

Shimberg No. 0118



UBS Warburg LLC
299 Park Avenue
New York, New York

www.ubswarburg.com

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94111

Attn: Gary M. Cohen
General Counsel

Official Unsecured Creditors Committee
Appointed in the PG&E Chapter 11 Case
c/o Millbank, Tweed, Hadley & McCloy
LLP
601 S. Figueroa St., 30th floor
Los Angeles, CA 90017

Attn: Paul S. Aronzon

November 15, 2002

Re: **Highly Confidential Letter**

Ladies and Gentlemen:

UBS Warburg LLC ("UBSW") is acting as financing and capital markets arranger for the California Public Utilities Commission ("CPUC") and the Official Unsecured Creditors Committee ("OCC") (collectively, the "Proponents"), in connection with the financing of the First Amended Chapter 11 Plan of Reorganization filed by the Proponents, as amended to the date hereof (the "Plan"), for Pacific Gas and Electric Company (the "Debtor") in its Chapter 11 case. UBSW and the Proponents have entered into an engagement agreement dated October 2, 2002 (the "Agreement"), which has been approved by the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). This highly confidential letter is being delivered at the request of the Proponents pursuant to Section 2(b) of the Agreement.

Under the Plan, the Debtor would be refinanced as an integrated utility. Cash payments to creditors under the Plan will be approximately \$12.173 billion and additional claims will be either reinstated or reorganized into approximately \$545 million of debt and \$432 million of preferred stock of the Debtor. Funds to provide the cash payments to creditors will include approximately (i) \$5.8 billion of first mortgage bonds

UBS Warburg LLC is a subsidiary of UBS AG
UBS Warburg is a business group of UBS AG
Member SIPC. Member New York Stock Exchange and other principal exchanges.

(the "First Mortgage Bonds"); (ii) \$1.5 billion of senior secured credit facilities (the "Term Credit Facility"); (iii) an aggregate of \$1.5 billion of senior unsecured notes (the "Senior Notes") and preferred stock or preferred securities (the "Preferred Stock") of the Debtor and (iv) \$3.4 billion of cash available at the Debtor. In addition, the reorganized Debtor would have available up to \$1.9 billion in facilities from a combination of (i) a senior secured revolving credit facility (the "Revolving Credit Facility") and (ii) a securitization of accounts receivable of the Debtor (the "Receivables Facility"). The First Mortgage Bonds, Senior Notes, Preferred Stock and Receivables Facility are referred to herein collectively as the "Securities" and the Term Credit Facility and the Revolving Credit Facility are referred to herein collectively as the "Credit Facilities." Pursuant to the requirements of the Agreement, we have attached to this letter term sheets summarizing the currently anticipated terms of the Securities and the Credit Facilities.

We are pleased to inform you that, based upon information provided to UBSW to date and subject to the assumptions and conditions set forth in this letter and in the term sheets attached hereto, we are highly confident of our ability to arrange an aggregate of \$10.7 billion of financing in the form of the Credit Facilities and the Securities. The structure, covenants, terms and respective amounts of the above securities and facilities will be based on those set forth in the attached term sheets modified as determined by UBSW in consultation with you to reflect (A) market and other conditions at the time of the syndication of the Credit Facilities and the offering or placement of the Securities and (B) the capital structure and the business and financial condition and prospects of the reorganized Debtor at such time.

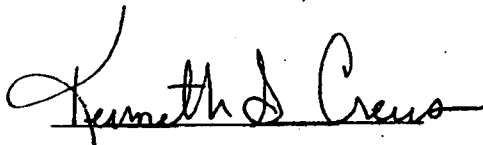
Our view expressed above is subject to the following assumptions and conditions: (i) there will be no change, or the disclosure of any additional information to, or discovery of additional information by, UBSW, that UBSW deems to be materially adverse in respect of the business, results of operations, condition (financial or otherwise), assets, liabilities or prospects of the Debtor; (ii) there will not occur, in the judgment of UBSW, a material adverse change or material disruption in the financial, banking or capital markets generally after the date of this letter (including, without limitation, the markets for loans to or debt securities or preferred stock issued by companies similar to the Company or for asset-backed securities similar to the Receivables Facility) that could reasonably be expected to have a material adverse effect on the syndication of the Credit Facilities or the marketing of the Securities; (iii) the definitive documentation relating to the Credit Facilities, the Receivables Facility and the offering of the Securities (including underwriting agreements or placement agreements, a registration rights agreement and other documents in UBSW's standard forms) will be prepared, executed and delivered, and will be in form and substance reasonably satisfactory to UBSW and all conditions set forth in such documentation will be satisfied; (iv) all requisite regulatory, governmental, shareholder and other third party approvals required to consummate the transactions will be timely received and shall be in effect and not subject to any stay, appeal or similar challenge (v) the Plan (with such changes as may have been approved by UBSW) will have been confirmed by the Bankruptcy Court, pursuant to a confirmation order satisfactory to UBSW and become effective following the resolution of any appeal in a manner satisfactory to UBSW; (vi) UBSW will have a reasonable time to market the Securities and syndicate the Credit Facilities based on its experience in comparable transactions and market conditions, and the marketing process will be conducted in a manner satisfactory to UBSW and utilize offering materials that contain all financial and non-financial information required by the Securities Act of 1933 (whether or not the Securities are sold in a transaction registered under such Act) and the rules and regulations thereunder for registration statements on Form S-1 filed thereunder, and in the case of the Credit Facility, offering materials customary for bank loan syndications, in each case in form and substance satisfactory to UBSW;

(vii) UBSW's business, financial and legal and accounting due diligence relating to the Debtor will be completed and the results thereof will be satisfactory to UBSW, and UBSW will be satisfied that, after giving effect to the reorganization, the Debtor's revenues will be sufficient to meet in full its obligations under the Securities, the Receivables Facility and the Credit Facilities; (viii) the Securities and the Credit Facilities will each be rated prior to funding and at the time of closing the First Mortgage Bonds and the Credit Facilities will each be rated at least BBB- and Baa3, respectively, by Standard & Poor's Ratings Group ("S&P") and Moody's Investors Service, Inc ("Moody's") and the Senior Notes will be rated at least BB and Ba2, respectively by such rating agencies and (ix) the certificates issued under the Receivables Facility shall be rated AAA and Aa1 by S&P and Moody's, respectively and shall be supported by credit enhancement from an AAA-rated surety monoline insurance company.

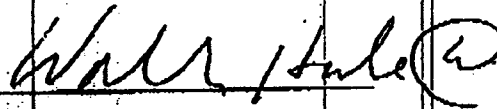
This letter is not a commitment to underwrite, purchase or place the Securities or to provide the Credit Facilities. Such a commitment, if any, will only be set forth in separate underwriting, placement agent or similar agreements relating to the relevant financings which contain customary underwriting spreads and other terms and conditions, including appropriate indemnification provisions, satisfactory to UBSW and which are subject to required Bankruptcy Court and regulatory approvals. This letter is solely for use by you in connection with financing of the Plan and may not be used for any other purpose without our prior written consent.

We look forward to working with you in connection with arranging the financing for the Plan.

UBS Warburg LLC



Kenneth S. Crews
Vice Chairman
Global Head of Energy & Power



Walter S. Hulse, III
Managing Director
Global Head of Power

FIRST MORTGAGE BONDS

SUMMARY OF TERMS AND CONDITIONS

The following is a summary of the material terms and conditions expected to be included in the proposed first mortgage bond offering, although such terms and conditions will be subject to conditions at the time of the offering. Capitalized terms used below and not defined will be defined in the supplemental indenture to the Mortgage Indenture creating each series of the bonds.

Issuer	Pacific Gas & Electric Company
Securities Offered	Approximately [\$5,773] million aggregate principal amount of First Mortgage Bonds.
Maturity	To be issued in series maturing from 5 to 30 years after the date of issuance
Interest	To be determined based on market conditions at the time of issuance. Interest will be payable in cash semi-annually.
Assumed Rating	[Baa3/BBB-]
Mortgage	The First Mortgage Bonds will constitute one or more new series of bonds under the Issuer's First and Refunding Mortgage Indenture (the "Mortgage Indenture") and will be secured equally and ratably with all existing and future series of First Mortgage Bonds by all property subject to the lien of the Mortgage Indenture
Optional Redemption	The Issuer will be permitted to redeem any or all of the First Mortgage Bonds at any time at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, plus a "make-whole premium", calculated as the excess, if any of (x) the present value as of the redemption date of the principal amount of the Note being redeemed and all interest that would be paid in respect of the Note in the absence of the redemption, determined by discounting, on a semi-annual basis, such principal and interest at the Treasury Rate plus .50% from the date on which such principal and interest would otherwise be payable, over (y) the principal amount of the Note being redeemed.
Issuance of Additional Bonds	The Issuer's Board of Directors, without shareholder approval, may from time to time increase the maximum principal amount of bonds (presently fixed by said Board at \$10 billion) which may be outstanding or reserved for issuance under the Mortgage. The

additional bonds may vary from the bonds of any other series with respect to date, time of maturity, rate of interest, and terms of redemption and conversion, if any, and in certain other respects permitted under the Mortgage.

General Reserve Fund

The Company covenants to deposit moneys into a General Reserve Fund with the Mortgage Trustee annually, within four months after the end of each calendar year, in an amount equal to 4% of the aggregate outstanding bonded indebtedness on the preceding June 30, less credits for (i) amounts expended for maintenance, (ii) bonds purchased during the year with money from the Fund and deposited with the Fund, (iii) any balance in the Fund, and (iv) unreimbursed capital expenditures certified to the Mortgage Trustee for the purposes of such credit. Withdrawals from the Fund may be made on the basis of (a) unreimbursed expenditures for maintenance, (b) unreimbursed capital expenditures, or (c) the purchase of bonds at prices not exceeding the respective redemption prices thereof and deposit thereof with the Fund.

Release Provisions

In the absence of a default under the Mortgage Indenture, the Issuer may dispose of, free from lien of the Mortgage Indenture, any goods, wares, merchandise, tools, materials and supplies, bills and accounts receivable, or stocks, bonds or other obligations of the corporations not required to be deposited with the Mortgage Trustee or previously made the basis of the issuance of bonds or withdrawals of cash.

