (40,330)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	423,759	420,940	401,775
EARNINGS (LOSS) PER COMMON SHARE	\$2.10	\$1.90	\$ (.10)
DIVIDENDS DECLARED PER COMMON SHARE	\$1.52	\$1.40	\$1.66

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.



**Northern
American
River Otter**

Lutra canadensis
Status: Protected

**Playful creatures
still found in
streams and rivers
in Northern and
Central California.**

CONSOLIDATED BALANCE SHEET

Pacific Gas and Electric Company

December 31	1990	1989
<i>In thousands</i>		
ASSETS		
PLANT IN SERVICE (at original cost)		
Electric		
Non-nuclear	\$14,488,016	\$13,606,860
Diablo Canyon	5,756,471	5,655,651
Gas	4,643,315	4,244,858
Total plant in service	24,887,802	23,507,369
Accumulated depreciation	(8,467,350)	(7,533,159)
NET PLANT IN SERVICE	16,420,452	15,974,210
CONSTRUCTION WORK IN PROGRESS	655,202	683,723
OTHER NONCURRENT ASSETS		
Advances to gas producers	118,674	223,665
Decommissioning and other funds held by trustee	297,115	207,262
Oil and gas properties	255,146	176,809
Investments and other assets	224,933	165,851
TOTAL OTHER NONCURRENT ASSETS	895,868	773,587
CURRENT ASSETS		
Cash and cash equivalents	101,207	66,778
Accounts receivable		
Customers	1,246,972	1,102,867
Other	251,053	393,087
Allowance for uncollectible accounts	(16,664)	(14,275)
Regulatory balancing accounts receivable	758,356	760,944
Inventories		
Fuel oil	132,698	99,399
Nuclear fuel	114,630	138,406
Gas stored underground	186,922	196,217
Materials and supplies	228,473	220,038
Prepayments	62,295	57,115
TOTAL CURRENT ASSETS	3,065,942	3,020,576
DEFERRED CHARGES		
Regulatory assets	282,189	293,263
Unamortized project costs	62,167	96,991
Workers' compensation and disability claims recoverable	134,579	103,061
Unamortized loss net of gain on reacquired debt	245,133	235,828
Other—net	196,865	170,731
TOTAL DEFERRED CHARGES	920,933	899,874
TOTAL ASSETS	\$21,958,397	\$21,351,970

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.



**San Joaquin
Antelope
Ground Squirrel**

*Ammospermophilus
nelsoni*

Status: State
Threatened and
Federal Candidate

**Native to sparse
grasslands of San
Joaquin Valley
and the remote
Carrizo Plains.**

CONSOLIDATED BALANCE SHEET

Pacific Gas and Electric Company

December 31

1990

1989

In thousands

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock	\$ 2,101,095	\$ 2,144,951
Additional paid-in capital	3,170,890	3,121,583
Reinvested earnings	2,234,227	2,188,859
Common stock equity	7,506,212	7,455,393
Preferred stock without mandatory redemption provision	983,961	1,010,195
Preferred stock with mandatory redemption provision	116,888	142,133
Long-term debt	7,785,521	7,809,187
TOTAL CAPITALIZATION	16,392,582	16,416,908

NONCURRENT LIABILITIES

Customer advances for construction	180,996	164,559
Workers' compensation and disability claims	136,300	113,000
Other	134,038	150,004
TOTAL NONCURRENT LIABILITIES	451,334	427,563

CURRENT LIABILITIES

Short-term borrowings	1,024,189	627,732
Accounts payable		
Trade creditors	537,052	526,316
Other	294,734	296,259
Accrued taxes	73,085	17,382
Deferred income taxes	341,437	337,560
Long-term debt and preferred stock	106,353	74,133
Interest payable	71,086	73,902
Dividends payable	159,860	149,615
Amounts due customers	106,657	97,093
Other	180,987	180,824
TOTAL CURRENT LIABILITIES	2,895,440	2,380,816

DEFERRED CREDITS

Deferred investment tax credits	516,176	536,056
Deferred income taxes	1,498,421	1,340,972
Other	204,444	249,655
TOTAL DEFERRED CREDITS	2,219,041	2,126,683

COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)

TOTAL CAPITALIZATION AND LIABILITIES	\$21,958,397	\$21,351,970
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Western Lily

Lilium occidentale
Status: State
Endangered and
Federal Candidate

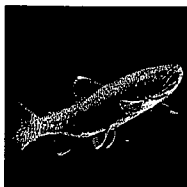
**In California,
restricted to just
four remaining
sites on a bluff over-
looking Humboldt
Bay.**

STATEMENT OF CONSOLIDATED CASH FLOWS

Pacific Gas and Electric Company

Years ended December 31	1990	1989	1988
<i>In thousands</i>			
CASH FLOWS FROM OPERATIONS			
Net income	\$ 987,170	\$ 900,628	\$ 62,127
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,046,417	1,000,316	931,964
Amortization	51,452	93,396	152,583
Deferred taxes	161,326	84,057	(238,385)
Allowance for equity funds used during construction	(24,585)	(25,200)	(18,603)
Regulatory balancing accounts			
Diablo Canyon	—	—	871,144
Other	2,588	(124,455)	(2,592)
Change in operating assets and liabilities			
Accounts payable	9,211	141,591	(46,704)
Accrued taxes	55,703	(6,289)	(77,956)
Other working capital	(6,593)	102,497	(62,099)
Advances to gas producers	104,991	56,668	54,434
Other—net	(9,554)	69,819	170,714
NET CASH PROVIDED BY OPERATIONS	2,378,126	2,293,028	1,796,627
INVESTING ACTIVITIES			
Construction expenditures	(1,494,503)	(1,404,991)	(1,304,488)
Allowance for borrowed funds used during construction	(22,691)	(18,261)	(12,166)
Nonregulated expenditures	(139,624)	(43,915)	(155,990)
Other—net	(12,108)	108,447	164,521
NET CASH USED IN INVESTING ACTIVITIES	(1,668,926)	(1,358,720)	(1,308,123)
FINANCING ACTIVITIES			
Common stock issued	260,963	334,988	378,233
Common stock repurchased	(515,028)	—	—
Preferred stock redeemed	(53,093)	(25,390)	(15,000)
Long-term debt issued	376,172	316,379	1,059,570
Long-term debt matured or reacquired	(357,270)	(249,357)	(1,262,191)
Long-term debt purchased for sinking fund (at cost)	(54,565)	(67,531)	(69,515)
Short-term debt issued (redeemed)—net	396,457	(230,500)	304,208
Capital lease payments	(1,304)	(356,911)	(80,504)
Dividends paid	(731,903)	(688,126)	(810,044)
Other—net	4,800	1,952	(41,852)
NET CASH USED IN FINANCING ACTIVITIES	(674,771)	(964,496)	(537,095)
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,429	(30,188)	(48,591)
CASH AND CASH EQUIVALENTS AT JANUARY 1	66,778	96,966	145,557
CASH AND CASH EQUIVALENTS AT DECEMBER 31	\$ 101,207	\$ 66,778	\$ 96,966
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	\$ 743,336	\$ 772,492	\$ 748,272
Income taxes	\$ 567,994	\$ 535,486	\$ 414,348

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.



Little Kern Golden Trout

Oncorhynchus aquabonita whitei
Status: State and Federal Threatened

California's official freshwater fish, its survival is threatened by hybridization with rainbow trout.

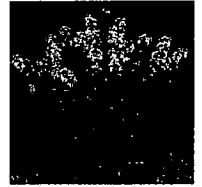
**STATEMENT OF CONSOLIDATED COMMON STOCK EQUITY
AND PREFERRED STOCK**

Pacific Gas and Electric Company

	Common stock	Additional paid-in capital	Reinvested earnings	Common stock equity	Preferred stock without mandatory redemption provision	Preferred stock with mandatory redemption provision*
<i>In thousands, except shares</i>						
BALANCE, DECEMBER 31, 1987	\$1,941,543	\$2,611,654	\$2,699,108	\$7,252,305	\$1,010,195	\$195,000
Net income—1988			62,127	62,127		
Common stock sold (23,134,679 shares)	115,673	262,560		378,233		
Preferred stock redeemed (150,000 shares)		65	(18,407)	(18,342)		(15,000)
Cash dividends declared						
Preferred stock			(102,752)	(102,752)		
Common stock			(666,846)	(666,846)		
Foreign currency translation adjustment			5,202	5,202		
BALANCE, DECEMBER 31, 1988	2,057,216	2,874,279	1,978,432	6,909,927	1,010,195	180,000
Net income—1989			900,628	900,628		
Common stock sold (17,546,940 shares)	87,735	247,253		334,988		
Preferred stock redeemed (252,450 shares)		51	(196)	(145)		(25,245)
Cash dividends declared						
Preferred stock			(101,560)	(101,560)		
Common stock			(590,626)	(590,626)		
Foreign currency translation adjustment			2,181	2,181		
BALANCE, DECEMBER 31, 1989	2,144,951	3,121,583	2,188,859	7,455,393	1,010,195	154,755
Net income—1990			987,170	987,170		
Common stock sold (14,255,467 shares)	71,277	249,998		321,275		
Common stock repurchased (23,026,622 shares)	(115,133)	(199,255)	(200,640)	(515,028)		
Preferred stock redeemed (1,301,842 shares)		(1,436)	(178)	(1,614)	(26,234)	(25,245)
Cash dividends declared						
Preferred stock			(98,829)	(98,829)		
Common stock			(643,319)	(643,319)		
Foreign currency translation adjustment			1,164	1,164		
BALANCE, DECEMBER 31, 1990	\$2,101,095	\$3,170,890	\$2,234,227	\$7,506,212	\$ 983,961	\$129,510

*Includes current portion.

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.



**Contra Costa
Wallflower**

Erysimum capitatum
var. *angustatum*
Status: State and
Federal Endangered

**Requires open,
sandy habitat.
Now lives only on
Federal and PG&E-
managed land at
Antioch Dunes.**

STATEMENT OF CONSOLIDATED CAPITALIZATION

Pacific Gas and Electric Company



Desert Bighorn Sheep

Ovis canadensis nelsoni

Status: Protected

Survives in the desolate, harsh high desert mountain ranges of southern and eastern California.

