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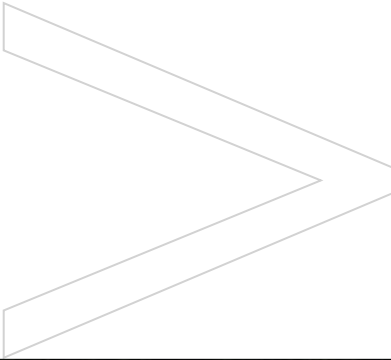
E N V I R O N M E N T A L

R E P O R T



< > > **more** >

< **less** <



**At PG&E it's about doing more to
have less impact on the environment.**



- > more support for environmental education
- < less air emissions
- > more performance audits
- < less impact on natural resources
- > more energy efficiency programs
- < less greenhouse gases
- > more land conservation
- < less waste
- > more clean technologies
- < less environmental releases and exceedances

Doing more so that our impact on the environment is less is a fundamental part of our culture and a shared responsibility for each of our team members. It has made us a leader in environmental performance for decades – and it continues to drive us to adopt new technologies, improve our environmental management practices, build strong ties with local communities, reach out to stakeholders to address challenges, and contribute to the development of public policies that raise the bar for our industry.

P G & E

C O R P O R A T I O N

P R O F I L E

PG&E Corporation is a national energy-based holding company with approximately \$1.1 billion in earnings from operations and \$23 billion in revenues in 2001. The Corporation, which had assets of approximately \$36 billion at the end of 2001, markets energy services and products throughout North America through its subsidiary PG&E National Energy Group, and is the parent company of Pacific Gas and Electric Company, the Northern and Central California utility that delivers natural gas and electricity service to one in every 20 Americans. PG&E Corporation common stock is traded on the New York Stock Exchange under the symbol PCG. The Corporation's 2001 Annual Report is available at www.pgecorp.com.

**PACIFIC GAS
AND ELECTRIC COMPANY**

PG&E Corporation's energy utility subsidiary, Pacific Gas and Electric Company (the utility), is one of the largest investor-owned utilities in the country. It delivers electric service to approximately 4.8 million customers and natural gas service to approximately 3.9 million customers in Northern and Central California.

**PG&E NATIONAL
ENERGY GROUP**

PG&E National Energy Group is an integrated energy company with a strategic focus on power generation, natural gas transmission, and wholesale energy marketing and trading in North America. PG&E National Energy Group and its subsidiaries have integrated their generation, development, and energy marketing and trading activities in an effort to create energy products in response to customer needs, increase the returns from its operations, and identify and capitalize on opportunities to optimize generating and pipeline capacity.

FACTS: PG&E NATIONAL ENERGY GROUP ¹

Products and services	Integrated energy and marketing Interstate pipeline operations
Operating power plants (owned and leased)	25 plants totaling 6,518 megawatts
Power plants in construction (owned and leased)	7 plants totaling 5,430 megawatts
Power controlled through contracts.	581 megawatts in operation; 2,313 megawatts under construction
Facility locations (operation and construction)	California, New Jersey, Mississippi, New York, Pennsylvania, Rhode Island, Massachusetts, Vermont, New Hampshire, Florida, Oregon, Michigan, Arizona, Connecticut, Texas, Ohio, Colorado, Washington, Idaho, Kentucky, and Montana.
Energy trading volume in 2001:	
Natural gas	8.45 billion cubic feet per day
Power	280 million megawatt-hours
Natural gas pipelines in operation	1,350 miles in the Pacific Northwest
Natural gas pipelines in development	77 miles in Southern California and Arizona
Average daily natural gas throughput	2.75 billion cubic feet

¹ Data as of year end 2001.

FACTS: PACIFIC GAS AND ELECTRIC COMPANY ¹

Service area	70,000 square miles in Northern and Central California, with a population of 13 million, about one in 20 Americans
Delivery systems	135,000 circuit miles of electric transmission and distribution lines, 45,000 miles of natural gas transmission and distribution pipelines
Electric Generating Operations	Diablo Canyon Nuclear Power Plant, 2,174 megawatts
	Fossil-fueled generation (Hunter's Point and Humboldt power plants) 350 megawatts
	California hydroelectric system, 3,896 megawatts
Recent investments in infrastructure	\$1.3 billion in 2001 and \$1.2 billion in 2000
A few of the customers served by Pacific Gas and Electric Company	20,833 schools, 3,239 hospitals, 20,698 high-tech companies, 768 military facilities, 1,022 wineries, 26 gold mines, 2,212 bakeries, 1,285 golf courses, 1,115 florists, and 975 car washes

¹ Data as of year end 2001.

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LETTER
FROM THE
CHAIRMAN

To Our Shareholders, Customers and Neighbors:
Environmental performance remained strong across PG&E Corporation in 2001 – and it grew even stronger in many areas. This report details our performance results and achievements from the past year, and it highlights areas in which we are continuing to direct our efforts for the future.

Our accomplishments for 2001 included doing more to reduce air emissions from our power plants, helping customers save more energy, supporting more programs for environmental education, adding more renewable energy sources to our portfolio, and setting more ambitious performance targets for the future.

Driving these efforts is a corporate environmental policy that calls on us to do more than simply what is required. For each aspect of our environmental performance, compliance with laws and regulations is the starting point for efforts rather than the goal. We believe this commitment is the essence of environmental leadership and the key to continuous improvement. We are proud that each year, including for 2001, we can report successes in this pursuit.

One example of going beyond what is required is this report itself. In the 1990s, our company was among the first to begin voluntarily issuing an annual environmental report. This year, we've now expanded our reporting to include more data than has been covered in our previous reports.