Events of Default

The First Mortgage Bonds will contain customary events of default, including:

- (1) failure to pay principal when due or failure to pay interest when due (which default, in the case of interest, continues for a period of [60] days);
- (2) failure to comply with any covenant contained in the Indenture (subject to customary grace periods)
- (3) the acceleration, or failure to pay principal when due, of any Debt in excess of a threshold to be agreed;
- (4) any judgment default in excess of a threshold to be agreed; or
- (5) certain bankruptcy events with respect to the Issuer or any Restricted Subsidiary.

The Trustee or holders of at least 25% of the principal

amount of the First Mortgage Bonds may declare the principal amount of, and all accrued and unpaid interest on, the First Mortgage Bonds immediately due and payable upon the occurrence of an Event of Default. If a bankruptcy default occurs with respect to the Company, principal and accrued interest will become immediately due and payable without any action by the Trustee or the holders.

Registration Rights

If the First Mortgage Bonds are initially offered pursuant to Rule 144A, the Issuer will enter into a customary registration rights agreement, pursuant to which it will be obligated to file a registration statement with respect to an offer to exchange the First Mortgage Bonds for a new issue of First Mortgage Bonds registered under the Securities Act and will also be obligated to cause the registration statement to be declared effective within a specified period after this offering closes. In certain circumstances, the Issuer may be required to provide a registration statement to effect resales of the First Mortgage Bonds. If the Issuer fails to satisfy any of its obligations, it will be required to pay the Holders additional interest at a rate of [0.5]% per annum during the continuance of any such failure.

SENIOR UNSECURED NOTES

SUMMARY OF TERMS AND CONDITIONS

The following is a summary of the material terms and conditions expected to be included in the proposed senior unsecured notes offering, although such terms and conditions will be subject to conditions at the time of the offering. Capitalized terms used below and not defined will be defined in the indenture (the "Indenture") governing the Notes.

The covenants contained in the Indenture will restrict the ability of the Issuer and its Subsidiaries to undertake certain actions, as described in more detail below

Issuer	Pacific Gas & Electric Company
Securities Offered	Up to [\$1,500] million aggregate principal amount of Senior Notes.
Maturity	7 to 12 years after issuance
Interest	To be determined based on market conditions at the time of issuance. Interest will be payable in cash semiannually
Assumed Rating	[Ba2/BB] The Indenture will provide that, in the event that the Notes are rated as investment grade securities by both S&P and Moody's at any time, the covenants described below (other than "Limitation on Liens"*, and "Consolidation, Merger or Sale of Assets") will no longer apply.
Ranking	The Notes will be senior, unsecured obligations of the Issuer and will rank equally to all other unsecured and unsubordinated indebtedness of the Issuer. The Notes will rank senior to all existing and future subordinated indebtedness of the Issuer.
Guarantees	The Notes will be guaranteed by all of the Issuer's existing Subsidiaries, if any. In addition, any newly acquired or created Domestic Subsidiary will also be required to guarantee the Notes. The guarantees will be unsecured, unsubordinated obligations of the Guarantors.

Any Subsidiary formed under the laws of, or 50% or more of the assets of which are located in, the United States of America or any jurisdiction thereof is considered a "Domestic Subsidiary".

Optional Redemption.....

The Issuer will be permitted to redeem any or all of the Notes at any time at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, plus a "make-whole premium", calculated as the excess, if any of

(x) the present value as of the redemption date of the principal amount of the Note being redeemed and all interest that would be paid in respect of the Note in the absence of the redemption, determined by discounting, on a semi-annual basis, such principal and interest at the Treasury Rate plus .50% from the date on which such principal and interest would otherwise be payable, over

(y) the principal amount of the Note being redeemed.

Repurchase Upon Change of Control

Not later than 30 days after the occurrence of certain Change of Control events, the Issuer will be required to make an offer to purchase the Notes. The purchase price will equal 101% of the principal amount of the Notes on the date of purchase plus accrued interest.

Limitation on Incurrence of Debt.....

The Issuer will not, and will not permit any of its Subsidiaries to, issue, assume incur or otherwise become liable for any Debtor Disqualified Capital Stock unless no Default or Event of Default has occurred and is continuing and, after giving effect to the incurrence of such Debt or Capital Stock and the receipt and application of the proceeds therefrom, the Fixed Charge Coverage Ratio is not less than (i) from the Issue Date until the second anniversary of the Issue Date: 2.0 to 1 and (ii) on and after the second anniversary of the Issue Date: 3.0 to 1.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries will be permitted to incur specified categories and amounts of Debt and Disqualified Capital Stock pursuant to customary exceptions to be negotiated.

Limitation on Restricted Payments

The Issuer will not, and will not permit any Subsidiary to, directly or indirectly (the payments and other actions described in the following clauses being collectively "Restricted Payments"):

- declare or pay any dividend or make any distribution on its Capital Stock (other than dividends or distributions paid in the Issuer's Qualified Capital Stock);
- purchase, redeem or otherwise acquire or retire for

value any Capital Stock of the Issuer or any ;

- repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt except a scheduled payment of interest or principal at ; or
- make any Investment (other than customary Permitted Investments to be specified in the Indenture);

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

- (1) no Default has occurred and is continuing,
- (2) the Issuer could incur at least \$1.00 of Debt under the Limitation on Incurrence of Debt covenant, and
- (3) the aggregate amount expended for all Restricted Payments made on or after the Issue Date would not exceed the sum of

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning on the first day of the fiscal quarter beginning after the date the Notes are issued and ending on the last day of the Issuer's most recently completed fiscal quarter for which internal financial statements are available, plus

(B) the aggregate net cash proceeds received by the Issuer (other than from a Subsidiary) after the Issue Date from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of the Issuer, plus

(C) the cash return, after the Issue Date, on any other Investment made after the Issue Date pursuant to this paragraph, as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Net Income), not to exceed the amount of such Investment so made.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries will be permitted to make certain Restricted Payments pursuant to customary exceptions

to be negotiated.

Limitation on Liens.....

The Issuer will not, and will not permit any Subsidiary to, directly or indirectly, incur or permit to exist any Lien of any nature whatsoever on any of its properties or assets (other than liens securing the First Mortgage Bonds contemplated by the Plan, the Credit Facilities and other customary Permitted Liens to be negotiated) without effectively providing that the Notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the Notes, prior to) the obligations so secured for so long as such obligations are so secured.

Limitation on Restrictions on Subsidiaries.....

Subject to customary exceptions to be agreed, the Issuer will not, and will not permit any Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary to (1) pay dividends or make any other distributions on any capital stock of the Subsidiary owned by the Issuer or any other Subsidiary, (2) pay any Debt or other obligation owed to the Issuer or any other Subsidiary, (3) make loans or advances to the Issuer or any other Subsidiary, or (4) transfer any of its property or assets to the Issuer or any other Subsidiary.

Limitation on Asset Sales

The Issuer will not, and will not permit any Subsidiary to, make any Asset Sale unless:

- (1) The Asset Sale is for fair market value.
- (2) At least 75% of the consideration consists of cash received at closing.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used (A) to permanently repay secured Debt of the Issuer or any Debt of a Subsidiary (and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount), in each case owing to a person other than the Issuer or any Subsidiary, or (B) to acquire all or substantially all of the assets of a Permitted Business, or a majority of the capital stock of another person that thereupon becomes a Subsidiary engaged in a Permitted Business, or to make capital expenditures or otherwise acquire long-term assets that are to be used in a Permitted Business.

The Net Cash Proceeds of an Asset Sale not so applied pursuant within 360 days of the Asset Sale constitute "Excess Proceeds". When accumulated Excess Proceeds equals or exceeds an amount to be agreed, the Issuer will be required to make an offer to purchase Notes having a principal amount equal to accumulated Excess Proceeds at a purchase price equal to 100% of the principal

amount plus accrued interest to the date of purchase

Limitation on Transactions with Affiliates.....

Subject to customary exceptions to be negotiated, the Issuer will not, and will not permit any Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with any Affiliate of the Issuer or any Subsidiary (a "Related Party Transaction"), except upon fair and reasonable terms no less favorable to the Issuer or the Subsidiary than could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer.

Any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of an amount to be agreed must first be approved by a majority of the Board of Directors who are disinterested in the subject matter of the transaction. Prior to entering into any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of an amount to be agreed, the Issuer must in addition obtain a favorable written opinion from a nationally recognized investment banking firm as to the fairness of the transaction to the Issuer and its Subsidiaries from a financial point of view.

Limitation on Line of Business

The Issuer will not, and will not permit any of its Subsidiaries, to engage in any business other than a Permitted Business, except to an extent that so doing would not be material to the Issuer and its Restricted Subsidiaries, taken as a whole.

"Permitted Business" will be defined as the operation of an integrated electric and gas utility as contemplated by the Plan, and any business reasonably related, incidental, complementary or ancillary thereto.

Suspension of Covenants.....

The Indenture will provide that during any time that the Notes are rated by both S&P and Moody's as investment grade, the covenants described above (other than "Limitation on Liens", and "Consolidation, Merger or Sale of Assets") will not apply. If at any time the ratings on the Notes are lowered to below investment grade by either S&P or Moody's, all of the suspended covenants will again apply.

Consolidation, Merger or Sale of Assets

The Issuer will not consolidate with or merge with or into any Person, or sell, convey, transfer, or otherwise dispose of all or substantially all of its assets as an entirety or substantially an entirety, in one transaction or a series of related transactions, to any Person or permit any Person to merge with or into the Issuer unless

- (1) either (x) the Issuer is the continuing Person or (y) the resulting, surviving or transferee Person is a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof and expressly assumes by supplemental indenture all of the obligations of the Issuer under the Indenture and the Notes and the registration rights agreement referred to below;
- (2) immediately after giving effect to the transaction, no Default has occurred and is continuing;
- (3) immediately after giving effect to the transaction on a pro forma basis, the Issuer or the resulting, surviving or transferee Person has a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction;
- (4) immediately after giving effect to the transaction on a pro forma basis, the Issuer or the resulting surviving or transferee Person could incur at least \$1.00 of Debt under the Fixed Charge Coverage Ratio; and
- (5) the Issuer delivers to the trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the Indenture.