December 31	1990	1989
<i>In thousands, except percentages and shares</i>		
Common stock, par value \$5 per share (authorized 800,000,000 shares, issued and outstanding at December 31, 1990: 420,219,011; 1989: 428,990,166)	\$ 2,101,095	\$ 2,144,951
Additional paid-in capital	3,170,890	3,121,583
Reinvested earnings	2,234,227	2,188,859
COMMON STOCK EQUITY	7,506,212 45%	7,455,393 45%
Preferred stock without mandatory redemption provision Par value \$25 per share (authorized 75,000,000 shares)		
NONREDEEMABLE		
5% to 6%—5,784,825 shares outstanding	144,621	144,621
REDEEMABLE		
4.36% to 8.2%—13,534,959 shares outstanding	338,373	338,373
9% to 10.46%—20,038,642 and 21,088,034 shares outstanding	500,967	527,201
	983,961	1,010,195
Preferred stock with mandatory redemption provision Par value \$100 per share (authorized 10,000,000 shares)		
9% and 10.17%—1,295,100 and 1,547,550 shares outstanding	129,510	154,755
TOTAL PREFERRED STOCK	1,113,471 7%	1,164,950 7%
LESS PREFERRED STOCK—CURRENT PORTION	12,622	12,622
PREFERRED STOCK IN TOTAL CAPITALIZATION	1,100,849	1,152,328
PACIFIC GAS AND ELECTRIC COMPANY		
First and refunding mortgage bonds		
MATURITY	INTEREST RATES	
1990-1995	4.25% to 13%	576,967 607,629
1996-2016	4.5% to 8.125%	1,405,819 1,405,819
1996-2020	8.2% to 8.875%	1,809,983 1,709,983
1996-2023	9% to 9.95%	1,700,500 1,550,500
2012-2020	10% to 12.75%	896,588 1,223,427
Principal amounts outstanding	6,389,857	6,497,358
Unamortized discount net of premium	(89,172)	(91,559)
Total mortgage bonds	6,300,685	6,405,799
Unsecured debentures, 10.8% to 12%, due 1994-2000	221,538	221,538
Pollution control loan agreements, variable rates, due 2008-2016	925,000	925,000
Other long-term debt	268,898	157,340
TOTAL PG&E LONG-TERM DEBT	7,716,121	7,709,677
Long-term debt of subsidiaries	163,131	161,021
TOTAL LONG-TERM DEBT OF PG&E AND SUBSIDIARIES	7,879,252 48%	7,870,698 48%
LESS LONG-TERM DEBT—CURRENT PORTION	93,731	61,511
LONG-TERM DEBT IN TOTAL CAPITALIZATION	7,785,521	7,809,187
TOTAL CAPITALIZATION	\$16,392,582	\$16,416,908

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

SCHEDULE OF CONSOLIDATED SEGMENT INFORMATION

Pacific Gas and Electric Company

Years ended December 31	Electric	Gas	Intersegment eliminations	Total
<i>In thousands</i>				
1990				
Operating revenues	\$ 7,036,071	\$2,434,021		\$ 9,470,092
Intersegment revenues ^(a)	13,823	734,271	\$(748,094)	—
TOTAL OPERATING REVENUES	\$ 7,049,894	\$3,168,292	\$(748,094)	\$ 9,470,092
DEPRECIATION	\$ 799,214	\$ 247,203		\$ 1,046,417
OPERATING INCOME BEFORE INCOME TAXES ^(b)	\$ 2,288,965	\$ 273,572		\$ 2,562,537
CONSTRUCTION EXPENDITURES ^(c)	\$ 1,079,098	\$ 462,681		\$ 1,541,779
Identifiable assets ^(c)	\$16,639,598	\$4,318,541		\$20,958,139
Corporate assets				1,000,258
TOTAL ASSETS				\$21,958,397
1989				
Operating revenues	\$ 6,216,050	\$2,372,214		\$ 8,588,264
Intersegment revenues ^(a)	12,463	670,011	\$(682,474)	—
TOTAL OPERATING REVENUES	\$ 6,228,513	\$3,042,225	\$(682,474)	\$ 8,588,264
DEPRECIATION	\$ 753,488	\$ 246,828		\$ 1,000,316
OPERATING INCOME BEFORE INCOME TAXES ^(b)	\$ 2,099,884	\$ 247,392		\$ 2,347,276
CONSTRUCTION EXPENDITURES ^(c)	\$ 1,016,707	\$ 431,745		\$ 1,448,452
Identifiable assets ^(c)	\$16,272,545	\$4,182,397		\$20,454,942
Corporate assets				897,028
TOTAL ASSETS				\$21,351,970
1988				
Operating revenues	\$ 5,512,865	\$2,132,883		\$ 7,645,748
Intersegment revenues ^(a)	9,807	717,833	\$(727,640)	—
TOTAL OPERATING REVENUES	\$ 5,522,672	\$2,850,716	\$(727,640)	\$ 7,645,748
DEPRECIATION	\$ 716,539	\$ 215,425		\$ 931,964
OPERATING INCOME BEFORE INCOME TAXES ^(b)	\$ 1,587,438	\$ 218,192		\$ 1,805,630
CONSTRUCTION EXPENDITURES ^(c)	\$ 932,573	\$ 402,684		\$ 1,335,257
Identifiable assets ^(c)	\$16,058,553	\$4,079,365		\$20,137,918
Corporate assets				929,767
TOTAL ASSETS				\$21,067,685

(a) Intersegment electric and gas revenues are accounted for at tariff rates prescribed by the CPUC.

(b) Income taxes and general corporate expenses are allocated in accordance with the FERC Uniform System of Accounts and requirements of the CPUC. Operating income in the Statement of Consolidated Income is net of income taxes.

(c) Includes an allocation of common plant in service and AFUDC.

The accompanying Notes to Consolidated Financial Statements are an integral part of this schedule.



California Clapper Rail

Rallus longirostris obsoletus
Status: State and Federal Endangered

Fewer than 500 are surviving.

Inhabits the salt marshes around San Francisco Bay and the Elkhorn Slough.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pacific Gas and Electric Company

For years ended December 31, 1990, 1989 and 1988

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting records The accounting records of Pacific Gas and Electric Company (PG&E) are kept in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the California Public Utilities Commission (CPUC).

Principles of consolidation The consolidated financial statements include PG&E and its wholly-owned and majority-owned subsidiaries (the Company). All significant intercompany transactions are eliminated.

Major subsidiaries are: Pacific Gas Transmission Company (PGT) — transports and sells natural gas outside California; Alberta and Southern Gas Co. Ltd. (A&S) — buys gas in Canada and arranges transport to the U.S. border; Pacific Energy Fuels Company (PEFCO) — finances the purchase of nuclear fuel through issuance of its commercial paper; PG&E Enterprises (Enterprises) — parent company for the nonregulated subsidiaries of PG&E, including PG&E Resources Company (PG&E Resources) which engages in exploration, development and production of oil and gas.

Alberta Natural Gas Company Ltd (ANG), a 49%-owned affiliate of PGT, owns and operates a pipeline in Canada, which transports natural gas for A&S to the U.S. border. The investment in ANG is accounted for by the equity method of accounting.

Revenues Revenues include billings to customers, accrued unbilled revenues and changes in regulatory balancing accounts. These revenues give rise to customer receivables primarily from the sale of natural gas and electricity to a diversified base of customers including residential, commercial and industrial customers in Northern and Central California.

The CPUC authorizes the use of balancing accounts which reduce earnings fluctuations from most changes in sales and costs of providing electricity and gas. The balances of these accounts represent amounts that will be recovered from, or repaid to, customers by adjustments to future customer rates. The CPUC reviews the reasonableness of the amounts in these accounts.

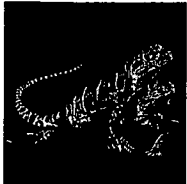
Plant in service The costs of plant additions, including replacements of plant retired, are capitalized. Costs include labor, material, construction overheads and an allowance for funds used during construction (AFUDC).

AFUDC is the cost of financing the construction of new facilities. Effective July 1988, financing costs of capital additions for the Diablo Canyon Nuclear Power Plant (Diablo Canyon) are calculated under Statement of Financial Accounting Standards (SFAS) No. 34, *Capitalization of Interest Cost*, since Diablo Canyon is no longer on a cost-based ratemaking basis. (See Note 2.) The original cost of utility plant retired plus removal costs less salvage are charged to accumulated depreciation. Property maintenance, repairs and minor replacements and additions are charged to maintenance expense.

Depreciation For financial reporting purposes, depreciation of plant in service is computed using a straight-line remaining-life method. For federal income tax purposes, the most liberal depreciation methods allowed by the Internal Revenue Code generally are used.

Income taxes PG&E files a consolidated federal income tax return that includes domestic subsidiaries in which its ownership is 80% or more. Income tax expense includes the current and deferred income tax expense resulting from operations during the year. Deferred income tax expense is provided on most of the major timing differences between financial statement and income tax reporting, to the extent permitted for ratemaking purposes. These timing differences are itemized in the deferred tax section of Note 8. Although the tax effects of most major timing differences are deferred, others are recorded currently. Timing differences for which there are no deferred taxes include certain capitalized overheads, percentage repair allowances, excess depreciation for state purposes, and removal costs and federal tax depreciation on property acquired prior to 1981. At December 31, 1990, the cumulative net amount of these differences was \$1.8 billion for federal purposes and \$2.3 billion for state purposes. The Company expects to recover the tax effects of these timing differences in future rates. Investment tax credits are deferred and amortized to income over the life of the related property.

Debt premium, discount and related expense Long-term debt premium, discount and expense are amortized over the life of each issue. Gains and losses on reacquired debt are amortized over the remaining original lives of debt reacquired, consistent with ratemaking. Effective July 1988, gains and losses on reacquired debt allocated to Diablo Canyon are recognized in income.



Blunt-Nosed Leopard Lizard

Gambelia silus
Status: State and
Federal Endangered

Five percent of
its original habitat
remains in the
grasslands and
desert scrub of the
San Joaquin Valley.

Inventories Nuclear fuel inventory is stated at the lower of cost or market. Amortization of fuel in the reactor is based on the amount of power generated.

As required by federal law, the U.S. Department of Energy (DOE) is responsible for the future storage and disposal of spent nuclear fuel. The cost of these activities is funded through a one-tenth of one cent fee on each kilowatt-hour (kwh) generated by all nuclear power plants, including Diablo Canyon. This fee is paid quarterly to DOE. The cost of nuclear fuel, including the spent fuel fee, is recoverable through Diablo Canyon revenues. (See Note 2.)

Other inventories are valued at average cost except for fuel oil, which is valued by the last-in first-out (LIFO) method.

Oil and gas properties PG&E Resources uses the successful efforts method of accounting to determine the profit and loss on oil and gas exploration, development and production.

Statement of consolidated cash flows Cash and cash equivalents include special deposits, working funds and short-term investments (at cost which approximates market).

Investing and financing activities include the following non-cash transactions:

- In December 1990, the Company exchanged PG&E common stock valued at approximately \$60 million for the acquisition of a nonregulated business.
- Capital lease obligations, primarily for nuclear fuel, increased by \$50 million in 1988. (See Note 6.)

Reclassifications Prior years' amounts in the consolidated financial statements have been reclassified where necessary to conform to the 1990 presentation.

NOTE 2

DIABLO CANYON

Rate case settlement The Diablo Canyon rate case settlement, effective July 1988, bases revenues for the plant primarily on the amount of electricity generated, rather than on traditional cost-based ratemaking. In approving the settlement, the CPUC explicitly affirmed that Diablo Canyon costs and operations no longer should be subject to CPUC reasonableness reviews. The CPUC cannot bind future commissions in fixing rates for Diablo Canyon, but to the extent permitted by law intends that this decision remain in effect for the full term of the settlement, ending 2016.

The settlement provides that certain Diablo Canyon regulatory costs aggregating \$1.056 billion after tax will be recovered over the term of the settlement, including a full return, through base rates. The related revenues to recover these costs are included in Diablo Canyon revenues for reporting purposes. Other than these and decommissioning costs, Diablo Canyon no longer meets the criteria for application of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Consequently, application of this statement was discontinued for Diablo Canyon effective July 1988.

In 1988, as a result of the settlement, the Company charged to earnings approximately \$871 million of Diablo Canyon revenues previously recorded but uncollected through rates, as well as approximately \$150 million of litigation and other Diablo Canyon costs.

Pricing The price per kwh consists of a fixed component and an escalating component. The total price for 1990 was 8.93 cents per kwh, effective January 1. Total prices for the years 1991 through 1994, effective January 1 of each year, are 9.6 cents, 10.34 cents, 11.16 cents and 11.89 cents per kwh. For 1995 through 2016, the escalating component will be adjusted by a factor related to inflation. During the first 700 hours of full-power operation for each unit during the peak period (10 a.m. to 10 p.m. on weekdays in June through September), the price is 130% of the stated amount to encourage the Company to utilize the plant during the peak period. Beginning in January of each year, during the first 700 hours of full-power operation for each unit outside the peak period, the price is 70% of the stated amount. At all other times, the price is 100% of the stated amount.