Our commitment to environmental excellence has been an unwavering priority throughout the challenges of the past year, in particular those associated with the California energy crisis and our utility's Chapter 11 case. Among our first priorities in the Bankruptcy Court was obtaining permission to continue funding two critical environmental programs: our customer energy efficiency programs and our environmental remediation efforts. Performance in these areas has remained strong.

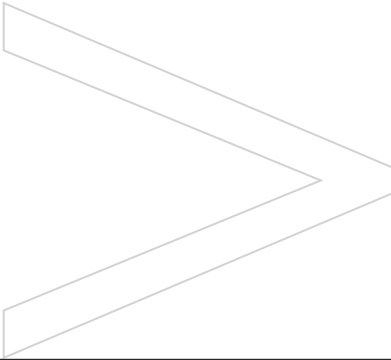
As customers, shareholders and neighbors, you have our commitment that we will continue to meet the highest standards of environmental performance. The plan we have proposed to reorganize our company and pay creditors is designed to ensure continued environmental excellence. Our team is committed to this goal, and we will meet it.

Thank you for your interest in our company and its environmental performance. We are proud of our record, and we are pleased to share it with you again this year.



Robert D. Glynn, Jr.

Chairman of the Board,
Chief Executive Officer, and President
PG&E Corporation



**More ambitious targets
for emissions reductions**





Our Madison Windpower Facility in New York avoids 12,000 tons of CO₂, 65 tons of SO₂ and 1.9 tons of NO_x in an average year.

Last year, through the Clean Energy Group, we began an effort to urge the federal legislators to adopt an integrated air quality planning strategy for the electric generating sectors.

PG&E Corporation is a founding member of the Clean Energy Group, a consortium of energy companies committed to providing clean energy and to responsible environmental stewardship.

The Clean Energy Group has proposed setting ambitious emissions reductions targets by capping sulfur dioxide, nitrogen oxides, mercury and carbon dioxide emissions from power generators.

The integrated strategy would implement tonnage caps on emissions of these pollutants. Our proposed strategy would go beyond current requirements for NO_x and SO₂, and for the first time would regulate CO₂ and mercury emissions from the electric generating sector.

We believe the adoption of an integrated four-pollutant air quality strategy for the electric generating sector will result in substantial economic, energy and environmental benefits, compared with the old way of doing business whereby emissions are regulated on a pollutant-by-pollutant basis.

The integrated strategy relies on a market-based cap-and-trade regulatory approach. A cap-and-trade approach requires the establishment of a national tonnage limit, or cap, that is determined to be protective of the environment. Allowances are allocated to regulated sources, with allowances set aside for new generating units, based on generation output. Regulated sources can purchase or sell allowances from other participants in the program, or bank them for future use, thereby ensuring cost-effective compliance.

The inclusion of provisions for allowance trading and other flexibility mechanisms will allow cost-effective compliance. Additionally, with a clear understanding of future environmental compliance requirements, generators will be able to more effectively manage their generation portfolio to optimize their pollution control decisions, respond to demand, enhance electric system reliability and reduce emissions. An integrated strategy will also stimulate the development of cleaner and more efficient generation technologies and support the use of a diverse mix of domestic energy sources.

MANAGING FOR
CONTINUOUS
IMPROVEMENT

PG&E Corporation’s environmental policies, management systems and programs are designed to ensure that our operations meet all applicable environmental requirements. They also are designed to drive a process of continuous improvement that wherever possible seeks to elevate our performance above and beyond the legal and regulatory requirements.

Our experience shows that our commitment to continuous improvement not only improves performance, but also strengthens our competitive position within our industry by driving innovation and raising the bar for other companies. In many aspects of our operations, this process is already enabling us to perform at levels beyond today’s legal and regulatory requirements. In some cases, through the public policy process or through collaborative efforts within our industry, we are now challenging others to achieve the same higher standards. These accomplishments spring from the policies, management systems and programs outlined here.

Our commitment of continuous improvement extends to the ongoing improvement of the policies, management systems and programs themselves, which we continually review and refine.

**PG&E
CORPORATION'S ENVIRONMENTAL POLICY**

PG&E Corporation's formal environmental policy clearly states the company's environmental performance objectives. The policy applies to all of the company's operations, and reflects the commitment and expectations of senior management.

The policy is the foundation for the programs, initiatives and activities described in this report, all of which support the policy's directives to achieve compliance, foster environmental excellence, manage risks and encourage innovative solutions.

ENVIRONMENTAL POLICY STATEMENT

PG&E Corporation is committed to being an environmental leader by providing safe, economical, and reliable products and services in a responsible and environmentally sensitive manner. It is our policy to:

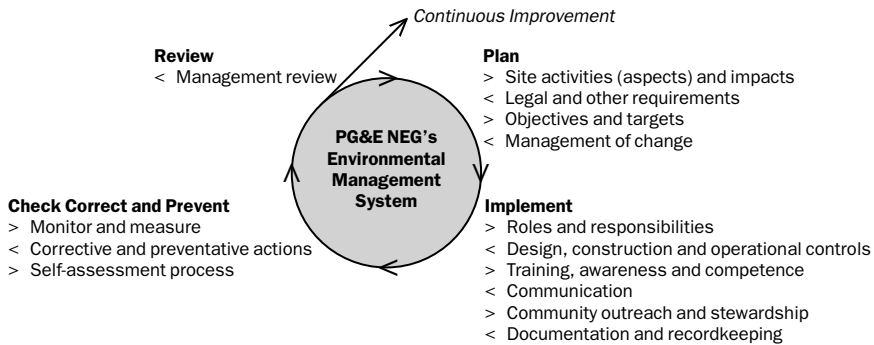
- > Comply fully with the letter and spirit of applicable environmental laws and regulations, and seek innovative ways to exceed current standards of environmental protection, while achieving success in competitive markets;
- < Develop standards and programs that foster environmental excellence as a contributor to shareholder value, and incorporate such policies into business plans;
- > Develop and implement a risk-based audit plan that ensures that periodic independent reviews of all aspects of environmental performance are conducted; and
- < Actively engage the talents, dedication, and commitment of our employees by encouraging them to contribute innovative and thoughtful solutions for improving environmental performance.