Events of Default.....

The Notes will contain customary events of default, including:

- (1) failure to pay principal when due or failure to pay interest when due (which default, in the case of interest, continues for a period of 30 days);
- (2) failure to comply with any covenant contained in the Indenture (subject to customary grace periods)
- (3) the acceleration, or failure to pay principal when due, of any Debt in excess of a threshold to be agreed;
- (4) any judgment default in excess of a threshold to be agreed; or
- (5) certain bankruptcy events with respect to the Issuer or any Restricted Subsidiary.

The Trustee or holders of at least 25% of the principal amount of the Notes may declare the principal amount

of, and all accrued and unpaid interest on, the Notes immediately due and payable upon the occurrence of an Event of Default. If a bankruptcy default occurs with respect to the Company, principal and accrued interest will become immediately due and payable without any action by the Trustee or the holders.

Amendments, Waivers.....

The Indenture may generally be amended with the consent of holders of a majority in principal amount of the Notes, but certain provisions may not be amended without the consent of each holder.

Registration Rights.....

If the Notes are issued in a transaction exempt from registration under the Securities Act, the Issuer will enter into a customary registration rights agreement, pursuant to which it will be obligated to file a registration statement with respect to an offer to exchange the Notes for a new issue of Notes registered under the Securities Act and will also be obligated to cause the registration statement to be declared effective within a specified period after this offering closes. In certain circumstances, the Issuer may be may be required to provide a registration statement to effect resales of the Notes. *

If the Issuer fails to satisfy any of its obligations, it will be required to pay the Holders additional interest at a rate of [0.5]% per annum during the continuance of any such failure. *

CUMULATIVE PREFERRED STOCK
SUMMARY OF TERMS AND CONDITIONS

The following is a summary of the material terms and conditions expected to be included in the proposed cumulative preferred stock offering, although such terms and conditions will be subject to market conditions at the time of the offering. Capitalized terms used below and not defined will be defined in the Articles of Amendment to the Restated Articles of Incorporation which creates and governs the cumulative preferred stock.

- Issuer:** Pacific Gas & Electric ("PG&E" or the "Company" or the "Issuer")
- Securities Offered:** Depositary Shares, each representing ownership of a fraction of a share of cumulative preferred stock (the "Preferred Stock") established under the Issuer's Restated Articles of Incorporation.
- Redemption:** The Preferred Stock will not be subject to any mandatory redemption requirement.
- Dividends:** Dividends on the the Preferred Stock will accrue from the date of original issuance at an annual rate to be determined at the time of issuance of the liquidation preference of the Preferred Stock. Dividends will be payable quarterly, when, as and if declared by the Board of Directors of the Company, out of assets of the Company legally available therefor. In addition, the amount of dividends payable is subject to adjustment in the event of certain changes in the Internal Revenue Code.
- Assumed Rating:** [Ba3/BB-]
- Liquidation Preference:** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Preferred Stock at the time outstanding will be entitled to receive out of assets of the Company available for distribution to stockholders, before any distribution is made to holders of common stock or any other class of stock ranking junior to the Preferred Stock upon liquidation, distributions equal to the liquidation preference per share of the Preferred Stock (equivalent to \$25 per Depositary Share) plus all accrued and unpaid dividends.
- Optional Redemption:** The Preferred Stock will not be redeemable prior to five years from issuance. Thereafter, the Preferred Stock will be redeemable, at the option of the Company, in whole or in part from time to time upon not less than [45] nor more than [90] days' notice, at at redemption prices to be determined, plus any accrued and unpaid dividends thereon to the date fixed for redemption.

Ranking:

The Preferred Stock will rank prior to the Company's common stock with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up. The Preferred Stock will rank on a parity with the _____ Preferred Stock.

Voting:

Holders of Preferred Stock will generally have no voting rights. However, if Pacific Gas & Electric does not pay dividends on the Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock, voting as a class with the holders of any other class or series of the Company's capital stock which has similar voting rights, will be entitled to vote for the election of two additional directors to serve on the board of directors until the Company pays all dividends which the Company owes on the Preferred Stock.

TRUST PREFERRED SECURITIES

SUMMARY OF TERMS AND CONDITIONS

The following is a summary of the material terms and conditions expected to be included in the proposed trust preferred securities offering, although such terms and conditions will be subject to market conditions at the time of the offering. Capitalized terms used below and not defined will be defined on a customary basis in the trust agreement and related documents governing the trust preferred securities.

The Company:	Pacific Gas & Electric Company ("PG&E or the "Company")
Trust Issuer:	Pacific Gas & Electric Trust X, (the "Trust Issuer"). The sole assets of the Trust Issuer will be Pacific Gas & Electric's ___% junior subordinated debentures maturing on [].
Securities Offered:	<p>Trust Preferred Securities in denominations of \$25 each and with an aggregate liquidation amount of \$_____.</p> <p>Each Trust Preferred Security will represent an undivided beneficial ownership interest in the assets of Pacific Gas & Electric Company Trust X. Each Trust Preferred Security will entitle its holder to receive quarterly distributions as described below.</p> <p>Pacific Gas & Electric Company Trust X will invest the proceeds of the Trust Preferred Securities and of its common securities in an equivalent amount of junior subordinated debentures (the "Debentures"). The Trust will use the payments it receives on the junior subordinated debentures to make the corresponding payments on the Trust Preferred Securities and its common securities. Pacific Gas & Electric will guarantee payments made on the Trust Preferred Securities to the extent described below. Both the junior subordinated debentures and the guarantee will be subordinated to the Company's existing and future senior indebtedness, and will effectively be subordinated to existing and future indebtedness of the Company's subsidiaries.</p>
Mandatory Redemption:	[]
Distributions:	Holders of the Trust Preferred Securities will be entitled to receive cumulative cash distributions at an Annual rate of [___%]. Distributions on the Trust Preferred Securities will accumulate from the date of issuance, and will be paid quarterly in arrears each year, beginning [] unless they are deferred as described below.
Dividend Deferral:	Pacific Gas & Electric can, on one or more occasions, defer the quarterly interest payments on the junior subordinated debentures for up to 20 consecutive quarterly periods, unless an event of default under

the junior subordinated debentures has occurred and is continuing. The Company may also elect to shorten the length of any deferral period. Interest payments cannot be deferred, however, beyond the maturity date of the junior subordinated debentures, nor can the Company begin a new interest deferral period until it has paid all accrued interest on the junior subordinated debentures from the previous interest deferral period. If the Company defers interest payments on the junior subordinated debentures, Pacific Gas & Electric Trust X will also defer distributions on the Trust Preferred Securities. Any deferred interest on the junior subordinated debentures will accrue additional interest at an annual rate of x.x%, compounded quarterly, to the extent permitted by law, and, as a result, any deferred distributions on the Trust Preferred Securities will accumulate additional amounts at an annual rate of x.x%, compounded quarterly, to the extent permitted by law. During any period in which the Company defers interest payments on the junior subordinated debentures, it will not do any of the following, with certain limited exceptions:

- Declare or pay any dividends or distributions on its capital stock;
- Redeem, purchase, acquire or make a liquidation Payment with respect to any of its capital stock;
- Make any interest, principal or premium payment on, or repay, repurchase or redeem, any of its indebtedness that ranks equally with or junior to the junior subordinated debentures; or
- Make any guarantee payments with respect to any Indebtedness of its subsidiaries or any other party That is equal in right of payment with, or junior to, the junior subordinated debentures.

Assumed Rating:

[Ba3/BB-]

Redemption:

Pacific Gas & Electric Trust X will redeem all of the outstanding Trust Preferred Securities when the junior subordinated debentures are repaid at maturity. In addition, if the Company redeems any junior subordinated debentures before their maturity, Pacific Gas & Electric Trust X will use the cash it receives on the redemption of the junior subordinated debentures to redeem, on a proportionate basis, the Trust Preferred Securities and its common securities. The Company can redeem the junior subordinated debentures before their maturity in whole or in part on one or more occasions

any time on or after [, 2008], or, prior to [2008], only in whole at any time within 90 days following the occurrence and continuation of certain changes in tax or investment company laws and regulations, in either case, at 100% of their principal amount plus accrued and unpaid interest.

Liquidation Rights:

Upon any dissolution, winding-up or liquidation upon dissolution of Pacific Gas & Electric Company Trust I involving the liquidation of the junior subordinated debentures, the holders of the Trust Preferred Securities will be entitled to receive, out of assets held by Pacific Gas & Electric Company Trust X, subject to the rights of creditors of Pacific Gas & Electric Company Trust X, if any, distributions in an amount equal to the aggregate stated liquidation amount of \$25 per Trust Preferred Security, plus accumulated and unpaid distributions to the date of payment. Pacific Gas & Electric Company Trust X will not make this distribution if the junior subordinated debentures have been distributed to the holders of the Trust Preferred Securities.

Ranking:

The Trust Preferred Securities will generally rank equal to Pacific Gas & Electric Trust X's common securities in priority of payment. The Trust will make payments on the Trust Preferred Securities and the common securities based on a proportionate allocation, except after an event of default.

The Company's junior subordinated debentures will be unsecured and will rank subordinate and junior in right of payment to all of the Company's current and future senior indebtedness. The junior subordinated debentures will rank equal to any other junior subordinated debentures that may be issued.

The Company's guarantee will rank equal to any other guarantees that it may issue on trust preferred securities issued by trusts similar to the Trust. The guarantee will be unsecured and will rank junior in right of payment to all of the Company's other liabilities to the same extent as its junior subordinated debentures. The junior subordinated debentures and the guarantee will be effectively junior to all existing and future liabilities of its subsidiaries.

Voting Rights:

Holders of Trust Preferred Securities will have limited voting rights. Holders will not have the right to vote for the election or removal of the trustees of the Trust.

Use of Proceeds:

The net proceeds from the sale of the Debentures to the Trust Issuer will become part of the treasury funds of the Company and will be applied to capital expenditures and to the redemption, repurchase, repayment or retirement

of outstanding indebtedness or preferred stock.