Decommissioning costs Since 1987, the CPUC has granted the Company annual revenues of \$54 million to provide for the future costs of decommissioning Diablo Canyon. The estimated decommissioning cost is \$627 million (computed in 1988 dollars), which includes a contingency factor of 50% for expected changes in regulatory requirements and waste disposal cost increases. Decommissioning costs will continue to be recovered through base rates and are not subject to plant performance.

As of December 31, 1990, approximately \$214 million had been accumulated in an external trust fund to be used for the decommissioning of Diablo Canyon and was included in funds held by trustee in the consolidated balance sheet. Funds may not be released from the trust fund until authorized by the CPUC.



Great Gray Owl

Strix Nebulosa
Status: State
Endangered

**Elusive, solitary
resident of old-
growth conifer for-
ests in the Sierra
Nevada.**

**NOTE 3
PREFERRED STOCK**

Nonredeemable preferred stock (\$25 par) consists of a 5%, a 5.5% and a 6% series, which have rights to annual dividends per share of \$1.25, \$1.375 and \$1.50, respectively.

Redeemable preferred stock without mandatory redemption provision (\$25 par) is subject to redemption, in whole or in part, if the Company pays the specified redemption price plus accumulated and unpaid dividends to the redemption date. Per share information is:

Series	Annual dividend	Redemption price
4.36% to 8.2%	\$1.09 to \$2.05	\$25.75 to \$28.125
9% to 10.46%	\$2.25 to \$2.615	\$25.85 to \$28.50

Preferred stock with mandatory redemption provision (\$100 par) consists of a 9% and a 10.17% series, each entitled to a sinking fund providing for the retirement of stock outstanding at \$100 per share plus accumulated and unpaid dividends. The total redemption cost, excluding any accumulated and unpaid dividends, for each of the years 1991 through 1995 is \$13 million.

In addition to sinking fund retirements, the 9% series, and after August 14, 1993, the 10.17% series, may be redeemed at PG&E's option for \$100 per share plus accumulated and unpaid dividends and a redemption premium under specified circumstances.

In March 1990, the Board of Directors authorized the Company to reacquire up to \$200 million of its preferred stock over two years to reduce financing costs. In 1990, PG&E reacquired \$26 million of its preferred stock with dividend rates ranging from 9.3% to 10.46%.

Preferred stock dividends are cumulative. All shares of preferred stock have equal preference in dividend and liquidation rights. Upon liquidation or dissolution of PG&E, holders of the preferred stock would receive the par value of such shares plus all accumulated and unpaid dividends, as specified for the class and series.

**NOTE 4
LONG-TERM DEBT**

Mortgage bonds The first and refunding mortgage bonds of PG&E are issued in series, bear annual interest rates ranging from 4.25% to 13% and mature from 1991 to 2023. Additional bonds may be issued up to a maximum total outstanding of \$10 billion, assuming compli-

ance with indenture covenants for earnings coverage and property available as security. The indenture requires that net earnings not including depreciation and interest be equal to or greater than 1.75 times the annual interest charges on PG&E's mortgage bonds outstanding. The Board of Directors of PG&E may increase the amount authorized, subject to CPUC approval. All real properties and substantially all personal properties are subject to the lien of the indenture.

PG&E is required by the indenture to make semi-annual sinking fund payments on February 1 and August 1 of each year for the retirement of the bonds. The payments equal 1/2 of 1% of the aggregate bonded indebtedness outstanding on the preceding November 30 and May 31, respectively. Bonds of any series, with certain exceptions, may be used to satisfy this requirement. In addition, holders of Series 84D bonds maturing in 2017 have an option to redeem their bonds in 1995.

In March 1990, the Board of Directors authorized the Company to reacquire up to \$542 million of certain high-cost mortgage bonds to reduce financing costs. In 1990, PG&E reacquired \$273 million of its outstanding high-cost mortgage bonds with interest rates ranging from 10% to 12.75%, at a premium of \$25 million. The premium is amortized over the remaining original lives of the debt reacquired. The portion allocated to Diablo Canyon is charged to income.

In June 1990, PG&E issued \$150 million of Series 90A mortgage bonds at 9.3%, to mature in July 2023. In December 1990, PG&E issued \$100 million of Series 90B mortgage bonds at 8.75%, to mature in January 2001. Proceeds from these bonds are for construction expenditures and for the redemption, repayment, or retirement of debt or preferred stock.

Pollution control loan agreements PG&E has loans from an agency of the State of California to finance air and water pollution control, and sewage and solid waste disposal facilities. In 1988, PG&E borrowed \$925 million to refund existing loans with the agency. Interest rates on the \$925 million in loans vary depending on whether the loans are in a daily, weekly, commercial paper, or fixed rate mode. Conversions from one mode to another take place at PG&E's option. Average annual interest rates for 1990 ranged from 5.6% to 6%. These loans are subject to redemption by the holder on demand under certain circumstances. The Company's obligations for such demands are secured by irrevocable letters of credit which can be drawn on at anytime until 1997. Any borrowings resulting from use of the letters of credit would mature in 1997. PG&E has additional loans with the agency totaling \$423 million with interest rates



San Francisco Garter Snake

Thamnophis sirtalis tetrataenia

Status: State and Federal Endangered

Survives in the few remaining permanent freshwater wetlands on the San Francisco peninsula.

ranging from 6.25% to 8.875% and maturities from 2007 to 2018. These loans are secured by PG&E's mortgage bonds.

Repayment schedule For the years 1991 through 1995, the Company's combined aggregate amount of debt maturing and sinking fund requirements, at December 31, 1990, is \$94 million, \$176 million, \$369 million, \$175 million, and \$446 million.

NOTE 5
SHORT-TERM BORROWINGS

Short-term borrowings are principally commercial paper with weighted average interest rates of 8.6% and 10.1% at December 31, 1990 and 1989, respectively. The usual maturity for commercial paper is 10 to 90 days.

PG&E has a \$750 million revolving credit facility agreement with a group of banks to support the sale of commercial paper and for other corporate purposes. PEFCO has a \$250 million revolving credit facility agreement with a group of banks to support its commercial paper issued to finance the purchase of nuclear fuel. PG&E guarantees PEFCO's credit facility and commercial paper. Both credit facilities expire in 1994; however, they may be extended annually for additional one-year periods upon mutual agreement between the Company and the banks. The Company is in compliance with all covenants associated with both facilities. At December 31, 1990 and 1989, there were no borrowings outstanding against either of these credit facilities.

A&S maintains a \$35 million (Canadian) standby line of credit with a bank to support the sale of commercial paper for advances to producers under gas contracts. (See Note 9.) PG&E has executed guarantees to assume liabilities not to exceed \$350 million on commercial paper and the standby bank line of credit for A&S to cover take-or-pay borrowings. A&S also maintains lines of credit with four banks totaling \$23 million (Canadian) for operations. At December 31, 1990 and 1989, A&S had no significant borrowings outstanding against any of these lines of credit.

NOTE 6
NUCLEAR FUEL LEASE

PG&E leased nuclear fuel from Pacific Energy Trust (PET) under an agreement that was terminated in 1989. Lease payments were based on the cost of the nuclear fuel used plus the daily finance charges on PET's net investment in nuclear fuel during the period under this agreement.

Nuclear fuel lease expense for 1988 was \$98 million, including interest of \$21 million.

In 1989, PEFCO purchased PET's remaining investment in the nuclear fuel lease. The acquisition cost was financed by the issuance of commercial paper. PEFCO continues to finance the acquisition of nuclear fuel through the issuance of its commercial paper. (See Note 5.)

NOTE 7
RETIREMENT PLAN AND OTHER POSTRETIREMENT BENEFITS

Retirement Plan The Company provides a noncontributory defined benefit retirement plan covering substantially all employees. The retirement benefits are based on years of service and the employee's base salary. The Company's funding policy is to contribute each year not more than the maximum amount deductible for federal income tax purposes and not less than the minimum contribution required under the Employee Retirement Income Security Act of 1974. The cost of this plan was charged to expense and plant in service.

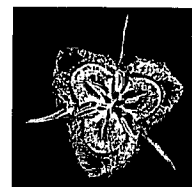
Net pension cost, using the projected unit credit actuarial cost method, was:

	1990	1989	1988
<i>In thousands</i>			
Service cost for benefits earned	\$ 112,552	\$ 90,735	\$ 81,653
Interest cost on projected benefit obligation	232,263	215,993	209,372
Actual loss (return) on plan assets	63,205	(552,393)	(323,087)
Net amortization and deferral	(292,147)	349,742	135,536
Net pension cost recognized	<u>\$ 115,873</u>	<u>\$ 104,077</u>	<u>\$ 103,474</u>

Net pension cost recognized is calculated using expected return on plan assets. The difference between actual and expected return on plan assets is included in net amortization and deferral and is considered in the determination of future pension cost.

In 1990, the retirement plan experienced a negative rather than a positive investment return on plan assets as expected. In 1989 and 1988, actual returns on plan assets exceeded expected returns.

The expected long-term rate of return on plan assets used in determining pension cost was 8%, 8.5% and 9% for 1990, 1989 and 1988, respectively.



Tiburon Mariposa Lily

Calochortus tiburonensis
Status: State Threatened and Federal Candidate

Grows only on rocky slopes at The Nature Conservancy's 400 acre Ring Mountain Preserve in Tiburon, California.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pacific Gas and Electric Company

In conformity with accounting for rate-regulated enterprises, regulatory adjustments have been recorded in the income statement and balance sheet for the difference between utility pension cost determined for accounting purposes and for ratemaking, which is based on a contribution approach.

The plan's funded status was:

December 31	1990	1989
<i>In thousands</i>		
Actuarial present value of projected benefit obligations		
Vested benefits	\$2,249,931	\$2,003,385
Nonvested benefits	143,613	127,876
Accumulated benefit obligation	2,393,544	2,131,261
Effect of projected future compensation increases	764,333	846,957
Projected benefit obligation	3,157,877	2,978,218
Plan assets at market value	3,005,383	3,075,207
Projected benefit obligation in excess of (less than) plan assets	152,494	(96,989)
Unrecognized prior service cost	(82,592)	(3,247)
Unrecognized net gain	121,623	308,741
Unrecognized net obligation	(161,723)	(173,703)
Accrued pension liability	\$ 29,802	\$ 34,802

The increase in unrecognized prior service cost at year-end 1990 compared to 1989 reflects a plan amendment made by the Company in 1990.

Assumptions used to calculate the projected benefit obligation to determine the plan's funded status were:

	1990	1989
Weighted-average discount rate	7.5%	7.5%
Average rate of projected future compensation increases	6.5%	6.5%

Plan assets are composed primarily of common stocks, fixed-income securities and real estate investments. The unrecognized net obligation is being amortized over approximately 18 years, beginning in 1987.

Effective January 1988, pension benefits for management employees are based on final three years' average pay. For nonmanagement employees, effective January 1991, pension benefits automatically are based on the most current pay. This change does not affect the projected benefit obligation or pension cost since increases in pay previously were anticipated by the Company.

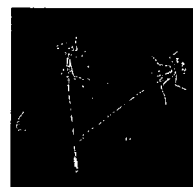
Savings Fund Plan The Company sponsors a defined contribution plan to which employees with at least one year of service may make contributions. Employees may contribute up to 14 percent of their covered compensation on a pre-tax or after-tax basis. Pre-tax employee contributions and, effective January 1991, after-tax employee contributions, up to a maximum of 6 percent of covered compensation are eligible for matching Company contributions at specified rates. The cost of Company contributions was charged to expense and plant in service and totaled \$29.8 million, \$28.8 million and \$27.7 million for 1990, 1989 and 1988, respectively.