**CONTINUOUS IMPROVEMENT THROUGH
ENVIRONMENTAL MANAGEMENT SYSTEMS**

Environmental Management Systems (EMS) establish a comprehensive, systematic process for assessing and managing risks, and for steadily improving performance and reducing our environmental impact over time. These management systems require our businesses to:

- > Identify operations and their associated environmental impacts.
- < Develop strategic plans for improvement in appropriate areas.
- > Institute operational controls, assign roles and responsibilities, and train personnel.
- < Track performance.
- > Ensure management awareness and review of environmental performance.

An example of the systematic approach at the center of an EMS is the Plan-Do-Check-Act logic employed by PG&E National Energy Group, as illustrated here.

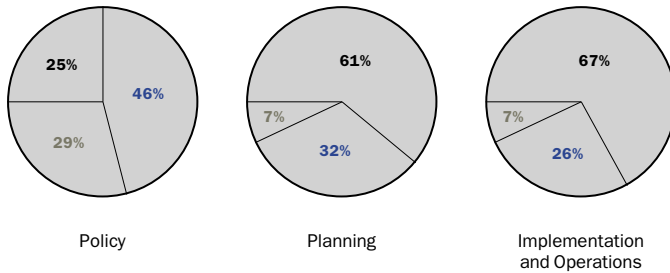


IMPLEMENTING ENVIRONMENTAL MANAGEMENT SYSTEMS

In 2001, PG&E National Energy Group undertook the following activities to further implement and refine our environmental management systems:

- > Evaluated progress in implementing environmental management systems at our individual sites through comprehensive EMS audits.
- < Developed tools to help strengthen performance in areas identified as needing improvement.
- > Established performance metrics to evaluate our progress and identify new targets for improvement.

The EMS audits were designed to establish a baseline to ensure that all of PG&E National Energy Group's operating facilities have a working EMS in place that conforms with key International Standard Organization (ISO) 14001 elements including Policy, Planning, Implementation and Operations, Checking and Corrective Action, and Management Review. On average, the audits found the facilities had implemented about 60 percent of the core EMS elements. We are using these findings to guide future communications, training and implementation efforts. This average reflects several newly constructed or recently acquired sites who are in the initial stages of implementation, as well as numerous facilities with full implementation.



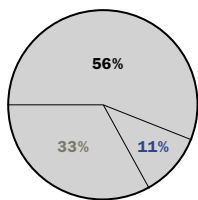
PG&E National Energy Group last year also began to expand its environmental management system to encompass activities related to the construction of new facilities. Other EMS-related accomplishments at the PG&E National Energy Group in 2001 included extensive training of personnel in various aspects of EMS implementation.

Pacific Gas and Electric Company is refining its EMS in two phases. Phase I was largely completed in 2001. In 2001, the company evaluated its EMS and conducted a formal gap analysis based on ISO 14001. During Phase II, the utility will develop and implement a multi-year plan to address areas of opportunity.

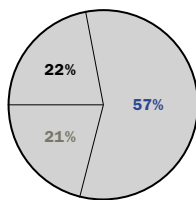
AUDITING OUR PERFORMANCE

PG&E Corporation’s environmental policy requires our businesses to develop and implement a risk-based audit plan to ensure periodic independent review of all aspects of our environmental performance.

Pacific Gas and Electric Company’s internal environmental auditing program performed formal audits at 25 company facilities during 2001. The audits covered air and water quality, PCBs, hazardous materials and waste, and underground storage tank compliance. The average number of compliance findings per audit dropped by over 50 percent in 2001, from 4.2 in 2000 to 2.0 in 2001. Tier I findings – those which could result in a significant impact on the environment – also were reduced by 50 percent for the same period. As in prior years, audit findings in 2001 involved primarily administrative matters, such as labeling and record keeping.



Checking and Corrective Action



Management Review

Results of EMS Assessment at PG&E NEG

Percent of Five Core EMS Elements completed by all plants, by Element

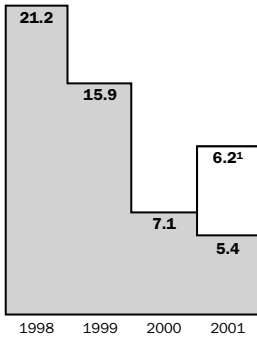
% Elements not in place

% Elements partially in place

% Elements completed

In addition to formal audits, the utility performed more than 600 informal facility assessments. The results of the informal assessments are now used in planning future formal audits. The utility team also audited five hazardous-waste management firms with which the utility does business.

PG&E National Energy Group conducted internal and third-party compliance audits at 25 facilities in 2001. These audits included comprehensive risk assessments, air-focused audits, follow-up verifications, and environmental management system audits. The audits showed continued improvements. The average number of compliance findings per operating facility continued to decline from 7.1 in 2000 to 5.4 in 2001. Included this year were audits of newly constructed and acquired facilities to ensure that risks are addressed and appropriate environmental programs are in place from the beginning. The rate of findings at facilities not previously audited was 6.2 in 2001. Each audited facility must implement an action plan to address any compliance and EMS findings. Progress in addressing the findings is reviewed monthly by senior management.



Average Number of Audit Findings per Operating Facility at PG&E NEG

¹ Findings at facilities newly constructed or acquired.