Reports:

The Trust Issuer will, if the SEC will accept the filing, file a copy of all of the information and reports that a reporting company is required to file with the SEC for public availability within the time periods specified in the SEC's rules and regulations. In addition, the Trust Issuer will make the information and reports available to securities analysts and prospective investors upon request.

Guarantee:

Pacific Gas & Electric will fully and unconditionally guarantee the payments of all amounts due on the Securities to the extent the Trust has funds available for payment of such distributions. Obligations under the guarantee are subordinate to Pacific Gas & Electric's obligations to other creditors to the same extent as the junior subordinated debentures.

Distribution of the Junior Subordinated Debentures Upon Liquidation of the Trust Issuer:

The Trust may be dissolved at any time and PG&E may distribute (after satisfaction of liabilities to creditors as required by applicable law) junior subordinated debentures to holders of Trust Preferred Securities in liquidation of the Trust.

**SENIOR SECURED CREDIT FACILITIES
SUMMARY OF TERMS AND CONDITIONS**

I. PARTIES

Borrower: Pacific Gas and Electric Company (the "Borrower").

Lead Arranger and Bookrunner: UBS Warburg LLC (in such capacity, the "Arranger").

Administrative Agent: UBS AG, Stamford Branch ("UBS" and, in such capacity, the "Administrative Agent").

Lenders: A syndicate of banks, financial institutions and other entities, including UBS, arranged by the Arranger in consultation with the Borrower (collectively, the "Lenders").

II. TYPES AND AMOUNTS OF CREDIT FACILITIES

A. Term Facilities

Type and Amount: Five-year term loan facility (the "Term Facility") in an aggregate principal amount equal to [\$1.5] billion (the loans thereunder, the "Term Loans"). The Term Loans shall be repayable in ten equal semi-annual installments beginning six months from the date of execution of the definitive financing documentation with respect to the Credit Facilities (the "Closing Date").

Availability: The Term Loans shall be made in a single drawing on the Closing Date.

Purpose: The proceeds of the Term Loans shall be used to refinance existing indebtedness to be specified and certain other past-due obligations.

B. Revolving Facilities

Type and Amount: A 364-day revolving credit facility (the "364-day Revolving Facility") and a 3 year revolving credit facility (the "3 year Revolving Facility") (collectively, the "Revolving Facilities" and together with the Term Facilities, the "Credit Facilities") in an aggregate principal amount of [\$1,000] million (the loans thereunder, the "Revolving Loans").

Availability: The 364-day Revolving Facility shall be available on a revolving basis during the period commencing on the Closing Date and ending on the 364th day thereafter (the "364-day Revolving Termination Date").

The 3 year Revolving Facility shall be available during the period commencing on the Closing Date and ending on the third anniversary thereof (the "3 year Revolving Termination Date").

Maturity: The 364-day Revolving Termination Date in the case of the 364-day Revolving Facility and the 3 year Revolving Termination Date in the case of the 3 year Revolving Facility.

Purpose: The proceeds of the Revolving Loans shall be used for general corporate purposes (including refinancing of existing indebtedness to be specified and certain other past-due obligations).

III. CERTAIN PAYMENT PROVISIONS

Fees and Interest Rates:	As set forth on Annex I.
Optional Prepayments and Commitment Reductions:	Loans may be prepaid and commitments may be reduced by the Borrower in minimum amounts of \$10 million. Optional prepayments of the Term Loans shall be applied to prepay the Term Loans until the Term Loans are paid in full and, once repaid, may not be reborrowed.
Mandatory Prepayments:	The Term Loans shall be prepaid in amounts equal to 100% of the net proceeds of any issuance of equity, incurrence of funded indebtedness, the proceeds of any asset sales and any insurance recoveries received after the Closing Date by the Borrower or any of its subsidiaries, subject to exceptions to be agreed upon. Each such prepayment of the Term Loans shall be applied to prepay the Term Loans and, once repaid, may not be reborrowed.
Prepayment Premium:	None. Prepayments of LIBOR Rate Loans made on any day other than the last day of an interest period must be accompanied by payment of breakage costs, if applicable.

IV. COLLATERAL

The obligations of the Borrower in respect of the Credit Facilities shall be secured by an issuance to the Administrative Agent (or a collateral trustee) on behalf of the Lenders of, and/or a perfected first priority security interest in, first mortgage bonds to be issued by the Borrower in an aggregate principal amount equal to the outstanding principal amount of the Term Facility and the aggregate commitments under the Revolving Facilities and the proceeds thereof (the "Collateral"). The terms and structure of the first mortgage bonds shall be satisfactory to UBS Warburg.

The first mortgage bonds will be released by the Administrative Agent (or a collateral trustee) upon payment or prepayment of the Term Facility and permanent reduction of the commitments under the Revolving Facilities in amounts equal to such payment, prepayment and/or permanent reduction.

V. CERTAIN DOCUMENTATION MATTERS

Representations and Warranties:	Customary for a transaction of this type (including customary materiality qualifiers) including financial statements (including pro forma financial statements prepared in good faith and based on assumptions believed by the Borrower to be reasonable); absence of undisclosed liabilities required to be disclosed by GAAP; no material adverse change; corporate existence; compliance with law; corporate power and authority; enforceability of credit documentation; no conflict with law or contractual obligations; no material litigation which is not disclosed in SEC public filings; no default after giving effect to the use of proceeds as contemplated herein; ownership of property; no burdensome restrictions; liens; taxes; Federal Reserve regulations; ERISA; environmental matters; solvency; accuracy of disclosure; and creation and perfection of security interests. Representations and warranties will be reaffirmed on each borrowing date.
---------------------------------	---

Covenants:	<p>Customary for a transaction of this type (including customary exceptions), including delivery of financial statements, publicly filed SEC reports and reports sent to shareholders and other information reasonably requested by the Administrative Agent; compliance with laws and material contractual obligations; maintenance of books and records; maintenance of existing and material rights and privileges; notices of defaults, litigation, other material events and changes in bond ratings; prohibition of liens on the Collateral (other than in respect of the Credit Facilities and the First Mortgage Bonds); limitation on disposition by the Borrower of a substantial portion of its property or of any Collateral; limitation on fundamental changes; maintenance of perfection and priority of security interest in Collateral; limitation on additional indebtedness, limitation on payment of dividends, limitation on affiliate transactions, limitation on sale/leasebacks and prohibition of amendments to the Indenture which are materially adverse to the Lenders.</p>
Financial Covenants:	<p>Certain financial covenants to be determined, including, without limitation, minimum interest coverage and maximum debt to capital, in each case on terms to be agreed upon.</p>
Events of Default:	<p>Nonpayment of principal when due, nonpayment of interest, fees or other amounts after a grace period of five days; inaccuracy of representations and warranties; breach of covenants; cross-default to indebtedness in excess of \$50,000,000 (other than to defaults which will be cured after giving effect to the use of proceeds of the Loans); bankruptcy events; certain ERISA events; judgments in excess of \$50,000,000 (net of insurance); change of ownership or control; invalidity of any security interest or asserted invalidity by the Borrower and revocation of confirmation order or material and adverse waiver or modification of Plan.</p>
Voting:	<p>Amendments and waivers with respect to the Credit Facilities shall require the approval of Lenders holding not less than a majority of the aggregate amount of the Term Loans, Revolving Loans and unused commitments under the Credit Facilities, except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount or extensions of the date of final maturity of any Loan, (ii) reductions in the rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment and (b) the consent of 100% of the Lenders shall be required with respect to (1) modifications to any of the voting percentages and (ii) releases of substantially all of the Collateral (it being understood that releases of first mortgage bonds in accordance with the provisions described in "Collateral" above shall not require the consent of the Lenders).</p>

Assignments and Participations: The Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than, subject to certain exceptions, to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent and the Borrower (which consent in each case shall not be unreasonably withheld). Non-pro rata assignments shall be permitted, in the case of partial assignments (other than to another Lender or to an affiliate of a Lender), the minimum assignment amount shall be \$5,000,000 in the case of the Revolving Facilities and \$1,000,000 in the case of the Term Facility, and, after giving effect thereto, the assigning Lender shall have commitments and Loans aggregating at least \$5,000,000 in the case of the Revolving Facilities and \$1,000,000 in the case of the Term Facility, in each case unless otherwise agreed by the Borrower and the Administrative Agent. Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions (but shall not be entitled to claim more than the selling Lenders). Voting rights of participants shall be limited to certain matters with respect to which the affirmative vote of the Lender from which it purchased its participation would be required as described under "Voting" above. Pledges of Loans in accordance with applicable law shall be permitted without restriction.

Yield Protection: The Credit Facilities will contain provisions with respect to increased costs, breakage costs, capital adequacy protection, other requirements of law, reserves, if applicable, illegality, and withholding and other taxes. The Borrower will have the right to replace any Lender affected by the foregoing circumstances with another bank on terms to be agreed upon.

Expenses and Indemnification: The Credit Facilities will contain customary expense reimbursement and indemnification provisions.

Waiver of Jury Trial and Consent to Jurisdiction: Each party to the Credit Facilities will waive the right to trial by jury and will consent to jurisdiction of the state and federal courts located in the City of New York.

Governing Law and Forum: State of New York

INTEREST AND CERTAIN FEES

Interest Rate Options:

Loans will bear interest, at the Borrower's election, at the following rates:

- a) the Base Rate of UBS plus the Applicable Margin. The Base Rate is defined as the higher of the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1% and the prime commercial lending rate of UBS, as established from time to time at its Stamford Branch, and
- b) the London Interbank Offered Rate ("LIBOR") (adjusted for statutory reserve requirements for eurocurrency liabilities) for corresponding deposits of U.S. dollars for one, two, three or six months (as selected by the Borrower) appearing on page 3750 of the Telerate screen (or such other comparable publically available service for displaying eurodollar rates as may be selected by the Administrative Agent) plus the Applicable Margin.

"**Applicable Margin**" means (a) with respect to Revolving Loans (i) [%] in the case of Base Rate Loans and (ii) [%] in the case of LIBOR Rate Loans and (b) with respect to the Term Loans (i) [%] in the case of Base Rate Loans and (ii) [%] in the case of LIBOR Rate Loans.