Other postretirement benefits The Company provides life insurance benefits for retired employees. This benefit is provided through an insurance company at a cost based on total current claims paid plus administrative fees. A life insurance plan available to certain management employees uses the same actuarial funding method and assumptions as the retirement plan. The annual contribution is the normal cost plus the amortization of the unfunded actuarial liability. The cost of providing life insurance benefits was charged to expense and plant in service and totaled \$2.6 million, \$2.6 million and \$1.3 million for 1990, 1989 and 1988, respectively.

The Company also provides health care benefits for retired employees and their eligible dependents. The cost, based on benefits paid, totaled \$15.6 million, \$15 million and \$13.4 million for 1990, 1989 and 1988, respectively. The cost of health care benefits was charged to expense and plant in service.

New accounting standard In December 1990, the Financial Accounting Standards Board issued SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, which establishes accounting and reporting standards for such benefits. The new standard requires accrual of the expected cost of these benefits during the employees' years of service. (The Company currently recognizes the majority of these costs on a cash basis, which is consistent with current rate-making.) The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company is required to adopt the new standard no later than 1993, although earlier adoption is permitted. The Company expects to adopt the new standard effective 1993 and plans to amortize the discounted present value of the obligation at that date to expense over 20 years. Although the effect of adoption has not been fully determined, due to expected future regulatory treatment, the Company does not expect adoption to have a material effect on its financial position or results of operations.



San Francisco Forktail Damselfly

Ischnura gemina
Status: Federal Candidate

Found in the small creeks, ponds and seepages that were once commonplace in the San Francisco Bay Area.

PG&E and other utilities currently are participating in an investigation before the CPUC on the effects of the new accounting standard on utilities and the feasibility of prefunding postretirement benefits. The CPUC's conclusion with respect to ratemaking for these benefits ultimately may affect the accounting treatment for such benefits.

**NOTE 8
INCOME TAXES**

The current and deferred components of income tax expense were:

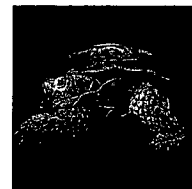
	1990	1989	1988
<i>In thousands</i>			
Current			
Federal	\$555,186	\$457,014	\$ 133,864
State	185,015	139,975	88,579
Total current	<u>740,201</u>	<u>596,989</u>	<u>222,443</u>
Deferred—federal and state			
Balancing accounts	(11,031)	78,445	(11,215)
Depreciation	191,899	95,414	223,494
Contributions in aid of construction	(23,902)	(27,708)	(27,100)
Fuel oil inventory	(5,242)	7,912	14,282
Capitalized interest and overheads	(5,407)	(1,240)	13,511
Retirement plan	1,878	2,630	2,401
Unbilled revenues	3,828	(39,599)	(6,433)
State tax deductions	29,020	(20,173)	15,300
Gain/loss on reacquired debt	1,813	908	8,216
Energy project costs	—	—	(24,414)
Diablo Canyon adjustment account	—	—	(446,280)
Other—net	(21,530)	(12,532)	(147)
Total deferred	<u>161,326</u>	<u>84,057</u>	<u>(238,385)</u>
Investment tax credits—net	(19,880)	(11,161)	(7,423)
Total income tax expense	<u>\$881,647</u>	<u>\$669,885</u>	<u>\$ (23,365)</u>
Classification of income taxes			
Included in operating expenses	\$856,401	\$724,718	\$ 508,258
Included in other—net	25,246	(54,833)	(22,076)
Diablo Canyon settlement	—	—	(509,547)
Total income tax expense	<u>\$881,647</u>	<u>\$669,885</u>	<u>\$ (23,365)</u>

The differences between reported state and federal income taxes and amounts determined on income before income tax expense by applying the federal statutory rate were:

	1990	1989	1988
<i>In thousands</i>			
Expected federal income tax expense at statutory rate	\$ 635,398	\$ 533,974	\$ 13,179
Increase (decrease) in income tax expense resulting from:			
Investment and other tax credits	(21,499)	(24,547)	(21,923)
State income tax (net of federal benefit)	173,206	96,225	13,365
Financial statement depreciation in excess of tax depreciation	95,678	89,780	105,977
AFUDC	(20,410)	(14,629)	(8,076)
Removal costs	(6,242)	(6,724)	(6,724)
Repair allowance	(8,503)	(10,881)	(10,880)
Capitalized interest	7,320	8,404	6,165
Capitalized overheads	(3,262)	(3,621)	(11,326)
Diablo Canyon settlement	—	—	(104,169)
Helms reserve	17,105	—	—
Other—net	12,856	1,904	1,047
Total income tax expense	<u>\$ 881,647</u>	<u>\$ 669,885</u>	<u>\$ (23,365)</u>
Income before income tax expense	<u>\$1,868,817</u>	<u>\$1,570,513</u>	<u>\$ 38,762</u>
Effective tax rate (total income tax expense/income before income tax expense)	47.2%	42.7%	(60.3%)

The 1988 effective tax rate was affected primarily by the Diablo Canyon settlement. Deferred income taxes for Diablo Canyon revenues accrued but not collected had been provided in prior years using historical income tax rates. In 1988, these deferred income taxes were reversed and the difference between historical and present income tax rates was included in net income.

SFAS No. 96, *Accounting for Income Taxes*, issued in December 1987, established new financial accounting standards for income taxes. The Company currently is evaluating the accounting, regulatory and financial impli-



Desert Tortoise

Gopherus agassizi
Status: State Threatened and Federal Endangered

Lives amid the creosote bush, cactus and Joshua trees of Mojave and Colorado deserts of California.

cations of SFAS No. 96, which must be adopted by 1992. The Company estimates that both consolidated assets and liabilities will increase by two to three billion dollars upon adoption, as the result of recording additional deferred taxes and the related regulatory assets. The impact on consolidated net income is not expected to be material.

**NOTE 9
COMMITMENTS**

Capital expenditures Capital expenditures for 1991 are estimated to be approximately \$1.9 billion, consisting of \$1.6 billion, including AFUDC, for utility expenditures, \$114 million for Diablo Canyon and \$174 million for nonregulated investments.

Qualifying facilities (QFs) Under the Public Utility Regulatory Policy Act of 1978, the Company is required to purchase energy and capacity produced by QFs. The CPUC established a series of power purchase agreements which set the applicable terms, conditions and price options. The QF must meet certain performance obligations, depending on the contract, prior to receiving capacity payments. The total cost of both energy and capacity payments to QFs is recoverable in rates.

Payments to QFs are expected to vary in future years. The amount of energy received from QFs and the total energy and capacity payments made under these agreements were:

	1990	1989	1988
<i>In millions</i>			
Kwh received	17,010	12,975	9,387
Energy payments	\$873	\$602	\$372
Capacity payments	\$374	\$255	\$166

Irrigation districts and water agencies The Company has contracts with various irrigation districts and water agencies to purchase hydroelectric power. The contracts expire on various dates from 2004 to 2031. Under these contracts, the Company must make specified monthly or semi-annual minimum payments whether or not any energy is supplied, subject to the provider's retention

of FERC authorization. Additional variable payments for operation and maintenance costs incurred by the providers are also required to be made under the contracts. The total cost of these payments is recoverable in rates. At December 31, 1990, the future minimum payments under the contracts were:

<i>In millions</i>	
1991	\$ 33
1992	33
1993	33
1994	33
1995	33
For periods thereafter	571
Total	<u>\$736</u>

Total payments under these contracts were \$45 million, \$47 million and \$45 million for 2,365 million, 4,098 million and 1,899 million kwh of energy in 1990, 1989 and 1988, respectively.

Western Area Power Administration (WAPA) energy agreement The Company has an agreement with WAPA to purchase energy from them and resell it to them upon their request. The energy under contract has been purchased by the Company from WAPA at favorable prices based on WAPA's cost of generation. That energy must be sold back to WAPA at a price equal to the Company's current thermal production cost at the time of delivery to WAPA less the Company's savings that resulted from the purchases at the lower WAPA prices.

The contract will expire in 2005. At December 31, 1990, the cost to the Company to return the amount of energy currently available to WAPA was approximately \$312 million, assuming WAPA requests the return of all the energy prior to the contract's expiration date. However, such cost represents a return of the benefits the Company received through its purchases from WAPA, which were passed on to ratepayers at that time. The Company believes it is entitled to recover in rates costs of energy resold to WAPA.

Natural gas purchase obligations A&S, the Company's Canadian gas purchasing subsidiary, made payments in previous years to Canadian gas producers under contracts



**American
Peregrine Falcon**

*Falco peregrinus
anatum*
Status: State and
Federal Endangered

**Nests and perches
on high cliffs and
ledges. Currently
a pair is hunting
from PG&E's down-
town San Francisco
headquarters.**

which contained take-or-pay provisions as the volume of gas taken during certain contract years fell below contract minimums. These contracts allow make-up in subsequent contract years of the prepaid gas and provide for reimbursement of these prepayments if make-up of the gas prior to the expiration of the contracts is not possible. A&S's contracts with the majority of its producers have been amended to limit such payments to producers to those amounts received pursuant to take-or-pay provisions contained in its sales contracts with PGT and other customers. During 1990 and 1989, A&S made no payments to producers under these amended provisions. At December 31, 1990 and 1989, total advances outstanding for gas not taken were \$119 million and \$224 million, respectively. These advances are financed by short-term borrowings. (See Note 5.)

A&S currently has commitments to purchase minimum quantities of gas under various long-term contracts with Canadian producers.

In September 1990, the CPUC adopted new gas purchasing rules which are scheduled to be implemented by August 1991. Under these rules, for a period ending in August 1994, noncore customers will have access to PG&E's Canadian gas supply and may directly negotiate pricing terms with producers under contract with A&S. Once an agreement has been reached, A&S will purchase the gas under its existing gas purchase contracts for resale to PG&E. A&S will receive credit against its contractual commitments with producers for the volume of gas sold by PG&E to its noncore customers under these arrangements.

Stock Option Plan The Company has a Stock Option Plan (Plan) to grant to key management employees incentive stock options with associated stock appreciation rights (SARs), non-qualified stock options with or without SARs, and dividend equivalents.

A total of 1.5 million shares of PG&E's common stock was authorized for award under the Plan. Costs associated with the Plan are not recoverable in rates.

During 1987 through 1990, non-qualified options on 495,820 shares have been granted at option prices ranging from \$16.75 to \$26.63. Option prices were the market price per share on the date of grant.

Non-qualified stock options expire ten years and one day after the date of grant, and become exercisable on a

cumulative basis at one-third each year commencing two years from the date of grant. Options also become exercisable within certain time limitations upon retirement, disability or death. At December 31, 1990, options on 111,987 shares were exercisable.

NOTE 10 CONTINGENCIES

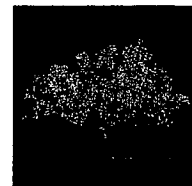
Helms Pumped Storage Plant (Helms) Helms, completion of which was delayed due to a water conduit rupture in 1982 and various start-up problems related to the plant's generators, became commercially operable in 1984.

The total cost of the plant at December 31, 1990 was \$972 million, of which \$769 million has been allowed in rate base and \$22 million was disallowed by the CPUC in 1985. In 1990, as a result of an adverse decision in the litigation with USX Corporation in which the jury found that the Company's negligence was the proximate cause of the water conduit rupture, the Company reserved approximately \$64 million for the net costs (\$72 million before adjustment for depreciation) attributable to the conduit rupture.

The remaining \$109 million (before adjustment for depreciation) is not in rate base and therefore is not earning a return on investment. The Company is seeking recovery of the majority of these costs through litigation with Westinghouse Electric Corporation (Westinghouse) for repair costs and consequential damages related to the problems with the generators.