ENVIRONMENTAL PROGRAMS

A wide array of environmental programs are in place at PG&E Corporation to address issues ranging from pollution prevention to energy efficiency, waste reduction, global climate change, and the promotion of clean-air transportation alternatives, among others.

VOLUNTARY PROGRAMS

A growing number of national and international initiatives are demonstrating that substantial achievements – including performance improvements, new policies, improved stewardship – can be achieved through programs that encourage or support voluntary efforts by companies. These programs do more than just improve environmental and safety performance among participating companies. They also challenge other companies to raise their own performance standards, and they encourage companies to explore new strategies and technologies that may be subsequently adopted by others. As a result, these voluntary programs often have the potential to be catalysts for improving performance across the industry.

Examples of voluntary programs in which PG&E Corporation's businesses are active include the following:

- > ***Pesticide Environmental Stewardship Program*** Pacific Gas and Electric Company joined this U.S. Environmental Protection Agency (U.S. EPA) voluntary initiative in 2001. The program participants are committed to developing and implementing best management practices for integrated pest management on utility land, primarily vegetated rights-of-way. We will also provide U.S. EPA with a voluntary annual performance report documenting the progress we made in implementing the specified best management practices.
- < ***The Energy Star® Program*** Sponsored by the U.S. EPA and U.S. Department of Energy, this program aims to reduce energy use and pollution. The program works with product manufacturers, retailers, utilities, and states to identify and promote the most energy efficient products by labeling them with the Energy Star®. Partners agree to improve energy performance to enrich the comfort level of their buildings, save energy, prevent pollution and cut energy costs.
- > ***New Jersey Silver Track Program for Environmental Performance*** Our Logan and Carneys Point power plants continue to participate in this program, for which they qualified in 2000 based on their track record of demonstrable and measurable environmental achievements. The program is run by the New Jersey Department of Environmental Protection.
- < ***U.S. EPA's National Environmental Performance Track Program*** Our New England hydroelectric system and Indiantown power plant in Florida joined this program as Charter Members in 2000. The National Environmental Performance Track is designed to motivate and reward top environmental performance, through a systematic approach to managing environmental responsibilities, taking extra steps to reduce and prevent pollution, and being good corporate neighbors.
- < ***California Oak Mortality Task Force (COMTF)*** Pacific Gas and Electric Company is actively working to align its vegetation management practices in California with the best management practices advocated by the COMTF. A Pacific Gas and Electric Company forester chairs the Biomass Committee of COMTF, and we are working with regulators, managers, and scientists to determine effective responses to the effects of this spreading disease.

POLLUTION PREVENTION AND OTHER PROGRAMS

In addition to various voluntary initiatives, our businesses also manage various challenges through their own formal programs. Many of these programs and their results are discussed in this report, primarily in the “2001 Performance” section.

One example is the Pollution Prevention – P2 – Program at PG&E National Energy Group. P2 was established as part of the PG&E National Energy Group’s environmental management system. It encourages each of the PG&E National Energy Group’s facilities to identify and evaluate opportunities to reduce the environmental footprint at our sites. The program provides facilities with the framework and tools to analyze material use, energy use, water use and waste recycling and reuse. We have also created an interactive web-based program to gather performance data monthly from each operating facility, to enable us to better track our P2 successes and footprint reduction efforts over time.

Examples of P2 successes included adding new equipment to the water treatment system at our Logan power plant in New Jersey, which reduced annual chemical use by an estimated 470 tons, and installing a new fire suppression system at our Bear Swamp hydropower facility, which eliminated the need to store 12,000 cubic feet of hazardous hydrofluorocarbon gas. Reduction targets for each facility are being linked to our employee incentive compensation program in 2002. In 2001 alone, we saved more than \$3.3 million from footprint reduction benefits through P2 projects.

Another example of the company’s internal programs are supplier certification programs that aim to ensure that our business supply partners also meet high environmental and safety performance standards. Pacific Gas and Electric Company evaluates suppliers through a supplier certification program that establishes guidelines and criteria for qualified suppliers.

EMPLOYEE AWARDS PROGRAMS

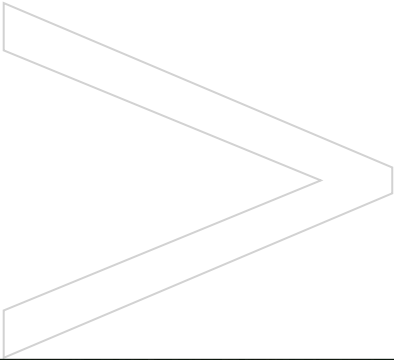
PG&E Corporation's programs also include awards designed to recognize and encourage environmental excellence among our employees.

In 2001, Pacific Gas and Electric Company created the Richard A. Clarke Environmental Leadership Award. This annual award honors an individual or team whose efforts demonstrate environmental excellence in a way which benefits their co-workers, the company, and all Californians. The company makes a \$5000 donation to an environmental or environmental justice group of the winner's choosing.

PG&E National Energy Group gives two annual awards:

- > The Joseph P. Kearney Environmental Stewardship Award is presented to an individual or employee team to recognize contributions toward environmental improvement, innovation, environmental awareness and community outreach.
- < The Platinum Environmental Excellence Award recognizes a facility for the integration of environmental excellence and continuous improvement into facility culture and into its business goals.

Winners receive a monetary award, and the company makes a cash donation to a local environmental organization of the winners' choosing. Since the program began, we have contributed funds to the Treasure Coast Wildlife Hospital; the Allegheny River Association, a river otter reintroduction program; the Logan Township Environmental Commission; New Hampshire Project Learning Tree; and the Vermont Wilderness School.