Interest Payment Dates:

Interest on Base Rate Loans will be payable quarterly in arrears. Interest on LIBOR Rate Loans will be payable at the end of interest periods (but not less often than quarterly). Interest shall be calculated on the basis of the actual number of days elapsed over a 365/366-day year for Base Rate Loans, and over a 360-day year for other Loans.

Overdue Rate:

2% above the Base Rate plus the Applicable Margin.

Commitment Fees:

The Borrower shall pay a commitment fee calculated at a rate per annum equal to 0.50% on the average daily unused portion of the Revolving Facilities, payable quarterly in arrears. The commitment fee will be computed on the basis of 360 day year.

**RECEIVABLES SECURITIZATION FACILITIES
SUMMARY OF TERMS & CONDITIONS**

Issuance Amount: [approximately \$900.0 million] (the "Initial Principal Amount")

Series: Series 2003-A and Series 2003-B

Certificates: \$[] Revolving Fixed Term Accounts Receivable Certificates,
Series 2003-A (the "Revolving Certificates").

[] Variable Base Accounts Receivable Certificates,
Series 2003-B (the "Variable Base Certificates")

Timely payment of interest and ultimate payment of principal will be insured by a financial guaranty insurance policy issued by [] (the "Insurer"), a monoline insurance company rated "AAA" or its equivalent by each of Moody's Investors Service, Inc. ("Moody's"), Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch, Inc. ("Fitch").

Offering: Rule 144A/Regulation S

Closing Date: []

Issuer: Pacific Master Trust (the "Trust"), created pursuant to a Pooling and Servicing Agreement dated as of []. The Pooling and Servicing Agreement, as supplemented by the supplements (each such supplement, a "Supplement") for the applicable series of certificates (each such series, a "Series") is referred to herein as the "Agreement."

Trustee: [] (the "Trustee")

Depositor: [A special purpose vehicle

Placement Agent: UBS Warburg LLC and/or UBS AG, London Branch

VBC Invested Amount: The "VBC Invested Amount" as of any date of determination will be the sum of (i) principal drawings made under the Variable Base Certificates on or prior to such date, less (ii) payments made to the holders of Variable Base Certificates (the "VBC Holders") in repayment of principal, less (iii) Investor Charge-Offs (as defined in the Agreement) that are allocated in reduction of the VBC Invested Amount and not reimbursed. The term "VBC Invested Amount" will be used for purposes of making certain allocations (both among Series and between the Variable Base Certificates and the Exchangeable Certificate) as described herein.

The VBC Invested Amount may be increased or decreased on dates other than Distribution Dates as a result of principal drawings and repayments. Such increases and decreases in the VBC Invested Amount will affect the allocation percentages that will be used for making allocations between Series (and between the Variable Base Certificates and the Exchangeable Certificate) during any Collection Period only from and after the date of such increases and decreases.

Series 2003-A Coupon: []

Series 2003-B Coupon: []

VBC Unfunded Amount: As of any date of determination during the Revolving Period, the "VBC Unfunded Amount" will be the excess of Initial Principal Amount over the VBC Invested Amount as of such date of determination. As of any date of determination after the Revolving Period, the "VBC Unfunded Amount" will be zero. As with the VBC Invested Amount, changes to the VBC Unfunded Amount may occur on dates other than Distribution Dates, but will affect allocation percentages only from the date of such change.

Commitment Fee: []% per annum on the average daily VBC Unfunded Amount during the related Interest Period (or, as applicable, the portion thereof that occurs during the Revolving Period).

VBC Notional Amount: The "VBC Notional Amount" as of any date of determination will be []% of the VBC Unfunded Amount as of such date of determination. The term "VBC Notional Amount" will be used for purposes of making certain allocations described herein relating to the accrual of Commitment Fees. As with the VBC Invested Amount, changes to the VBC Notional Amount may occur on dates other than Distribution Dates, but will affect allocation percentages only from the date of such change.

Rating Agency: Moody's and/or S&P (collectively, the "Rating Agency")

Rating: "AAA"/Aaa" (or its equivalent) from the Rating Agency

Retained Securities: The Depositor will retain the Exchangeable Certificate. The "Exchangeable Certificate" evidences the Depositor's interest in the Trust Assets (defined below) not otherwise allocated to any class of certificates issued under a Supplement (collectively, the "Certificates"). Except as and to the extent expressly provided in the Agreement, the Exchangeable Certificate is *pari passu* with the Variable Base Certificates, and with any other Series of fixed base certificates or variable base certificates issued under the Agreement, and will be held by the Depositor, except in certain limited circumstances. Collections allocated to any Series will be further allocated among the Certificates of such Series and the Exchangeable Certificate.

Servicer: Pacific Gas & Electric Corp. ("PG&E" or the "Servicer")

Servicing Fee: The servicing fee for the Servicer under the Agreement (the "Servicing Fee") will be payable on each Distribution Date in an amount equal to the product of [] per annum and the sum of the Revolving Certificates and the average daily VBC Invested Amount during the related Collection Period.

Drawings Under the Variable Base Certificates: Minimum denominations of [] and increments of \$[] in excess thereof. VBC Holders will be required to advance funds in response to requests for drawings only during the Revolving Period and only if all conditions precedent to such drawings are satisfied as of the dates for such advances.

Interest Accrual: Interest will accrue on the daily outstanding principal balance of each Variable Base Certificate (taken in the aggregate, the "VBC Balance") during the period (each such period, an "Interest Period") from and including each Distribution Date (or, in the case of the first Interest Period, the Closing Date) to but excluding the next following Distribution Date, based on the actual number of calendar days during such period over a 360-day year (or in the case of interest accruing at a base rate, a 365- or a 366-day year (as applicable)).

Distribution Date: [] day of each [] (or next succeeding business day) beginning on [].

Collection Period: The calendar month preceding the month in which the Distribution Date occurs (or, in the case of the first Distribution Date, the period beginning on the Closing Date and ending on the last day of the calendar month immediate preceding the first Distribution Date).

Record Date: With respect to any Distribution Date, the last day of the preceding calendar month

Revolving Period: For Series 2003-A, the period commencing on the Closing Date and ending on [], unless terminated sooner by the occurrence of an Early Amortization Event (such period, the "Revolving Period").

For Series 2003-B, the period commencing on the closing date and ending on [], unless terminated sooner by the occurrence of an Early Amortization Event.

During the Revolving Period, (a) Principal Collections (defined below) allocated to Variable Base Certificates will be paid to the Depositor to reinvest in new Receivables, except that certain Principal Collections that the Servicer, in its sole discretion, elects to apply to Discretionary Prepayments (as defined in the Agreement) will be paid to VBC Holders, and (b) Interest Collections (defined below) allocated to the Variable Base Certificates and not needed to pay interest, fees, certain holdback amounts and certain other interest allocations also will, subject to certain limitations, be paid to the Depositor for reinvestment in new Receivables. See "Allocations of Investor Principal Collections" and "Allocations of Investor Interest Collections" below.

Controlled Amortization Period: Unless an Early Amortization Period (defined below) shall have commenced prior to such date, the period scheduled to begin on [], and ending upon the earliest of (a) the occurrence of an Early Amortization Event, (b) the date on which the Series 2003-A Balance shall have been reduced to zero and (c) the Distribution Date (the "Scheduled Termination Date") occurring in [] (such period, the "Controlled Amortization Period"). The "Controlled Amortization Amount" for any Series 2003-A and any Distribution Date will equal [] of the portion of the VBC Balance allocable thereto as of the last day of the last Collection Period that commenced during the Revolving Period for such Variable Base Certificate.

Subsequent to the Series 2003-A balance being reduced to zero, all collections of principal shall be employed to reduce the Series 2003-B VBC Balance to zero.

Principal Collections received during the Controlled Amortization Period

will be allocated first for distribution on the related Distribution Dates, to the VBC Holders as repayments of principal, up to the lesser of the Controlled Amortization Amount payable on the related Distribution Date or the portion of the related Cumulative Controlled Amortization Amount (as defined below) that has not already been paid as of such related Distribution Date through a combination of payments in respect of Controlled Amortization Amounts and Discretionary Prepayments on or prior to such related Distribution Date.

The "Cumulative Controlled Amortization Amount" for Series 2003-A and any Distribution Date will equal the sum of the Controlled Amortization Amounts due with respect to such Revolving Certificate on each Distribution Date during the Controlled Amortization Period to and including such Distribution Date.

Early Amortization
Period:

During the period following the occurrence of an Early Amortization Event (such period, an "Early Amortization Period"), Principal Collections allocated to the Series 2003-A will be distributed to all Holders as principal payments on each Distribution Date commencing with the Distribution Date in the month following such Early Amortization Event, until the earlier of the date on which the Series 2003-A is reduced to zero and the Scheduled Termination Date.

Expected Final
Distribution Date:

[]

Receivables:

The "Receivables" consist of Billed Receivables and Unbilled Receivables. "Billed Receivables" consist of amounts owing by customers of Pacific Gas & Electric Corp. (each such customer, a "Customer"; each such power company, an "Originator") in respect of electrical service provided by such Originator, which amounts have been specified in an invoice sent to such customers (plus certain adjustment payments and amounts paid in connection with the repurchase of Receivables as specified in the Agreement, plus recoveries, net of collection expenses (such net recoveries, "Miscellaneous Payments"), on Receivables previously charged off as uncollectible that are subsequently recovered). "Unbilled Receivables" consist of amounts owing by Customers in respect of electrical service provided by an Originator, which amounts have not yet been specified in an invoice sent to such Customers.

Collections received by the Servicer in respect of Receivables ("Collections") are designated on each business day between Principal Collections and Interest Collection. "Principal Collections" consist of all Collections in respect of Eligible Receivables, net of the Discount Portion (defined below). "Interest Collections" consist of the Discount Portion of the Receivables plus all Collections in respect of Ineligible Receivables. The "Discount Portion" is a dollar amount equal to the product of (a) the amount of Collections in respect of Eligible Receivables and (b) the Discount Rate specified below.

A Receivable included as part of the Trust Assets shall be designated an "Eligible Receivable" if it satisfies certain criteria specified in the Agreement, including the criterion that such Receivable arises under a Customer electric power account (each, an "Account") meeting certain eligibility requirements also specified in the Agreement (each, an "Eligible Account") and is not more than [90] days contractually

delinquent.