The Company's claim against Westinghouse for consequential damages is for the additional costs of financing the construction of the project and for lost revenues during the time that Helms was out of service for the modification and repair of the generators. In 1990, the Superior Court of the County of San Francisco issued a memorandum decision stating that provisions in the generator supply contract bar the Company from recovering consequential damages. Since the Court's decision, Westinghouse and the Company have agreed to suspend any further litigation or appeal while the parties conduct settlement discussions.

In 1985, the CPUC decided that should the Company seek recovery in rates of expenditures related to the water conduit rupture and problems with the plant's



Valley Oak

Quercus lobata
Status: Species of
Concern

**Grows in Central
Valley stretching
from Redding
to Bakersfield.
Increasingly rare
due to habitat loss
and lack of legal
protection.**



Shasta Crayfish

Pacifastacus foris
Status: State and Federal Endangered

Inhabits spring-fed streams and lakes of Pit River Basin. Habitat loss and aggressive non-native crayfish threaten survival.

generators, it will bear a heavy burden of proof in establishing their reasonableness. In addition, should the Company seek recovery of the expenditures related to the water conduit rupture, the CPUC intends to consider an offset to revenues to reflect lost or deferred capacity benefits due to the delay in commercial operation. The CPUC also declined to include in current rates the revenues recorded during the time Helms was out of service for the modification and repair of the generators. These revenues and related recorded interest amounted to \$55 million and are included in the consequential damages mentioned above. The Company will be allowed to file a separate application for recovery after claims against third parties are resolved.

At December 31, 1990, net unrecovered plant costs, excluding those already reserved, and recorded revenues and interest were:

<i>In millions</i>	
Net plant costs attributable to problems with the generators	
Repair costs	\$ 18
AFUDC	50
Additional net plant costs	25
Total net unrecovered plant costs	93
Recorded revenues and interest	55
Total	\$148

It is uncertain whether, and to what extent, any of these remaining costs and revenues will be recovered through litigation or the ratemaking process.

Nuclear insurance PG&E is a member of Nuclear Mutual Limited (NML) and Nuclear Electric Insurance Limited (NEIL I and II). If the nuclear plant of a member utility is damaged or increased costs for replacement power are incurred due to a prolonged accidental outage, PG&E may be subject to maximum assessments of \$29 million (property damage) or \$8 million (replacement power), in each case per policy period, if losses exceed premiums, reserves, NML, NEIL I or NEIL II resources.

The federal government has enacted laws that require all nuclear utilities to share in payment for claims resulting from a nuclear incident. The Price-Anderson Act

limits the liability for third-party claims resulting from any nuclear incident to \$7.4 billion per incident for the entire nuclear industry. Coverage of the first \$200 million is provided by private insurance. If a nuclear incident results in public liability claims in excess of \$200 million, PG&E may be assessed up to \$126 million per incident, with payments in each year limited to a maximum of \$20 million per incident. If additional funds are needed to satisfy public liability claims and legal costs arising from any nuclear incident, PG&E can be assessed an additional \$6.3 million.

Geothermal steam contracts litigation In 1987, two lawsuits were filed against the Company relating to contracts for sale of geothermal steam to the Company for use at The Geysers Power Plant (The Geysers). In total, the lawsuits claimed damages in excess of \$120 million for breaches of contract. The Company had filed a cross-complaint requesting damages in excess of \$57 million.

Unocal and the Company have executed a memorandum of understanding (MOU) to settle Unocal's lawsuit against the Company. Under the settlement, Unocal is to pay the Company \$43 million for expenses the Company incurred for a plant that was never built because of insufficient steam, and the Company is to pay Unocal \$13 million in settlement of Unocal's claim that the steam price was improperly calculated. All other claims of both parties are to be dismissed.

The MOU is conditioned on development of an agreement that is subject to certain approvals and to settlement with Thermal Power Company. Thermal is Unocal's partner at The Geysers and has a companion lawsuit against the Company. Pending approval of the agreement, the parties have agreed to postpone the trial date in the lawsuits. The trial currently is scheduled to begin in June 1991. The Company has contested the lawsuits vigorously and believes that the ultimate outcome of this matter would not have a significant impact on its financial position or results of operations.

FERC hydroelectric relicensing Federal legislation has eliminated any preference for governmentally-run utilities in the relicensing of hydroelectric projects. Certain governmentally-run utilities previously had challenged the Company's relicensing of three hydroelectric projects.

The legislation requires the Company to pay these challengers a "reasonable" settlement consisting of their costs incurred to pursue the licenses and a potential further amount ranging from 0% to 100% of the Company's remaining net investment in the projects. In return, the challengers are required to withdraw their competing license applications. The FERC has approved the settlement agreement for one project. The challengers for the other two projects have filed with the FERC to assert claims amounting to approximately \$100 million, including 100% of the Company's net investment in the projects of approximately \$89 million. The Company has contested the challengers' claims. A FERC decision on a final settlement amount is pending. The Company expects to recover settlement costs for each project through rates and believes that the ultimate outcome of this matter would not have a significant impact on its financial position or results of operations.

Take-or-pay direct billings The Company has a service agreement with El Paso Natural Gas Company (El Paso) for the purchase of natural gas. Under various FERC orders, El Paso may recover take-or-pay settlement costs from its customers, subject to refund. A portion of these costs is being recovered currently from the Company through direct billings allocated on the basis of past purchase deficiencies.

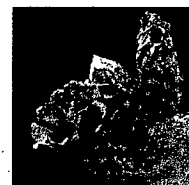
At December 31, 1990, the Company had paid El Paso approximately \$66 million in direct billings. Based on estimated total direct billings and the allocation formula currently employed by El Paso, the Company estimates that it could be assessed over \$84 million in additional charges by April 1993. El Paso has filed a settlement proposal with the FERC which, if approved, would reduce this amount to approximately \$59 million.

The CPUC has authorized the Company to recover \$65 million of direct billings through volumetric gas rates during the twelve months ending March 31, 1991.

The Company has applied for recovery of an additional \$48 million in direct billings during the twelve months ending March 31, 1992. The Company intends to apply for recovery of any additional amounts it incurs.

The Company must absorb any undercollection of direct billings allocated to the core class (residential customers and commercial customers that do not exceed certain use limitations), while any overcollection must be refunded to core ratepayers. Under current CPUC rules, the Company also is at risk to collect transportation revenues from the noncore class (industrial and larger commercial customers that meet certain size limitations), including direct billings allocated to the noncore class. Changes in the gas regulatory framework to be implemented in 1991 will reduce the risk of undercollection of direct billings allocated to the noncore class since partial balancing account treatment for the difference between forecasted revenues and actual revenues from the noncore class will be instituted. The Company believes that the ultimate outcome of this matter would not have a significant impact on its financial position or results of operations.

Environmental cleanup matters The Company assesses on an ongoing basis measures that may need to be taken, principally at retired manufactured gas plant sites, to comply with environmental laws and regulations. The probable overall costs of these measures cannot be determined at this time due to uncertainty about the extent of environmental risks and the Company's responsibility, the complexity of environmental laws and regulations and the selection of alternative compliance approaches. However, the Company expects generally to recover in rates costs not recovered through insurance or by other means, and believes that the ultimate outcome of these matters would not have a significant impact on its financial position or results of operations.



**Bakersfield
Bovertail
Cactus**

*Opuntia basilaris
var. treleasei*
Status: State and
Federal Endangered

**Less than one
percent of original
population
remains in beds
of old streams
and rivers near
Bakersfield.**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Pacific Gas and Electric Company

To the Shareholders and the Board of Directors of
Pacific Gas and Electric Company:

We have audited the accompanying consolidated balance sheet and the statement of consolidated capitalization of Pacific Gas and Electric Company (a California corporation) and subsidiaries as of December 31, 1990 and 1989, and the related statements of consolidated income, cash flows, common stock equity and preferred stock, and the schedule of consolidated segment information for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule of consolidated segment information referred to above present fairly, in all material respects, the financial position of Pacific Gas and Electric Company and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 10 to the consolidated financial statements, the Company provided a reserve of approximately \$64 million against its investment in Helms as a result of an adverse decision in 1990 in the USX Corporation litigation. The remaining net unrecovered costs and revenues related to Helms are approximately \$148 million. It is uncertain whether, and to what extent, any of these remaining costs and revenues will be recovered through litigation or the ratemaking process.

ARTHUR ANDERSEN & CO.
San Francisco, California
January 31, 1991

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Pacific Gas and Electric Company

The responsibility for the integrity of the financial information included in this annual report rests with management. Such information has been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and is based on the Company's best estimates and judgments after giving consideration to materiality.

PG&E maintains systems of internal accounting controls supported by formal policies and procedures which are communicated throughout the Company. These controls are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control, based on the recognition that the costs of such systems should not exceed the benefits to be derived. The Company believes its systems provide this appropriate balance. In addition, the Company's internal auditors perform audits and evaluate the adequacy of and the adherence to these controls, policies and procedures.

Arthur Andersen & Co., the Company's independent public accountants, review and evaluate the Company's

internal accounting control systems to the extent they consider necessary in order to support their opinion on the consolidated financial statements. Their auditors' report contains an independent informed judgment as to the fairness, in all material respects, of the Company's reported results of operations and financial position.

In a further attempt to assure objectivity and remove bias, the financial data contained in this report have been reviewed by the Audit Committee of the Board of Directors. The Audit Committee is composed of six outside directors who meet regularly with management, the corporate internal auditors and Arthur Andersen & Co., jointly and separately, to review internal accounting controls and auditing and financial reporting matters.

The Company maintains high standards in selecting, training and developing personnel to ensure that management's objectives of maintaining strong, effective internal controls and unbiased, uniform reporting standards are attained. The Company believes its policies and procedures provide reasonable assurance that operations are conducted in conformity with applicable laws and with its commitment to a high standard of business conduct.

QUARTERLY CONSOLIDATED FINANCIAL DATA (Unaudited)

Pacific Gas and Electric Company

Quarterly financial data for the four quarters of 1990 and 1989 are shown below. Due to the seasonal nature of the utility business and the scheduled refueling outages for Diablo Canyon, operating revenues, operating income, and net income are not generated evenly by quarter during the year.

The Company's common stock is traded on the New York, Pacific, London, Amsterdam, Basel and Zürich stock exchanges. There were approximately 272,000

common shareholders of record at December 31, 1990. Dividends are paid on a quarterly basis, and there are no material restrictions on the present ability of the Company to pay dividends. In the second quarter of 1990, the Company reserved approximately \$64 million of net costs related to Helms due to an adverse decision in the litigation with USX Corporation. The effect on earnings, including litigation settlement costs, was a decrease of approximately \$66 million after tax.

	4th	3rd	2nd	1st
<i>In thousands, except per share amounts</i>				
1990				
Operating revenues	\$ 2,452,026	\$ 2,597,650	\$ 2,172,601	\$ 2,247,815
Operating income	\$ 390,566	\$ 548,285	\$ 389,530	\$ 377,755
Net income	\$ 216,364	\$ 394,181	\$ 166,213	\$ 210,412
Earnings per common share	\$.46	\$.88	\$.33*	\$.43*
Dividends declared per common share	\$.38	\$.38	\$.38	\$.38
Common stock price per share				
High	\$ 25.63	\$ 23.25	\$ 23.50	\$ 22.88
Low	\$ 21.00	\$ 20.00	\$ 21.13	\$ 20.00
1989				
Operating revenues	\$2,146,711	\$2,245,948	\$2,086,494	\$2,109,111
Operating income	\$ 296,437	\$ 475,876	\$ 430,479	\$ 419,766
Net income	\$ 102,975	\$ 317,022	\$ 236,193	\$ 244,438
Earnings per common share	\$.18*	\$.69	\$.50	\$.53
Dividends declared per common share	\$.35	\$.35	\$.35	\$.35
Common stock price per share				
High	\$ 22.00	\$ 21.63	\$ 20.50	\$ 18.50
Low	\$ 18.75	\$ 19.50	\$ 17.50	\$ 17.25

*Includes Diablo Canyon scheduled refueling outages.