**More Savings
Through Energy Efficiency Programs**





Our team members work to inform customers about options for reducing energy use from no-cost options to guidance on investments for energy efficiency.

Since 1976, Pacific Gas and Electric Company's customer energy efficiency (CEE) programs have created energy savings and environmental benefits for our customers. We are recognized as the nationwide leader in energy efficiency with a 25-year history of success. During this time, our programs have saved over 135 million megawatt-hours of electricity – enough to supply close to 21 million homes for an entire year, and have kept a cumulative total of approximately 50 million tons of CO₂ out of the atmosphere.

During 2001, tremendous customer response to our programs helped mitigate the impacts of the California energy crisis. Here are some of our accomplishments from last year:

- > We assisted 530,000 callers to our toll-free Smarter Energy Line – twice the number from 2000.
- < We held over 100 energy efficiency classes attended by more than 7,500 people at our Pacific Energy Center in San Francisco.

- > We expanded programs to provide customers with rebates on purchases of energy-efficient appliances carrying the U.S. EPA Energy Star® label. For the first time ever, our fund for providing rebates was completely subscribed.
- < We distributed residential rebates for over 7 million compact fluorescent light bulbs and more than 95,000 Energy Star® refrigerators, as well as 60,000 other energy-efficient appliances.
- > We gave 4,000 Express Efficiency rebates to small business customers to offset the cost of installing energy-efficient refrigeration, lighting, motors, controls and other equipment.
- < We performed close to 5,000 Business Customer Efficiency Surveys during 2001.
- > We helped 45 cities save money through our program to install LED traffic signals, which cut power costs for traffic signals by 80 to 90 percent on average.

2001

PERFORMANCE

RESULTS

PG&E Corporation's businesses track and report their annual environmental performance across a broad spectrum of areas. This section details our performance results for 2001. With few exceptions, the results reflect a consistent trend of continuous improvement over previous years. The continuation of this trend in 2001 is significant in that all of the Corporation's results last year were achieved amidst the challenges of the California energy crisis, Pacific Gas and Electric Company's Chapter 11 filing, and the difficult wholesale energy market conditions facing the PG&E National Energy Group. The fact that we maintained this trend during 2001 is indicative of the strength of our environmental and safety commitment and of the effectiveness of our various management mechanisms.

**ENVIRONMENTAL
COMPLIANCE PERFORMANCE**

Although some compliance performance statistics declined, 2001 generally was a solid year for the Corporation's environmental compliance. The total number of agency enforcement actions or Notices of Violation (NOVs) increased to 16, which was 10 more than in 2000, but substantially below the 26 NOVs received in 1999.

Although the overall number of releases to the environment increased as well, the increase was primarily due to expanded record keeping of minor releases by the Utility. Combined exceedances and releases reported by the PG&E National Energy Group declined for the fifth consecutive year. The amount of penalties remained low, with a total of \$8,975 paid in 2001.

PG&E Corporation	1999	2000	2001
Notices of Violation (NOVs)	26	6	16
Releases/Exceedances	572	405	427
Rate of NOVs (per 100 inspections)	5.42	1.37	3.07
Penalties Paid	\$ 20,875	\$ 4,925	\$ 8,975

AGENCY INSPECTIONS

PG&E Corporation's facilities were inspected 526 times by various government agencies in 2000, up from 437 inspections in 2001.

Utility facilities were inspected 348 times. Local agencies responsible for enforcing hazardous waste and hazardous materials requirements, such as environmental health departments or fire departments, performed the majority of the inspections. None of the inspections resulted in serious findings.

PG&E National Energy Group facilities were inspected 178 times. Of these, 63 were performed at the Athens power plant construction site in New York in connection with site certification compliance and 60 took place at the two solid-fuel handling and process facilities for our waste-coal fueled power plants in Pennsylvania. The remaining inspections were: 28 air quality compliance inspections, 14 water quality compliance inspections, and 13 other inspections focusing on hazardous waste, tanks, and oil spill response. The inspections resulted in 11 findings, all either administrative or minor in nature, including: three for air quality, three for storage tank management, one for emergency response, and four for contractor activities at the Athens power plant site.

NOTICES OF VIOLATION

The utility received a total of 11 NOVs from government agencies during 2001. Of the six air-related NOVs, two involved opacity exceedances at the Humboldt Bay Power Plant during oil burns, one involved a nuisance odor from a gas separator, and the remaining three involved failure to perform various required testing for underground fuel tanks. The four hazardous materials violations were for a variety of sampling, monitoring, and administrative requirements. A natural resource NOV was issued by the U.S. Fish and Wildlife Service for the accidental electrocution of a golden eagle.

The PG&E National Energy Group received five NOVs in 2001: Two NOVs (an air exceedance and a spill prevention/clean-up violation) were the result of agency inspections, two others were air-related administrative items (underreporting of emissions and failure to provide a signed compliance certificate), and one NOV was issued for a release of less than 10 gallons of oil to a cooling canal.

REPORTED RELEASES

PG&E Corporation's businesses reported to various government agencies a total of 427 releases to the environment and permit exceedances and/or violations. Approximately 16 percent of these releases involved exceedances and/or permit violations of air permit emission limits that were identified through the Corporation's extensive monitoring programs. Another 10 percent involved exceedances of water quality permits. The remaining 74 percent were spill events reportable under numerous local, state and federal "emergency" release reporting requirements. These requirements typically have low thresholds and mandate the reporting of most releases to the environment.

ENFORCEMENT PENALTIES AND SETTLEMENTS

PG&E Corporation paid a total of \$8,975 in various enforcement penalties and settlements during 2001.