Receivables existing under Accounts that fail any of the foregoing eligibility criteria will be included in the Trust Assets but designated as "Ineligible Receivables." All Collections in respect of Ineligible Receivables will be treated as Interest Collections.

Each of the Originators has sold and will continue to sell its entire portfolio of Receivables to the Depositor pursuant to a receivables purchase agreement (the "Receivables Purchase Agreement") entered into by the Depositor, PG&E and the Originators as of [], and the Depositor has transferred and conveyed and will continue to transfer and convey all such Receivables to the Trust. Only the Receivables that are Eligible Receivables have been or will be used to compute the aggregate outstanding balance of the pool of Receivables (the "Pool Balance") available to support the certificates of any Series. Notwithstanding the foregoing, collections in respect of Ineligible Receivables included as Trust Assets will be available to make payments with respect to the certificates of any Series, including the Variable Base Certificates. Any Customer refunds or billing adjustments in respect of [estimated billings, meter adjustments, fixed monthly payment arrangements] or otherwise will reduce the corresponding amount of Receivables and the Pool Balance.

Discount Rate:

Collections received in respect of Eligible Receivables on each business day during a Collection Period will be discounted (for purposes of designating a portion of such Collections as Interest Collections) at a rate equal LIBOR as of the first day of the latest Interest Period commencing on or prior to such date, plus []%. The Depositor has the right to increase the spread above LIBOR included in the calculation of the Discount Rate; provided, however, that any increase in such spread above []%, is subject to the condition that the Trustee shall have received written confirmation from the Rating Agency that such action will not result in the reduction or withdrawal of the then-current ratings assigned by the Rating Agency to the Variable Base Certificates (such condition, the "Rating Agency Condition"), and (b) the prior consent of the Insurer (or, following an Insurer Default (as defined in the Agreement, the prior consent of Holders of Certificates evidencing a majority of the Adjusted Invested Amount of each Series of Investor Certificates (or of each class of such Series) as described in the Agreement) will be required to increase the Discount Rate above []%.

Trust Assets:

The assets of the Trust (the "Trust Assets") include (a) all Receivables generated under the Accounts existing on the Cut-Off Date (such Accounts, the "Initial Accounts"), the Receivables generated thereafter under such Accounts as well as the Receivables existing and thereafter generated under any Accounts ("Additional Accounts") originated after the Cut-Off Date, but excluding Receivables that are (i) repurchased by the Depositor (from and after the applicable repurchase date), (ii) in certain accounts ("Removed Accounts") that have been designated for removal in accordance with the terms and conditions of the Agreement, [or (iii) arising under Customer accounts acquired by PG&E in connection with the acquisition or formation of a new [power company] (which will only be included in the Trust at the Servicer's option and subject to the satisfaction of the Rating Agency Condition),] (b) all funds collected in respect of such Receivables, including all Miscellaneous Payments with respect to charged off Receivables, insurance proceeds

(net of related expenses) and any other proceeds thereof, (c) all funds on deposit in the Collection Account (defined below) and any account established for the benefit of a Series pursuant to the related Supplement and net investment income earned on "eligible investments" of amounts deposited therein, as set forth in the Agreement, (d) any Enhancement (defined below) issued with respect to any Series (provided that the drawing on or payment by any Enhancement for any Series shall be available solely for the benefit of the holders of Certificates of such Series), and (e) an assignment of the Depositor's rights and remedies as purchaser under the Receivables Purchase Agreement.

The term "Enhancement" means, with respect to any Series, any letter of credit, financial guaranty insurance policy, surety bond, cash collateral account, spread account, guaranteed rate agreement, maturity liquidity facility, tax protection agreement, interest rate swap or other contract or agreement for the benefit of certificate holders of such Series.

Accounts: The "Accounts" consist of all residential and industrial power accounts originated by [the PG&E through] the Originators.

Allocation Among Series: The Servicer will cause all Collections to be deposited into a trust account (the "Collection Account"). On each business day, the Servicer will allocate Interest Collections, Default Amounts and Principal Collections received and processed from the commencement of business on the preceding business day among Series 2003-A and any other subsequently issued Series based upon the Series Allocation Percentage for each Series. The amounts so allocated based on the Series Allocations Percentages for each Series will be "Series Interest Collections", "Series Default Amounts" and "Series Principal Collections" respectively.

The "Series Allocation Percentage" for each Series represents the ratio (expressed as a percentage) of (i) the Adjusted Invested Amount for such Series to (ii) the sum of the Adjusted Invested Amounts for all outstanding Series of Certificates. As described below, because of how the Adjusted Invested Amount for each Series is calculated for purposes of determining the Series Allocation Percentage, the Series Allocation Percentage for each Series will vary depending on whether all or part of such Series is amortizing, drawings and repayments of Variable Base Certificates have occurred, an Early Amortization Event has occurred and the Series Allocation Percentage is being used to allocate Interest Collections, Default Amounts or Principal Collections. Moreover, with respect to allocations of Principal Collections allocated to any Series during any Collection Period following the termination of the related revolving period, the Series Allocation Percentage Period for such Series will become fixed as of the last day of the last Collection Period to commence during such revolving period. If a new Series is issued, the Series Allocation Percentages will be adjusted to reflect such issuance, regardless of whether the issuance occurs during the Revolving Period or Controlled Amortization Period.

The "Adjusted Invested Amount" for Series 2003-A as of any date will mean the following:

- (i) for purposes of calculating the Series Allocation Percentage for Series 2003-A with respect to allocations of Interest Collections, and Default Amounts, the sum of (a) the VBC Invested Amount as of such date, plus (b) [___ %] of the VBC Invested Amount as

of such date, plus (c) the VBC Notional Amount as of such date;

- (ii) for purposes of calculating the Series Allocation Percentage for Series 2003-A with respect to allocations of Principal Collections:
 - (a) if no Early Amortization Event has occurred, on each date on or prior to the last day of the last Collection Period that commences during the Revolving Period, the sum of (1) the VBC Invested Amount as of such date, plus (2) [____%] of the VBC Invested Amount as of such date, plus (3) the VBC Notional Amount as of such date;
 - (b) if no Early Amortization Event has occurred, on each date during a Collection Period that commences after the Revolving Period, the sum of (1) the portion of the VBC Invested Amount allocable to each outstanding Variable Base Certificate as of the last day of the last Collection Period that commenced during the Revolving Period, plus (2) [____%] of the VBC Invested Amount as of the last day of the last Collection Period that commenced during the Revolving Period; and
 - (c) if an Early Amortization Event has occurred, then on each date thereafter, the sum of (1) the VBC Invested Amount as the day on which such Early Amortization Event occurred, plus (b) [____%] of the VBC Invested Amount as of the day on which such Early Amortization Event occurred.

As with the VBC Invested Amount, changes to the Adjusted Invested Amount may occur during a Collection Period but will affect allocation percentages only from the date of such change.

Allocations Within Series 2003-A:

On each Business Day, the Servicer will allocate Series Interest Collections, Series Default Amounts and Series Principal Collections allocated to Series 2003-A as described above between the Variable Base Certificates (as so allocated, the "Investor Interest Collections", "Investor Default Amounts" and "Investor Principal Collections," respectively) and the Exchangeable Certificate as follows:

- (iii) With respect to Series Interest Collections:
 - (a) If no Early Amortization Event has occurred, based on the percentage equivalent of (1) the sum of the VBC Invested Amount as of such date, plus ____% of the VBC Invested Amount as of such date, plus the VBC Notional Amount as of such date, divided by (2) the Series Pool Balance (as defined below) as of such date; and
 - (b) if an Early Amortization event has occurred, based on the percentage equivalent of (1) the sum of the VBC Invested Amount, plus ____% of the VBC Invested Amount, plus the VBC Notional Amount, in each case as of the date on which such Early Amortization Event occurs, divided by (2) the Series Pool Balance as of the date on which such Early Amortization Event occurs; and

- (iv) With respect to Series Default Amounts, based on the percentage equivalent of (1) the sum of the VBC Invested Amount plus [____%] of the VBC Invested Amount, plus the VBC Notional Amount as of such date, divided by (2) the Series Pool Balance as of such date; and
- (v) With respect to Series Principal Collections:
 - (a) If no Early Amortization Event has occurred, on each date on or prior to the last day of the last Collection Period that commences during the Revolving Period, based on the percentage equivalent of (1) the sum of the VBC Invested Amount as of such date, plus ____% of the VBC Invested Amount as of such date, plus the VBC Notional Amount as of such date, divided by (2) the Series Pool Balance as of such date;
 - (b) if no Early Amortization Event has occurred, on each date during a Collection Period that commences after the Revolving Period, based on the percentage equivalent of (1) the sum of (A) the portion of the VBC Invested Amount allocable to each outstanding Variable Base Certificate as of the last day of the last Collection Period that commenced during the Revolving Period, plus (B) [____%] of the VBC Invested Amount as of the last day of the last Collection Period that commenced during the Revolving Period, divided by (2) the Series Pool Balance as of the first day of the last Collection Period that commenced during the Revolving Period; and
 - (c) if any Early Amortization Event has occurred, then on each date thereafter, based on the percentage equivalent of (1) the sum of (A) the VBC Invested Amount as the day on which such Early Amortization Event occurred, plus (B) [____%] of the VBC Invested Amount as of the day on which such Early Amortization Event occurred, divided by (2) the Series Pool Balance as of the day on which such Early Amortization Event occurred.

Series Interest Collections and Series Principal Collections for Series 2003-A allocated to the Exchangeable Certificate will be distributed daily to the holder of the Exchangeable Certificate.

An Early Amortization Period will commence on the occurrence of any Early Amortization Event, including on any date on which (i) the excess of the Series Pool Balance for Series 2003-A over the Adjusted Invested Amount applicable on such date for the allocation of Series Principal Collections (the "Exchangeable Holder's Interest") is reduced to an amount less than (ii) the Required Exchangeable Certificate Amount for Series 2003-A.

The "Required Exchangeable Certificate Amount" for Series 2003-A means, for each date of determination, the product of the Adjusted Invested Amount applicable on such date for the allocation of Series Principal Collections and the greater of (i) ____% or (ii) the percentage

equivalent of a fraction.