Salt Marsh Harvest Mouse

Reithrodontomys raviventris
Status: State and Federal Endangered

Lives in San Francisco Bay salt marshes. Less than five percent of original habitat remains.

PG&E COMPARATIVE STATISTICS (Unaudited)

Pacific Gas and Electric Company

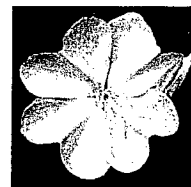


California Brown Pelican
Pelecanus occidentalis californicus
 Status: State and Federal Endangered
 Frequent coast-line and marine estuaries of Northern and Central California.

Years ended December 31	1990	1989	1988	1987
ELECTRIC STATISTICS*				
Net area output (millions of kwh)	92,103	94,155	91,575	88,444
Net area output—percent				
Hydroelectric plants	8.3%	11.5%	9.3%	10.2%
Thermal electric plants (excluding nuclear)	34.5	35.9	42.3	38.2
Nuclear plants	17.7	16.8	12.5	15.8
Other producers	39.5	35.8	35.9	35.8
TOTAL	100.0%	100.0%	100.0%	100.0%
Area capability—mw (at annual peak)				
Hydroelectric plants (adverse conditions)	3,877	3,895	3,875	3,938
Thermal electric plants (excluding nuclear)	8,936	8,995	8,995	9,070
Nuclear plants	2,160	2,160	2,160	2,164
Other producers	6,967	8,194	8,917	6,554
TOTAL	21,940	23,244	23,947	21,726
Net area peak demand—mw	17,400	17,623	18,490	16,202
Reserves capacity margin at peak—percent	10.3%	8.8%	7.8%	19.3%
Annual load factor—percent	60.4%	61.0%	56.7%	62.3%
Average annual residential consumption—kwh	6,443	6,468	6,537	6,489
Average residential revenue per kwh	10.41¢	9.69¢	8.64¢	7.80¢
Average annual residential bill	\$671	\$626	\$565	\$506
Total customers (end of year)	4,197,000	4,110,000	4,027,000	3,951,000
Plant investment per customer	\$3,443	\$3,474	\$3,520	\$3,565
Customers per mile of distribution line	41.2	40.8	40.3	40.0
GAS STATISTICS				
Gas purchased for U.S. operations (thousands of mcf)	737,302	756,222	745,606	681,421
Source of gas purchased—percent				
From California	10.6%	11.7%	15.8%	18.3%
From other states	37.5	39.2	33.0	27.7
From Canada	51.9	49.1	51.2	54.0
TOTAL	100.0%	100.0%	100.0%	100.0%
Average cost of gas purchased per mcf (U.S. operations)				
From California	\$2.04	\$1.83	\$1.69	\$1.71
From other states	\$2.81	\$2.58	\$2.47	\$2.16
From Canada	\$2.19	\$2.36	\$1.88	\$1.87
Average	\$2.40	\$2.38	\$2.05	\$1.92
Peak day sendout—mmcf	4,063	3,430	3,524	3,530
Average annual residential consumption—mcf	64.0	67.0	64.0	66.0
Average residential revenue per mcf	\$5.58	\$5.28	\$4.77	\$4.55
Average annual residential bill	\$355	\$352	\$305	\$300
Total customers (end of year)	3,450,000	3,372,000	3,300,000	3,245,000
Plant investment per customer	\$748	\$705	\$665	\$631
Customers per mile of distribution main	100.5	100.4	100.1	100.3
MISCELLANEOUS STATISTICS				
Customers served per employee	292	286	275	264
Depreciation and amortization as a percent of average depreciable plant				
Electric	3.6%	3.6%	3.6%	3.6%
Gas	4.6%	5.3%	5.3%	5.7%
PG&E composite (includes common plant in service)	4.0%	4.0%	4.0%	4.0%

*Beginning in 1990, load and capability figures exclude entities which are no longer integrated with PG&E.

1986	1985	1984	1983	1982	1981	1980
84,633	85,398	84,227	78,879	78,399	80,606	76,747
17.4%	13.3%	17.9%	22.9%	19.9%	13.2%	17.3%
28.7	40.2	36.8	28.9	31.7	48.8	46.0
14.5	7.6	.3	—	—	—	—
39.4	38.9	45.0	48.2	48.4	38.0	36.7
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3,875	3,913	3,723	2,658	2,518	2,517	2,491
9,171	8,939	8,926	8,923	8,699	8,815	8,694
2,152	1,073	—	—	—	—	—
6,978	6,866	7,561	7,617	6,673	8,732	7,180
22,176	20,791	20,210	19,198	17,890	20,064	18,365
15,439	16,507	16,225	15,156	13,907	15,542	15,336
25.7%	11.6%	6.2%	8.8%	9.6%	5.9%	9.0%
62.6%	59.1%	59.1%	59.4%	64.4%	59.2%	57.0%
6,343	6,533	6,557	6,386	6,252	6,489	6,535
7.82¢	7.88¢	6.75¢	6.03¢	7.33¢	5.77¢	5.16¢
\$496	\$515	\$443	\$385	\$458	\$374	\$337
3,855,000	3,761,000	3,686,000	3,594,000	3,546,000	3,515,000	3,448,000
\$3,592	\$3,407	\$3,157	\$2,847	\$2,554	\$2,310	\$2,199
39.5	38.8	38.3	39.4	39.1	39.2	39.1
586,135	778,318	690,455	621,539	698,166	835,684	781,643
24.4%	21.9%	24.0%	23.1%	18.2%	19.5%	16.0%
33.7	39.3	42.4	36.9	45.4	49.2	43.7
41.9	38.8	33.6	40.0	36.4	31.3	40.3
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
\$2.20	\$2.88	\$3.60	\$3.40	\$3.09	\$2.60	\$2.16
\$2.58	\$3.61	\$3.98	\$4.02	\$3.54	\$2.57	\$2.30
\$2.26	\$3.14	\$4.21	\$4.49	\$5.14	\$4.86	\$4.34
\$2.36	\$3.27	\$3.96	\$4.07	\$4.04	\$3.29	\$3.10
3,107	3,603	3,205	3,025	3,133	3,144	3,275
64.6	75.1	69.6	73.0	78.3	72.7	81.6
\$4.75	\$5.38	\$5.43	\$4.84	\$4.39	\$3.91	\$3.70
\$307	\$404	\$378	\$353	\$344	\$284	\$302
3,158,000	3,083,000	3,021,000	2,949,000	2,915,000	2,897,000	2,858,000
\$595	\$555	\$500	\$471	\$474	\$475	\$467
99.8	98.9	98.4	97.2	96.8	96.9	97.0
240	231	236	240	249	241	229
3.5%	3.6%	3.7%	3.5%	3.5%	3.3%	3.3%
4.2%	4.3%	4.3%	4.2%	4.2%	3.5%	3.5%
3.8%	3.8%	3.9%	3.7%	3.7%	3.4%	3.4%



**Antioch Dunes
Evening
Primrose**

Oenothera deltooides
ssp. *howellii*

Status: State and
Federal Endangered

Requires open

tracts of shifting

sand to survive.

Less than one-tenth

of a square mile

of habitat remains

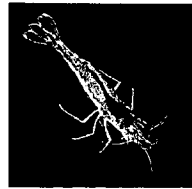
undestroyed by

development.

CONSOLIDATED REVENUES AND SALES (Unaudited)

Pacific Gas and Electric Company

Years ended December 31	1990	1989	1988	1987
<i>In thousands</i>				
ELECTRIC DEPARTMENT				
REVENUES				
Residential	\$ 2,418,250	\$ 2,212,789	\$ 1,950,125	\$ 1,711,031
Commercial	2,532,655	2,289,726	2,083,570	1,955,721
Industrial (1,000 kw demand or over)	1,071,714	1,032,304	945,893	980,773
Agricultural power	429,445	346,982	290,139	239,204
Public street and highway lighting	47,121	45,210	44,254	40,803
Other electric utilities	217,276	90,796	101,147	122,349
Miscellaneous	211,199	50,959	87,120	77,102
Other	5,839	4,806	3,854	3,492
Regulatory balancing accounts	102,572	142,478	6,763	2,553
TOTAL ELECTRIC REVENUES	\$ 7,036,071	\$ 6,216,050	\$ 5,512,865	\$ 5,133,028
SALES — kwh				
Residential	23,222,083	22,845,271	22,564,697	21,932,544
Commercial	25,867,393	24,723,165	23,917,480	22,621,071
Industrial (1,000 kw demand or over)	16,271,379	16,222,496	15,942,700	16,061,922
Agricultural power	4,701,831	3,897,556	3,782,041	3,154,373
Public street and highway lighting	375,422	365,595	349,180	341,909
Other electric utilities	3,618,428	1,711,645	1,981,110	2,446,371
TOTAL ELECTRIC SALES TO CUSTOMERS	74,056,536	69,765,728	68,537,208	66,558,190
GAS DEPARTMENT				
REVENUES				
Residential	\$ 1,139,998	\$ 1,108,446	\$ 936,872	\$ 901,326
Commercial	565,608	532,587	467,334	435,618
Industrial	453,871	449,526	409,014	299,870
Other gas utilities	84,771	99,110	68,405	88,861
Miscellaneous	52,308	(33,963)	104,583	(2,777)
Regulatory balancing accounts	(124,606)	(17,283)	(42,422)	119,848
Subsidiary companies (U.S. and Canada)	155,312	159,953	124,442	136,922
Gas transport	106,759	73,838	64,655	73,005
TOTAL GAS REVENUES	\$ 2,434,021	\$ 2,372,214	\$ 2,132,883	\$ 2,052,673
SALES — mcf				
Residential	204,433	210,116	196,275	197,882
Commercial	102,579	101,309	92,671	80,144
Industrial	133,930	144,233	143,449	99,719
Other gas utilities	31,604	41,551	28,897	46,977
TOTAL GAS SALES TO CUSTOMERS	472,546	497,209	461,292	424,722
PG&E use (primarily electric generation)	231,201	227,663	263,588	239,815
Subsidiary companies (U.S. and Canada)	61,960	61,862	51,009	46,229
TOTAL	765,707	786,734	775,889	710,766

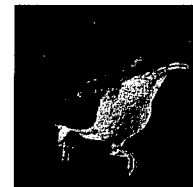


California Freshwater Shrimp

Syncaris pacifica
Status: State and Federal Endangered

Lives in quiet portions of tree-lined freshwater streams where they nestle amid exposed alder and willow roots.