The utility paid \$1,225 in fines during 2001: a penalty of \$1,000 to the Mojave Air District for the odor nuisance NOV, and a penalty of \$225 for minor hazardous materials violations. Additionally, it has \$1,800 in outstanding penalties that could not be paid due to federal bankruptcy laws. These penalties will be paid in 2002 and are for three NOVs for underground storage tank testing violations.

PG&E National Energy Group paid \$7,750 in enforcement penalties in 2001: a settlement of \$7,500 for a failed stack test at a power plant in New Jersey in 2000, and a \$250 penalty was for the oil release to a cooling canal.

AIR EMISSIONS:

NO_x, SO₂ AND GREENHOUSE GASES

As the owner and operator of fossil-fueled power plants and natural gas pipeline facilities, reducing emissions of nitrogen oxides (NO_x), sulfur dioxide (SO₂) and greenhouse gases is a major area of focus for our environmental programs.

NO_x AND SO₂

Emissions rates for NO_x and SO₂ at PG&E Corporation facilities continue to be far lower than the national averages among power producers.

Emissions Rates (Pounds per megawatt-hour of electricity produced)	PG&E Corporation	National Average ¹
SO₂ Fossil-Fuel Units Only	4.0	10.6
SO₂ All Generation Sources	2.2	7.5
NO_x Fossil-Fuel Units Only	1.7	5.0
NO_x All Generation Sources	0.9	3.6

¹ National average is from U.S. EPA's GRID Database (March 2001 release)

Power plants fueled by natural gas produce substantially lower NO_x and SO₂ emissions than plants fueled by coal or oil. Because a substantial number of PG&E Corporation's power plants use natural gas, and because all of our fossil-fuel power plants employ effective emissions reduction technologies, our average emissions rates are among the best in the industry. In a recent report by the Natural Resources Defense Council (NRDC) and others, PG&E Corporation's emission rates were among the lowest for the top 100 electric generators in the United States (19th lowest for NO_x and 32nd lowest for SO₂).

Air emissions in Massachusetts are currently among the most significant challenges for our PG&E National Energy Group, which operates two large coal-fueled power plants in the state. Notwithstanding substantial reductions in NO_x and SO₂ emissions over the past 10 years, the Brayton Point and Salem Harbor plants remain a focus for state regulators and some local community groups. Since acquiring these plants in 1998, PG&E Corporation has maintained an open dialogue with the state and with local residents and has worked to address specific concerns. In 2001, we announced a plan to meet the state's stringent new emissions limits on NO_x and SO₂, as well as mercury and carbon dioxide from existing coal- and oil-fired power plants. NO_x and SO₂ will be reduced by 50 percent by 2006. Mercury is capped as a first step and must be reduced by October 2006. CO₂ emissions are regulated for the first time and must be reduced from recent historical levels. We plan to use carbon sequestration methods and off-site reductions to meet the CO₂ caps required by these new regulations.

NO_x emissions can also be associated with operations other than power plants. On our California gas transmission system at Pacific Gas and Electric Company in 2001, for example, we replaced 13 existing reciprocating engines with three new gas turbines at Kettleman Compressor Station, reducing NO_x emissions by 97 percent. These units were among the first units to meet California's new strict air emissions requirements. Our design has since been adopted in many locations throughout the nation and the world. Running at their maximum horsepower, the new engines are rated to emit as much as 72 percent less NO_x than the local air district's limit.

GREENHOUSE GASES: CARBON DIOXIDE

For 2001, PG&E Corporation achieved a one-year total reduction of 3.7 million tons (carbon dioxide equivalents) in greenhouse gas emissions. Activities contributing to these emission savings included customer energy efficiency programs, new wind powered generation and highly efficient natural gas fueled plants, clean air vehicles, improvements in gas pipeline operations, use of landfill gas as a fuel resource, and carbon sequestration projects.

The vast majority of efforts to reduce greenhouse gas emissions are focused on reducing carbon dioxide (CO₂) emissions. One major source of CO₂ emissions is fossil fuel combustion – such as coal and natural gas used to generate electricity.

In addition to its fossil-fuel facilities, PG&E Corporation also owns and operates non-fossil fuel generation, including hydroelectric, nuclear and wind power facilities, which results in lower emissions rates compared to the national average. Even in a comparison of emissions exclusively from fossil-fuel plants, our emission rates are well below the national average, reflecting the efficiency of our fleet of power plants.

Emissions Rates (Pounds per megawatt-hour of electricity produced)	PG&E Corporation	National Average ¹
CO₂ Fossil-Fuel Units Only	1,542	2,004
CO₂ All Generation Sources	835	1,420

¹ National average is from U.S. EPA's GRID Database (March 2001 release)

It is notable that our total CO₂ emissions have decreased for each of the last three years, by a greater percentage than our overall corresponding reduction in energy output. The NRDC report previously cited with regard to NO_x and SO₂ emissions also evaluated CO₂ emissions. Although PG&E Corporation is the 23rd largest power producer, its CO₂ emissions rate ranked among the lowest (14th lowest out of 100).

OTHER GREENHOUSE GAS EMISSIONS

While CO₂ is the most common greenhouse gas, other compounds have a higher global warming potential on a pound-for-pound basis. Sulfur hexafluoride (SF6), commonly used in the power industry as an insulating material in enclosed electrical transmission and distribution equipment, is one example. The U.S. EPA formed a voluntary initiative in 1998 to encourage electric power companies to prevent SF6 releases. As a partner in the initiative since 1999, we have established procedures to estimate our SF6 emissions, replace older equipment containing SF6, recycle SF6, train employees in proper handling and management methods, and report annually to U.S. EPA on our progress in this area.