- (1) [the numerator of which is the aggregate amount (not less than zero) of Customer account refunds and negative bill adjustments [(net of positive bill adjustments)] that were given or made by PG&E to or for account holders during the calendar month [of the prior calendar year corresponding to the current calendar month in which such determination is being made (the "Anniversary Month")];] and
- (2) the denominator of which is the aggregate amount of net sales credited to charge accounts recognized by PG&E during such [Anniversary Month].

The "Series Pool Balance" for any Series as of any date means the product of the Pool Balance on such date and the related Series Allocation Percentage applicable on such date for the allocation of Series Principal Collections. The "Required Series Pool Balance" for any Series as of any date means the minimum portion of the Pool Balance required as a funding base in the related Supplement, which in the case of Series 2003-A will equal the Adjusted Invested Amount applicable on such date for the allocation of Series Principal Collections.

Amounts allocated to pay the principal of and interest and Commitment Fees accrued on the Variable Base Certificates will be retained in the Collection Account maintained by the Trustee until each Distribution Date at which time such amount will be distributed to the VBC Holders. While on deposit in the Collection Account, funds will be invested in certain "Eligible Investments" in accordance with the Agreement.

"Defaulted Receivables" are Receivables charged off by the Servicer in accordance with its customary servicing procedures. These procedures provide among other things, that any Receivable that is [90] or more days contractually delinquent will be charged off. The "Default Amount" with respect to any Collection Period means the aggregate amount of Receivables that become Defaulted Receivables during such Collection Period. Default Amounts allocated the Variable Base Certificates may reduce the VBC Invested Amount if not funded or "reimbursed" from Interest Collections or Principal Collections or from amounts set aside for such purpose as the Investor Default Holdback Amount for the applicable Collection Period, in each case as described below. Each such reduction in the VBC Invested Amount is referred to herein as an "Investor Charge-Off".

Investor Charge-Offs shall also be reimbursable on subsequent Distribution Dates from Investor Interest Collections and Investor Principal Collections to the extent set forth herein under "Allocations of Investor Interest Collections" and "Allocations of Investor Principal Collections." On Distribution Dates during the Revolving Period, such reimbursements will result in an increase in the VBC Invested Amount until all such Investor Charge-Offs have been reimbursed. During the Revolving Period, amounts allocated to fund Default Amounts and Investor Charge-Offs generally will be made available for reinvestment in Receivables. On Distribution Dates following the termination of the Revolving Period (or during the Revolving Period but on which certain Discretionary Prepayments are to be made to VBC Holders in connection with the allocation of Default Amounts to the Variable Base Certificates),

such reimbursements generally will be effected by principal payments to the related VBC Holders without further adjustments to the portion of the VBC Invested Amount allocable thereto (up to the amounts by which the portion of the VBC Invested Amount allocable thereto already has been reduced by the corresponding charge-off).

The "Investor Default Holdback Amount" for any Collection Period will be equal to [insert default holdback formula].

Amounts allocated to fund the Investor Default Holdback Amount during any Collection Period will be applied on the related Distribution Date to fund any Investor Default Amount allocated to the Variable Base Certificates during such Collection Period, either by releasing them to the Depositor for reinvestment in additional Receivables or applying them to make principal payments in reduction of the VBC Balance, as appropriate, based on whether Variable Base Certificates are currently receiving principal payments (including Discretionary Prepayments), without corresponding reductions in the VBC Invested Amount. Amounts allocated to fund the Investor Default Holdback Amount during any Collection Period in excess of the amount of any Investor Default Amount for such Collection Period will be applied as Interest Collections as specified under "Distributions of Collections" below.

Allocations of Investor Interest Collections:

At the beginning of each Business Day during a Collection Period (each an "Allocation Day"), the Servicer will allocate Investor Interest Collections received since the beginning of the preceding Business Day in the following amounts and in the following priorities (in each case until the referenced amounts have been so allocated during the related Collection Period);

- (i) an amount equal to the Servicing Fee for such Collection Period (based on the assumption as of such day that no increase or reduction of the VBC Invested Amount will occur prior to the last day of such Collection Period), plus an amount equal to the amount of any previously accrued and unpaid Servicing Fee;
- (ii) an amount equal to the sum of interest, Commitment Fees and certain administrative fees (including the premium payable to the Insurer) specified in the Agreement ("Administrative Fees") that will accrue during the related Interest Period on the Variable Base Certificates (based on the assumption as of such day that no increase or reduction of the VBC Invested Amount will occur prior to the last day of such Collection Period), plus an amount equal to the amount of any previously accrued and unpaid interest, Commitment Fees and Administrative Fees (together with interest on all such past due amounts at a rate equal to the applicable Variable Base Certificate Rate plus []);
- (iii) an amount equal to the Investor Default Holdback Amount for the current Collection Period;
- (iv) an amount equal to all unreimbursed Investor Charge-Offs previously allocated to the Variable Base Certificates;
- (v) an amount equal to the amount required to reimburse the Trustee for extraordinary expenses reasonably incurred by it in the

performance of its duties, to the extent allocated to Series 2003-A;

- (vi) for deposit into the Capitalized Interest Account in accordance with the Agreement, an amount equal to the amount specified in a notice delivered by the Servicer to the Trustee in anticipation of an Increase;
- (vii) for deposit into the Discretionary Prepayment Account, an amount equal to the amount of any discretionary prepayment to be made on any date after such Allocation Date as specified in a notice of Discretionary Prepayment delivered to the Trustee and each VBC Holder (each such payment a "Discretionary Prepayment"); and
- (viii) the balance to the Depositor for application in accordance with the Receivables Purchase Agreement.

Allocations of Investor Principal Collections:

- **Revolving Period:** At the beginning of each Allocation Day during the Revolving Period, the Servicer will allocate Investor Principal Collections in the following amounts and in the following priorities (in each case until the referenced amounts have been so allocated during the related Collection Period).
 - (i) an amount equal to the amount of all unreimbursed Investor Charge-Offs (to the extent not funded from Investor Interest Collections as described above);
 - (ii) an amount equal to the aggregate amount of the Investor Default Amounts allocated to the Variable Base Certificates during the related Collection Period prior to such Allocation Date (to the extent such amount exceeds the Investor Default Holdback Amount, or the portion thereof previously funded from Investor Interest Collections as set forth above, and amounts available to be withdrawn from Investor Principal Collections deposited in the Retained Amount Account (such funds, the "Investor Component" of the Retained Amount Account (as defined in the Agreement)));
 - (iii) for deposit into the Capitalized Interest Account in accordance with the Agreement, an amount equal to the amount specified in a notice delivered by the Servicer to the Trustee in anticipation of an Increase (to the extent not funded from Investor Interest Collections as described above);
 - (iv) for deposit into the Discretionary Prepayment Account, an amount equal to the amount of any Discretionary Prepayment to be made on any date after such Allocation Date as specified in a notice of Discretionary Prepayment delivered to the Trustee and each VBC Holder (to the extent not funded from Investor Interest Collections as described above);
 - (v) for deposit into the Retained Amount Account an amount equal to the amount required under the Agreement to be deposited into the Retained Amount Account on such date; and

- (vi) the balance to the Depositor for application in accordance with the Receivables Purchase Agreement.
- **Controlled Amortization Period:** At the beginning of each Allocation Day during the Controlled Amortization Period, the Servicer will allocate Investor Principal Collections in the following amounts and in the following priorities (in each case until the referenced amounts have been so allocated during the related Collection Period):
 - (i) the sum of an amount, for each Variable Base Certificate, equal to the lesser of: (a) the related Controlled Amortization Amount and (b) the portion of the related Cumulative Controlled Amortization Amount that has not already been funded through one or more distributions of Controlled Amortization Amounts (as defined in the Agreement), Discretionary Prepayments on prior Distribution Dates, which amount will be paid to the related VBC Holders on the related Distribution Date on a pro rata basis;
 - (ii) an amount equal to the amount of any remaining unreimbursed Investor Charge-Offs (to the extent not funded from Investor Interest Collections as described above);
 - (iii) an amount equal to the aggregate amount of the Investor Default Amounts allocated to the Variable Base Certificates during the related Collection Period prior to such Allocation Date (to the extent such amount exceeds the Investor Default Holdback Amount, or the portion thereof previously funded from Investor Interest Collections as set forth above, and amounts available to be withdrawn from the Investor Component of the Retained Amount Account);
 - (iv) for deposit into the Capitalized Interest Account, an amount equal to the amount specified in a notice delivered by the Servicer to the Trustee in anticipation of an Increase (to the extent not funded from Investor Interest Collections as set forth above);
 - (v) for deposit into the Discretionary Prepayment Account, an amount equal to the amount of any Discretionary Prepayment to be made on any date after such Allocation Date as specified in a notice of Discretionary Prepayment delivered to the Trustee and each VBC Holder (to the extent not funded from Investor Interest Collections as set forth above);
 - (vi) for deposit into the Retained Amount Account an amount equal to the amount required under the Agreement to be deposited into the Retained Amount Account on such date; and
 - (vii) the balance to the Depositor for application in accordance with the Receivables Purchase Agreement.
- **Early Amortization Period:** At the beginning of each Allocation Day during the Early Amortization Period, the Servicer will allocate

Investor Principal Collections in the following amounts and in the following priorities (in each case until the referenced amounts have been so allocated during the related Collection Period):

- (viii) an amount equal to the VBC Balance, which amount shall be paid to the VBC Holders on the related Distribution Date on a pro rata basis; and
- (ix) the balance of the Depositor for application in accordance with the Receivables Purchase Agreement.

Capitalized Interest Account and Retained Amount Account

The Capitalized Interest Account and the Retained Amount Account will each be established by the Servicer in the name of the Trustee in accordance with the Agreement. The purpose of the Capitalized Interest Account will be to fund interest that (i) will accrue in respect of a drawing under the Variable Base Certificates and (ii) is payable on the first Distribution Date following such drawing (in the event that the short initial Collection Period may not be sufficient, as determined by the Servicer, to allow for the accumulation of all such interest). The purpose of the Retained Amount Account will be to retain Collections that would otherwise be payable to the holder of the Exchangeable Certificate in the event that (and to the extent that) the Required Series Pool Balance and/or the Required Exchangeable Certificate Amount exceed, respectively, the Series Pool Balance or the Exchangeable Holder's Interest.