1986	1985	1984	1983	1982	1981	1980
\$ 1,639,108	\$ 1,659,401	\$ 1,400,148	\$ 1,192,997	\$ 1,401,267	\$ 1,128,851	\$ 998,130
1,918,093	1,952,531	1,580,192	1,326,406	1,530,542	1,233,564	1,067,198
1,184,217	1,381,346	1,105,750	914,786	1,078,493	860,577	699,073
220,462	287,226	239,644	157,528	235,164	241,221	212,770
45,149	46,997	41,970	48,320	53,224	41,498	38,225
63,915	93,473	99,350	129,992	172,819	117,791	71,926
73,839	92,737	116,050	40,350	56,256	70,094	58,568
3,504	5,305	7,113	7,890	8,008	7,313	5,336
419,151	300,967	567,948	87,545	(687,171)	204,964	(223,385)
\$ 5,567,438	\$ 5,819,983	\$ 5,158,165	\$ 3,905,814	\$ 3,848,602	\$ 3,905,873	\$ 2,927,841
20,949,230	21,067,234	20,730,060	19,778,553	19,107,415	19,575,283	19,329,190
21,286,100	21,452,853	20,626,467	19,259,758	18,662,382	18,722,954	18,283,154
15,972,091	17,042,349	16,108,571	14,986,722	15,843,646	16,401,293	14,801,260
2,560,390	3,252,215	3,309,155	2,304,205	2,922,541	3,890,088	3,540,022
344,276	336,736	329,378	339,823	365,119	401,930	431,564
725,397	1,576,215	2,230,163	3,341,984	3,544,563	2,676,998	1,906,465
61,837,484	64,727,602	63,333,794	60,011,045	60,445,666	61,668,546	58,291,655
\$ 899,039	\$ 1,156,002	\$ 1,058,995	\$ 972,150	\$ 935,996	\$ 764,468	\$ 799,307
435,351	562,590	596,107	651,332	681,520	607,417	626,611
437,677	800,651	732,875	648,832	712,341	794,786	708,259
28,962	38,322	37,410	39,202	52,589	158,433	148,074
(270)	4,117	2,447	3,710	2,462	2,152	(6,697)
220,840	(233,064)	(107,521)	91,820	149,817	(276,749)	(133,807)
207,883	280,428	349,986	332,080	395,395	238,057	189,174
19,741	1,952	1,239	1,759	6,373	138	137
\$ 2,249,223	\$ 2,610,998	\$ 2,671,538	\$ 2,740,885	\$ 2,936,493	\$ 2,288,702	\$ 2,331,058
189,120	214,935	195,092	200,774	213,031	195,631	216,184
78,087	89,415	90,027	109,637	124,622	128,758	146,827
128,854	178,407	137,178	114,310	132,789	171,769	161,060
9,832	9,247	8,281	8,532	12,021	35,135	34,821
405,893	492,004	430,578	433,253	482,463	531,293	558,892
153,566	263,017	242,985	170,773	201,219	280,990	202,964
56,027	62,184	61,400	69,417	96,330	73,166	72,608
615,486	817,205	734,963	673,443	780,012	885,449	834,464



Western Yellow-billed Cuckoo

Coccyzus americanus occidentalis
Status: State
Endangered

Fewer than 50
nesting pairs sur-
living in riverside
willow and cotton-
wood forests of
Central and South-
ern California.

DIRECTORS

Pacific Gas and Electric Company

BOARD OF DIRECTORS

Richard A. Clarke

Chairman of the Board and Chief Executive Officer, Pacific Gas and Electric Company

Harry M. Conger

Chairman of the Board and Chief Executive Officer, Homestake Mining Company

Lewis S. Eaton

Chairman of the Northern California Group of Glendale Federal Bank

Ira Michael Heyman

Professor of Law, University of California, Berkeley

Melvin B. Lane

Consultant to Sunset Publishing Corporation

Leslie L. Luttgens

San Francisco Bay Area community leader

Richard B. Madden

Chairman of the Board and Chief Executive Officer, Potlatch Corporation (diversified forest products)

Peter A. Magowan

Chairman of the Board, President, and Chief Executive Officer, Safeway Inc.

George A. Maneatis

President, Pacific Gas and Electric Company

Mary S. Metz

Former President, Mills College

Frederick W. Mielke, Jr.

Former Chairman of the Board and Chief Executive Officer, Pacific Gas and Electric Company

William F. Miller

Professor of Public and Private Management and Professor of Computer Science, Stanford University

John B. M. Place

Former Chairman of the Board and Chief Executive Officer, Crocker National Corporation and Crocker National Bank

Carl E. Reichardt

Chairman of the Board and Chief Executive Officer, Wells Fargo & Company and Wells Fargo Bank, N.A.

John C. Sawhill

President and Chief Executive Officer, The Nature Conservancy (international environmental organization)

Stanley T. Skinner

Vice Chairman of the Board, Pacific Gas and Electric Company

Barry Lawson Williams¹

President, Williams Pacific Ventures, Inc. (venture capital and real estate)

PERMANENT COMMITTEES OF THE BOARD OF DIRECTORS

Executive Committee

Within limits, may exercise powers and perform duties of the Board.

Richard A. Clarke

(Chairman)

Lewis S. Eaton

Leslie L. Luttgens

Richard B. Madden

Peter A. Magowan

George A. Maneatis

Audit Committee

Reviews financial statements and internal accounting and control procedures with independent public accountants.

Lewis S. Eaton (Chairman)

Ira Michael Heyman

Melvin B. Lane

Peter A. Magowan

Mary S. Metz

Barry L. Williams

Finance Committee

Recommends long-range financial policies and objectives and actions required to achieve those objectives.

Richard A. Clarke

(Chairman)

Richard B. Madden

William F. Miller

John B. M. Place

Carl E. Reichardt

Stanley T. Skinner

Compensation and Management Development Committee

Recommends compensation and employee benefit policies and practices. Reviews planning for executive development and succession.

Leslie L. Luttgens

(Chairman)

Harry M. Conger

Richard B. Madden

William F. Miller

John B. M. Place

John C. Sawhill

Advisory Nominating Committee

Recommends candidates for nomination as directors.

Richard A. Clarke

(Chairman)

Harry M. Conger

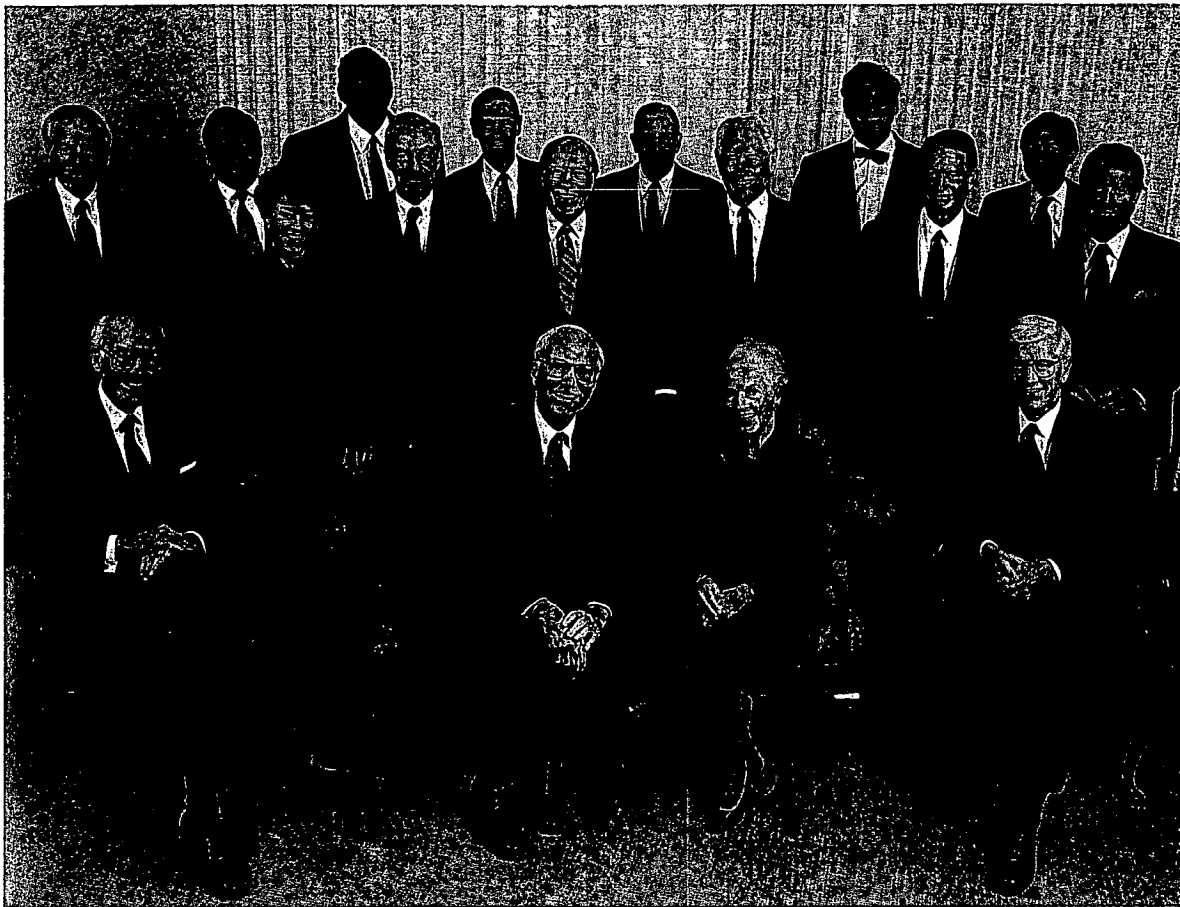
Leslie L. Luttgens

Peter A. Magowan

Frederick W. Mielke, Jr.

John B. M. Place

¹ Elected September 19, 1990



Standing from left to right: George A. Maneatis, Carl E. Reichardt, Mary S. Metz, Barry L. Williams, Lewis S. Eaton, Frederick W. Mielke, Jr., William F. Miller, John B. M. Place, Melvin B. Lane, Ira Michael Heyman, Harry M. Conger, John C. Sawhill, Peter A. Magowan.

Seated from left to right: Richard B. Madden, Richard A. Clarke, Leslie L. Luttgens, Stanley T. Skinner.

OFFICERS

Pacific Gas and Electric Company

PG&E OFFICERS

**Richard A. Clarke*
Chairman of the Board and
Chief Executive Officer

**Stanley T. Skinner*
Vice Chairman of
the Board

**George A. Maneatis*
President

**Jerry R. McLeod*
Executive Vice President
and General Manager,
Gas Supply Business Unit

**Donald A. Brand*
Senior Vice President
and General Manager,
Engineering and
Construction
Business Unit

**Virgil G. Rose*
Senior Vice President
and General Manager,
Distribution Business Unit

**Gregory M. Rueger*
Senior Vice President and
General Manager, Electric
Supply Business Unit

**James D. Shiffer*
Senior Vice President and
General Manager,
Nuclear Power Generation
Business Unit

Norman L. Bryan¹
Vice President
Clean Air Vehicles

George F. Clifton, Jr.
Vice President
East Bay Region

Russell H. Cunningham
Vice President
Human Resources

Philip G. Damask²
Vice President
Engineering and
Construction:
Transmission and
Distribution

John C. Danielsen
Vice President
Computer and
Telecommunications
Services

Ronald G. Domer²
Vice President
Engineering and
Construction:
Generation

Richard A. Draeger
Vice President
General Services

Roger J. Flynn
Vice President
San Joaquin Valley Region

Warren H. Fujimoto³
Vice President
Nuclear Technical Services

Daniel E. Gibson
Vice President
Gas Supply

Robert D. Glynn, Jr.
Vice President
Power Generation

Howard V. Golub
Vice President and
General Counsel

Leland M. Gustafson
Vice President
Golden Gate Region

Robert J. Haywood
Vice President
Power Planning and
Contracts

Thomas W. High
Vice President and
Corporate Secretary

Grant N. Horne
Vice President
Corporate
Communications

Donald L. Kennedy, Jr.¹
Vice President
Redwood Region

John C. Keyser
Vice President
Marketing and Customer
Services

John E. Koehn
Vice President
Community and
Governmental Relations

William R. Mazotti
Vice President
Gas and Electric Technical
Services

Benjamin F. Montoya
Vice President
Sacramento Valley Region

Peter C. Nelson
Vice President
Mission Trail Region

Jackalynne Pfannenstiel
Vice President
Corporate Planning

Gordon R. Smith
Vice President
Finance and Rates

James B. Stoutamore
Vice President
Gas Transmission and
Storage

John D. Townsend
Vice President
Diablo Canyon Operations
and Plant Manager

Gloria S. Gee
Controller

Jack F. Jenkins-Stark
Treasurer

Brian L. McGrath
Assistant Corporate
Secretary

Kathleen Rueger
Assistant Corporate
Secretary

Julia B. York
Assistant Treasurer

CHIEF EXECUTIVE OFFICERS OF PRINCIPAL PG&E SUBSIDIARIES AND AFFILIATES

Mason Willrich
President and Chief
Executive Officer
PG&E Enterprises

Stephen P. Reynolds
President and Chief
Executive Officer
Pacific Gas Transmission
Company

Norman E. Wagner
Chairman of the Board,
President and Chief
Executive Officer
Alberta Natural Gas
Company Ltd

Donald McMorland
President and Chief
Executive Officer
Alberta and Southern Gas
Co. Ltd.