PG&E Corporation has committed to reduce SF6 emissions by 50 percent by year-end 2002, compared with 1998 levels, and by 60 percent by 2007. Through 2001, we had achieved a 36 percent reduction from our baseline.

SF6 Emissions (in pounds)	
1998	23,000 (Baseline)
1999	22,004
2000	18,942
2001	14,719
2002	11,500 (50% reduction goal)
2007	9,200 (60% reduction goal)

PG&E Corporation is also working to reduce emissions of methane. In 2000, PG&E National Energy Group's became a partner in U.S. EPA's Natural Gas STAR Program, joining the utility, which was already a Natural Gas STAR partner. Natural Gas STAR is a voluntary initiative that encourages companies to adopt cost-effective technologies and best management practices to reduce methane losses. For several years, our efforts in this area have included focused inspections and maintenance at compressor stations, modifying system operations to reduce venting, and reducing the frequency of engine restarts with gas. From 1993 through 2000, we estimate that PG&E National Energy Group has prevented the release of more than 7 billion cubic feet of natural gas, resulting in a recognition from U.S. EPA as a 2001 "Rookie of the Year" in the Natural Gas STAR Program.

**IMPROVING ENERGY EFFICIENCY
FOR OUR COMPANY AND OUR CUSTOMERS**

PG&E Corporation is an internationally recognized leader in energy efficiency programs. Our efforts in this area include initiatives to improve the energy efficiency of our own operations, as well as a large number of programs to help residential and commercial utility customers reduce their energy use.

INTERNAL ENERGY EFFICIENCY

PG&E Corporation reduced energy consumption at its offices by more than 20 percent from 1999 through 2001, down to 102 gigawatt-hours (GWh). This includes data from 88 locations within our utility company and 20 locations within PG&E National Energy Group.

Examples of actions we took to achieve this reduction in energy use ranged from increasing thermostat settings and reducing lighting levels at our buildings in California, to asking employees to switch off lights and check thermostats, to installing more energy efficient equipment, as our Carneys Point plant in New Jersey did when it replaced 10 electric heaters with one steam heater.

In 2001, U.S. EPA awarded our utility with the "Energy Star® Label for Buildings, the Mark of Excellence in Energy Performance," for energy efficiency, thermal comfort, indoor air quality and lighting levels. Our 245 Market Street facility, which is part of the company's headquarters complex, is now one of nine similarly sized buildings in San Francisco with the Energy Star® designation.

HELPING CUSTOMERS SAVE ENERGY

PG&E Corporation ran more than 30 programs in 2001 to promote energy efficiency solutions for residential and commercial customers. These programs were critical last year during the California energy crisis, helping to reduce demand for electricity dramatically in the state.

Our utility's customer energy efficiency programs last year resulted in an estimated savings of 792 million kilowatt-hours of electricity, or the equivalent to supply 122,000 households for one year, and 11 million therms of natural gas, or the equivalent to supply 19,000 homes for one year. Collectively, the projected emissions avoided as a result of these programs exceed 294,000 tons of CO₂.

In addition to rebate programs and helping people through our call centers, our efforts also included community outreach and awareness activities. On Earth Day and throughout the year, our employees participated in many events in our service areas, giving advice on energy conservation and raffling off free Energy Star® washing machines and compact fluorescent bulbs. We also distributed brochures and handouts in Spanish and Chinese to improve access to information on energy conservation. Enrollment in our energy cost assistance and conservation programs for low-income households increased from 350,000 in 2000 to about 525,000 in 2001, and we completed 47,000 home weatherization projects for our low-income customers in 2001.

Our California utility customers also earned money through California's 20/20 rebate program. The state government offered a 20 percent rebate for users who curbed their electric use by 20 percent for any of the four summer months. Nearly 40 percent of our residential customers and 26 percent of our commercial, industrial and agricultural customers qualified for this rebate in 2001.

Through our partnership with EPA's Energy Star® program, we helped initiate the Office Equipment Efficiency Program. This program encourages businesses to set computer monitors to go into "sleep mode" during off-peak hours, cutting energy use by up to 50 percent. We also promoted energy efficiency in the schools by sponsoring a finance workshop to help school officials better manage their energy costs through savings strategies and energy efficiency improvements.

The utility also developed a new program in 2001 to provide customers with financial incentives to install renewable energy resources at their own locations. For qualifying projects, Pacific Gas and Electric Company will pay 50 percent of the cost for constructing renewable self-generation and 40 percent of the cost for on-site natural gas fuel cells.

**PROMOTING
CLEAN-AIR TRANSPORTATION**

Last year, we continued to expand the use of compressed natural gas (CNG) and liquefied natural gas (LNG) as cleaner-burning alternative fuels. Natural gas vehicles emit up to 95 percent less pollution (depending on the type of pollutant) than gasoline or diesel vehicles.

Over the past decade, we have converted a considerable portion of our utility fleet – more than 500 passenger cars and light-duty pickups – to CNG operation. Pacific Gas and Electric Company also has led efforts to develop heavy-duty trucks that use CNG.

Our Clean Air Transportation program also advises customers regarding safety, technology, funding sources and clean air regulations that apply to electric and natural gas fueled vehicles. We provide advice to over 170 public and private fleets in northern and central California, operating approximately 3,800 natural gas vehicles (including transit buses, school buses, refuse collection trucks, taxis, fire and police vehicles, and a wide variety of other vehicles). We also operate 27 natural gas fueling stations in our service territory, including one added last year.

In 2001, as a result of our efforts, natural gas vehicles collectively used nearly 10.5 million therms of natural gas – a 40 percent increase since 1999.