Distribution of Collections:

On or before each Determination Date, the Servicer will provide written directions to the Trustee directing the Trustee to distribute to the VBC Holders (or to the applicable payee, in case of the Commitment Fees and Administration Fees) on the following Distribution Date from amounts on deposit in the Collection Account (after payment of the amounts allocated to fund the related Servicing Fee (and any accrued and unpaid Monthly Servicing Fee for prior periods) as described in "Allocation of Investor Interest Collections" above:

- (i) **Revolving Period:** if such Distribution Date relates to a Collection Period that commences prior to the end of the Revolving Period and during which an Early Amortization Event did not occur, in the following order:
 - (A) from Investor Interest Collections and, if those are insufficient, Investor Principal Collections, an amount equal to the sum of the interest, Commitment Fees and Administrative Fees that accrued during the related Interest Period on the Variable Base Certificates, plus the amount of any previously accrued and unpaid interest, Commitment Fees and Administrative Fees (together with interest on all such past due amounts at a rate equal to the applicable Variable Base Certificate Rate plus []);
 - (B) from remaining Investor Interest Collections, the amount of Investor Default Amounts allocated to the Variable Base Certificates during the related Collection Period, but not in excess of the aggregate amount, if any, of Discretionary Prepayments payable on such Distribution Date or deposits to be made into the

Retained Amount Account on such Distribution Date;

- (C) from remaining Investor Interest Collections, the amount of unreimbursed Investor Charge-Offs for such Distribution Date, but not in excess of the aggregate amount, if any, of Discretionary Prepayments payable on such Distribution Date or deposits to be made into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above);
 - (D) from remaining Investor Interest Collections, the amount of any Discretionary Prepayment payable on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above)
 - (E) from remaining Investor Principal Collections, the amount of unreimbursed Investor Charge-Offs for such Distribution Date, but not in excess of the aggregate amount, if any, of Discretionary Prepayments payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above);
 - (F) from remaining Investor Principal Collections, the amount of Investor Default Amounts allocated to the Variable Base Certificates during the related Collection Period, but not in excess of the aggregate amount, if any, of Discretionary Prepayments payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections and Investor Principal Collections as set forth above); and
 - (G) from remaining Investor Principal Collections, the amount of any Discretionary Prepayment payable on such Distribution Date (to the extent not funded from Investor Interest Collections and Investor Principal Collections as set forth above).
- (ii) **Controlled Amortization Period:** if such Distribution Date relates to a Collection Period that commences during the Controlled Amortization Period and during which an Early Amortization Event did not occur, in the following order:
- (A) from Investor Interest Collections and, if those are insufficient, Investor Principal Collections, an amount equal to the sum of the interest and Administrative Fees that accrued during the related Interest Period on the Variable Base Certificates, plus the amount of any previously accrued and unpaid interest, Commitment Fees and Administrative Fees (together with interest on all such past due amounts at a rate equal to the applicable Variable Base Certificate Rate plus []);

- (B) from remaining Investor Interest Collections, the amount of Investor Default Amounts allocated to the Variable Base Certificates during the related Collection Period, but not in excess of the aggregate amount, if any, of Discretionary Prepayments and Controlled Amortization Amounts payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date;
- (C) from remaining Investor Interest Collections, the amount of unreimbursed Investor Charge-Offs for such Distribution Date, but not in excess of the aggregate amount, if any, of Discretionary Prepayments and Controlled Amortization Amounts payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above);
- (D) from remaining Investor Interest Collections, the amount of any Controlled Amortization Amounts payable on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above);
- (E) from remaining Investor Interest Collections, the amount of any Discretionary Prepayment payable on such Distribution Date (to the extent not funded from Investor Interest Collections as set forth above);
- (F) from remaining Investor Principal Collections, the sum of the amounts equal to, with respect to each Variable Base Certificate, the lesser of (a) the related Controlled Amortization Amount for such Variable Base Certificate and (b) the portion of the related Cumulative Controlled Amortization Amount that has not already been funded through one or more distributions of Controlled Amortization Amounts or Discretionary Prepayments in respect of such Variable Base Certificate made since the termination of the Revolving Period and prior to such Distribution Date;
- (G) from remaining Investor Principal Collections, the amount of unreimbursed Investor Charge-Offs for such Distribution Date, but not in excess of the aggregate amount, if any, of in Discretionary Prepayments and payments made in respect of Controlled Amortization Amounts or Cumulative Controlled Amortization Amounts payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections and Investor Principal Collections as set forth above);
- (H) from remaining Investor Principal Collections, the amount of Investor Default Amounts allocated to the

Variable Base Certificates during the related Collection Period, but not in excess of the aggregate amount, if any, of Discretionary Prepayments and payments made in respect of Controlled Amortization Amounts or Cumulative Controlled Amortization Amounts payable on such Distribution Date or amounts required to be deposited into the Retained Amount Account on such Distribution Date (to the extent not funded from Investor Interest Collections and Investor Principal Collections as set forth above); and

- (I) from remaining Investor Principal Collections, the amount of any Discretionary Prepayment payable on such Distribution Date (to the extent not funded from Investor Interest Collections and Investor Principal Collections as set forth above).
- (iii) **Early Amortization Period:** if such Distribution Date relates to a Collection Period that commences after the occurrence of an Early Amortization Event or during which an Early Amortization Event occurs, in the following order:
 - (A) from Investor Interest Collections and Investor Principal Collections, an amount equal to the sum of the interest and Administrative Fees that accrued during the related Interest Period on the Variable Base Certificates, plus the amount of any previously accrued and unpaid interest, Commitment Fees and Administrative Fees (together with interest on all such past due amounts at a rate equal to the applicable Variable Base Certificate Rate plus []);
 - (B) from Investor Interest Collections and Investor Principal Collections, an amount equal to the outstanding VBC Balance on such Distribution Date.

On each Distribution Date, all amounts retained in the Collection Account and not required to be distributed as described above or otherwise distributed or retained pursuant to the Agreement will be distributed to the Depositor for application in accordance with the Receivables Purchase Agreement.

Early Amortization Events:

During the period following the commencement of an Early Amortization Event, Principal Collections allocated to the Variable Base Certificates will not be paid to the Depositor to reinvest in new Receivables, but will instead be distributed to the VBC Holders on a pro rata basis, until the VBC Balance has been reduced to zero. Early Amortization Events shall include:

- (1) Any Early Amortization Event with respect to another (subsequently issued) outstanding Series, if any;
- (2) failure of the Depositor to make certain payments or transfer of funds for the benefit of Certificate holders within [] Business Days of receipt of written notice from the Trustee that such amounts were not paid when due or a material breach of certain covenants by the Depositor remains uncured for more than []

days;

- (3) the Trust or Depositor becomes an investment company within the meaning of the Investment Company Act of 1940, as amended;
- (4) the occurrence of certain Servicer defaults specified in the Agreement (each a "Servicer Default");
- (5) the VBC Balance is not reduced to zero on the related Expected Final Distribution Date, or any Controlled Amortization Amount is not paid in full when due;
- (6) the occurrence of certain events of bankruptcy, insolvency or receivership involving the Depositor or PG&E;
- (7) a material breach of certain representations or warranties of the Depositor remains uncured for more than [] days unless the Depositor has repurchased, or has accepted reassignment of the related Receivable;
- (8) the Exchangeable Holder's Interest is reduced below the Required Exchangeable Certificate Amount;
- (9) taken as an average of the relevant calculation for each of the three preceding calendar months:
 - (i) the annualized percentage equivalent of a fraction, (a) the numerator of which is the amount of Series Interest Collections with respect to the Series 2003-A for such month less the Investor Default Amount for such month, and (b) the denominator of which is the Series Pool Balance with respect to the Series 2003-A as of the first day of such month (the "Portfolio Yield" for such month), is less than []%;
 - (ii) the annualized percentage equivalent of a fraction, the numerator of which is the Default Amount for such month and the denominator of which is the Pool Balance as of the first day of such month (the "Default Rate" for such month) exceeds []%;
 - (iii) the annualized percentage equivalent of a fraction, (a) the numerator of which is Investor Interest Collections for such month less (1) the amount of accrued Servicing Fees for such month; (2) interest and any Commitment Fees accrued on the Variable Base Certificates during such month and (3) the Investor Default Amount for such month, and (b) the denominator of which is the average of the Adjusted Invested Amount applicable for the allocation of Series Principal Collections to Series 2003-A for each day during such Collection Period (the "Excess Spread" for such month), is less than []%;
 - (iv) the percentage equivalent of a fraction, the numerator of which is the aggregate of the balance of Eligible

Receivables that are [] or more days contractually delinquent as of the last day of such month, and the denominator of which is the Pool Balance as of the last day of such month (the "Delinquency Rate" for such month), exceeds []%; or

- (v) the percentage equivalent of a fraction, the numerator of which is the aggregate amount of all Collections in respect of Eligible Receivables received during such month, and the denominator of which is the aggregate of the balance of all Eligible Receivables as of the first day of such month (the "Monthly Payment Rate" for such month), is less than []%.

(9) [As otherwise required by the Rating Agency, the Insurer or investors]

The occurrence of the Early Amortization Events mentioned in (3) or (6) above also shall give rise to a "Liquidation Event", obligating the Trustee to attempt to sell the portfolio and retire the Variable Base Certificates early (unless the Trustee is directed otherwise by Holders of Certificates evidencing a majority of the Adjusted Invested Amount of each Series of Investor Certificates (or of each class of such Series) as described in the Agreement). Any Early Amortization Event, unless caused by a Servicer Default arising as a result of the replacement of PG&E as the Servicer, may be waived by holders of Variable Base Certificates representing more than 50% of the VBC Invested Amount.

- Additional Series:** The Agreement allows for the issuance of additional series of Certificates with terms that vary from those of the Variable Base Certificates.
- Tax Considerations:** The Variable Base Certificates will be characterized as debt for federal income tax purposes.
- ERISA Eligibility:** [to follow]