CHIEF EXECUTIVE OFFICERS OF PRINCIPAL PG&E ENTERPRISES SUBSIDIARIES AND RELATED VENTURES

Joseph T. Williams
President and Chief
Executive Officer
PG&E Resources
Company

Joseph P. Kearney
President and Chief
Executive Officer
PG&E-Bechtel
Generating Company

Russell P. Wischow
President and Chief
Executive Officer
PG&E Operating
Services Company

Alan W. Beringsmith
President and Chief
Executive Officer
PG&E Properties, Inc.

*Member Management
Committee

¹Effective February 1, 1991

²Effective March 1, 1991

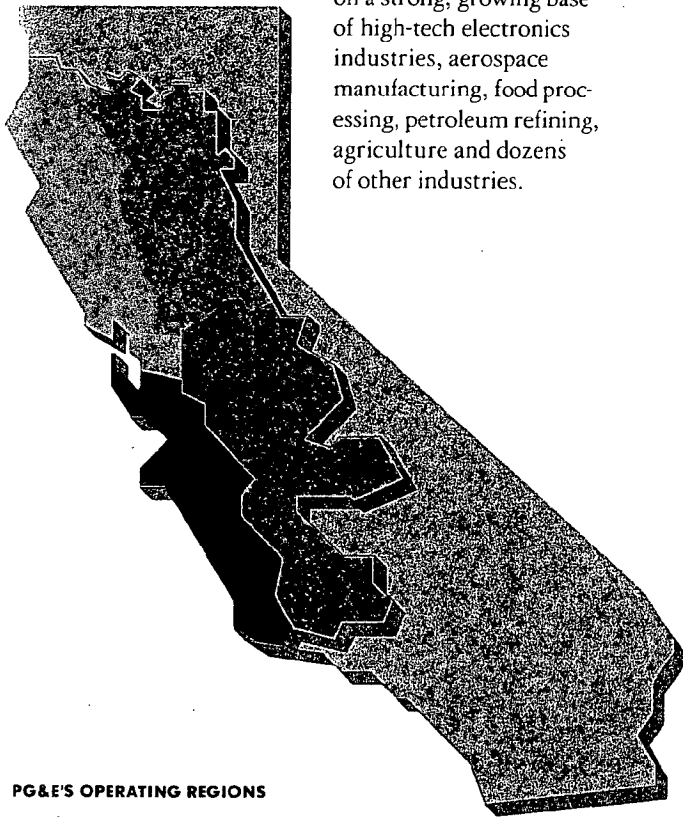
³Effective January 1, 1991

PG&E'S SERVICE TERRITORY

PG&E provides natural gas and electricity to 11.8 million people in one of the nation's most diverse and scenic regions—Northern and Central California. Our 94,000 square-mile service territory stretches from Eureka in the north to Bakersfield in the south and from the Pacific Ocean in the west to the snow-capped Sierra Nevada in the east.

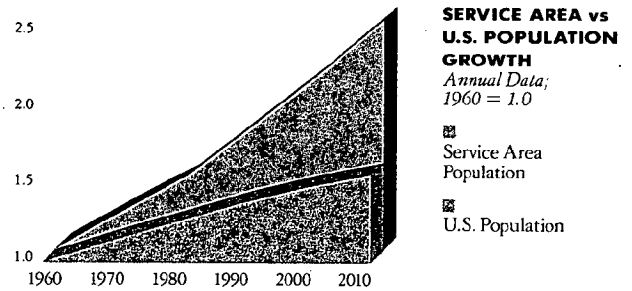
Over the past thirty years, our service territory population and employment rates have grown faster than the nation's every year. With our strong geographic advantage on the Pacific Rim and our diversity of people, territory and business, we expect this trend to continue.

Our prosperity does not depend on a single industry or a single product. The area's economy rests on a strong, growing base of high-tech electronics industries, aerospace manufacturing, food processing, petroleum refining, agriculture and dozens of other industries.



PG&E'S OPERATING REGIONS

- Redwood
- Sacramento Valley
- San Joaquin Valley
- East Bay
- Mission Trail
- Golden Gate



SHAREHOLDER INFORMATION

Pacific Gas and Electric Company

**SHAREHOLDER
SERVICES OFFICE
77 BEALE STREET
ROOM 2600
SAN FRANCISCO
CA 94106
1 (800) 367-7731**

SHAREHOLDER HANDBOOK

PG&E has prepared a helpful shareholder's handbook providing information on the Company's shareholder services, stock certificates, and stock transfer systems. Copies are available from the Shareholder Services office.

STOCK HELD IN BROKERAGE ACCOUNTS ("STREET NAME")

When you purchase your stock and it is held for you by your broker, it is listed with the Company in the broker's name, or "street name." PG&E does not know the identity of individual shareholders who hold their shares in this manner — we simply know that a broker holds a certain number of shares which may be for any number of customers.

If you hold your stock in street name, you are not eligible to participate in

PG&E's Dividend Reinvestment Plan. Also, you receive all dividend payments, annual and quarterly reports, and proxy materials through your broker. Therefore, if you are receiving unwanted duplicate mailings, you should contact your broker, not PG&E, to eliminate the duplications.

LOST OR STOLEN CERTIFICATES

If your stock certificate has been lost, stolen or in some way destroyed, you should notify the Shareholder Services office in writing immediately.

MULTIPLE DIVIDEND CHECKS AND DUPLICATE MAILINGS

Some shareholders hold their stock on our records in similar but different names (e.g. Robert A. Johnson and R.A. Johnson). When this occurs, the law requires that we create a separate account for each name. Even though the mailing addresses are the same, we are required to mail separate dividend checks and annual and interim reports to each account.

How to Consolidate Accounts

If you want to consolidate your separate accounts into one account, you should contact the Shareholder Services office to obtain the necessary forms and instructions. When accounts are consolidated, it may be necessary to reissue the stock certificates.

How to Eliminate Duplicate Mailings

If you want to maintain more than one account but eliminate additional mailings of annual and quarterly reports, you may do so by sending the labels (or a copy of the labels) from a Company mailing to the Shareholder Services office, indicating the names you wish to keep on the mailing list for annual and quarterly reports and the names you wish to delete. This will only affect these mailings; dividend checks and proxy materials will continue to be sent to each account.

REPLACEMENT OF DIVIDEND CHECKS

If you do not receive your dividend check within five business days after the payment date, or if a check is lost or destroyed, you should notify the Shareholder Services office so that payment may be stopped on the check and a replacement issued.

DIVIDEND REINVESTMENT PLAN

You may automatically reinvest your dividends from common and preferred stock in new shares of PG&E common stock through the Company's Dividend Reinvestment Plan.

If you hold certificates in your own name (rather than through a broker) you may obtain the Plan prospectus and enrollment form by contacting the Shareholder Services office. However, if your certificates are held by a broker (in "street name"), then you are not eligible to participate in the Dividend Reinvestment Plan.



The Geysers' Panicum

*Dichanthelium
lanuginosum* var.
ibermale

Status: State
Endangered

Can exist at soil
temperatures as
high as 110 degrees.

The Panicum is
found at PG&E's
Geysers' geo-
thermal power
plant site.

STOCK EXCHANGE LISTINGS

PG&E's common stock is traded on the New York, Pacific, London, Basel, Zürich, and Amsterdam stock exchanges. The official New York Stock Exchange symbol is "PCG" but the Company's common stock usually is listed in the newspaper under "PacGE."

The Company has 21 issues of preferred stock, most of which are listed on the American Stock Exchange and the Pacific Stock Exchange.

<i>Issue</i>	<i>Newspaper symbol</i>
First Preferred, Cumulative, Par Value \$25 Per Share Redeemable:	
10.46%	PGEpfS
10.28%	PGEpfW
10.18%	PGEpfT
9.48%	PGEpfR
9.30%	PGEpfV
9.28%	PGEpfJ
9.00%	PGEpfL
8.20%	PGEpfP
8.16%	PGEpfK
8.00%	PGEpfO
7.84%	PGEpfM
5.00%	PGEpfD
5.00% Series A	PGEpfE
4.80%	PGEpfG
4.50%	PGEpfH
4.36%	PGEpfl
Non-Redeemable:	
6.00%	PGEpfA
5.50%	PGEpfB
5.00%	PGEpfC
\$100 First Preferred, Cumulative, Par Value \$100 Per Share	
10.17%	Unlisted
9.00%	Unlisted

SHAREHOLDER SERVICES

If you have questions about your account or need copies of the Company's publications, please write to the Transfer Agent at the address shown below.

If you have general questions about PG&E or information contained in the annual or quarterly reports, please write to the Office of the Corporate Secretary at the address shown below.

Security analysts, portfolio managers or other representatives of the investment community should write to the Director of Investor Relations at the address shown below.

VICE PRESIDENT AND CORPORATE SECRETARY

Thomas W. High
77 Beale Street, Room 3205
San Francisco, CA 94106
(415) 973-2880

TRANSFER AGENT

Daniel T. Lamey
Shareholder Services
77 Beale Street, Room 2600
San Francisco, CA 94106
1 (800) 367-7731

DIRECTOR OF INVESTOR RELATIONS

Kent M. Harvey
77 Beale Street, Room 840
San Francisco, CA 94106
(415) 973-3007

REGISTRAR OF STOCK

First Interstate Bank of California
345 California Street
San Francisco, CA 94104

ANNUAL MEETING OF SHAREHOLDERS

Date: April 17, 1991
Time: 2:00 p.m.
Location:
Masonic Auditorium
1111 California Street
San Francisco, California

A notice of the meeting, proxy statement, and proxy form are being mailed with this annual report on or about February 27, 1991 to all shareholders of record.

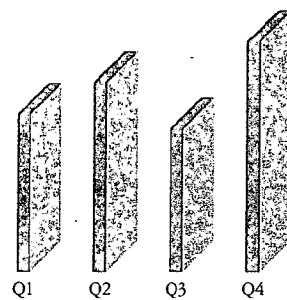
A report on the annual meeting will also be mailed to shareholders following the meeting.

10-K REPORT

If you would like a copy of the Company's 1990 Form 10-K Report to the Securities and Exchange Commission, please contact the Shareholder Services office.

1991 DIVIDEND PAYMENT DATES

<i>Common Stock</i>	<i>Preferred Stock</i>
January 15	February 15
April 15	May 15
July 15	August 15
October 15	November 15



COMMON STOCK PRICE — 1990
At end of quarter

Q1	\$21.88
Q2	\$23.25
Q3	\$21.25
Q4	\$25.00
<i>Base point \$15.00</i>	

Pacific Gas and Electric Company

77 Beale Street

San Francisco, CA 94106



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