We also encourage our employees throughout the Corporation to take steps to reduce air impacts from commuting, especially during ozone alerts. We provide incentives for taking public transportation, encourage and facilitate carpooling, and allow telecommuting to reduce employees' vehicle miles. At PG&E National Energy Group, we recently completed a telecommuting pilot at our Maryland headquarters that included development of tools to track telecommuting and to calculate its environmental benefits. During 2001, almost 2,700 utility employees in California took advantage of tax credits for using public transportation.

We are also a sponsor of "Spare the Air" programs in California and a similar program in Maryland. Last year marked the ninth consecutive year that we participated as a corporate partner in the San Francisco Bay Area Air Quality Management District's program. Spare the Air is designed to let people know whenever summer pollution threatens to reach concentrations harmful to our health. We provide email notification of "Spare the Air" days to our employees, based on the Air District's warnings.

**EXPANDING OUR
USE OF WINDPOWER**

Expanding our portfolio of windpower resources is one way we are reducing the average emissions rate for our electric generating portfolio. In California, we recently acquired the new 66-megawatt Mountain View wind facility and began operation in the fall of 2001. This project added needed power to California's electric supply without contributing any new air emissions.

Mountain View generates six times more power than our Madison Windpower facility, which entered commercial operation in October 2000 in upstate New York, and was one of the first windpower facilities built to sell power in a competitive market.

These projects avoid substantial emissions, compared with fossil-fuel power plants. For example, in an average year, Madison will avoid 12,000 tons of carbon dioxide, 65 tons of sulfur dioxide, and 19 tons of nitrogen oxide, compared with the emissions of the average power plant in New York.

In connection with these projects, we also created an innovative program that allows others to purchase a share of the projects' environmental benefits. By selling electricity and the environmental attributes of wind generation separately, these certificates are an effort to create a market for environmental benefits and thereby enhance the competitiveness of renewable generating technologies. The additional revenue that producers can create through the sale of green certificates helps to encourage the development of more renewable resources.

Through these programs, we have sold green certificates, representing 27,000 megawatt-hours of electricity from the Mountain View and Madison projects, to various firms across the country. We also entered into short-term contracts to sell more than 1,000 megawatt-hours of bundled wind energy and green certificates on the wholesale market.

**MINIMIZING
WATER CONSUMPTION**

Reducing water consumption is a priority for our company, particularly in such areas as California and the southwest, where water conservation is especially important.

Last year, our PG&E National Energy Group began construction on a new 1,040-megawatt natural gas-fueled power plant in Arizona's Harquahala Valley, where, in order to preserve limited local groundwater resources, we arranged to obtain water from the Central Arizona Project (CAP), a 336-mile aqueduct that runs from the Colorado River to south central Arizona. Using CAP water as our primary water source reduces the plant's impact on groundwater supplies. We also voluntarily agreed to follow strict limitations on any groundwater withdrawals we make. We are further reducing our use of water by installing a zero-discharge system that will recycle the water used in the plant – a system we have employed at a number of our facilities.

At Pacific Gas and Electric Company during the summer of 2001, we implemented an innovative water reduction and recycling strategy as part of our natural gas pipeline hydrotesting project in the Mojave Desert. Hydrotesting verifies that a pipeline is structurally sound before it is put into service. Water is passed through the pipeline multiple times to ensure that the line does not leak. The required hydrotesting of the new pipeline portion, which amounted to almost 40 miles of pipe, would normally require almost 11 million gallons of water, which would then be discharged. Seeking to minimize environmental impacts, our engineers borrowed well water from a nearby solar thermal facility, and recirculated the water through a closed-loop system for multiple tests. After the tests, the water was returned to the solar facility for reuse, avoiding the discharge of water into the desert ecosystem. Not only did our employees' innovation significantly reduce environmental impacts, it saved the company \$1 million.



TRI releases (pounds per megawatt-hour)¹

- Total (lbs/MWh)
- New (lbs/MWh)

¹ TRI results for 2001 not yet available from U.S. EPA

**REPORTING
TRI RELEASES**

U.S. EPA’s Toxic Release Inventory (TRI) program requires most manufacturing industries – including power generators as of 1999 – to report total annual releases (in pounds) of TRI-listed substances to land, air and water.

PG&E Corporation’s TRI releases rose from 1999 to 2000. Part of the increase is attributable to new reporting requirements for additional compounds, which were not included in 1999 data. In the accompanying graph, the lower part of the bar for 2000 data represents TRI releases in 2000 for the same set of compounds that were reportable in 1999. On this basis, the TRI releases (normalized to generation) increased by about 16 percent due in part to a more rigorous analysis of our fuel characteristics. None of our TRI releases were in California.

Much of the material reported under TRI is captured by pollution control equipment at our power plants and is contained in the ash, which is then managed appropriately. For the most part, material in the ash is reported under land releases – material that is beneficially used, such as ash used for cement, is not included in the land release values.

Because coal often naturally contains high levels of chlorides, and large portions of the chlorides are converted to hydrochloric acid (HCl) when the coal is burned, the TRI data for power companies can be dominated by HCl emissions. This is true for PG&E Corporation: Of the 6.9 million pounds of TRI releases we reported in 2000, almost half (3.1 million pounds) were HCl emissions to air.

**WASTE REDUCTION THROUGH
RECYCLING AND BENEFICIAL USE**

PG&E Corporation has maintained comprehensive waste management programs at its facilities for many years. All of our businesses separate out tons of paper, cardboard, bottles, cans, wood and metal each year for recycling, and send broken electronic equipment and office furniture to vendors who recycle them. More than 50 percent of the utility's total waste stream is recycled.

The utility also maintains a target to increase by 5 percent the portion of our annual office product spending that goes toward cost-effective recycled office products. In 2001, 94 percent of the paper products purchased centrally at the utility were recycled and contained a minimum of 30 percent post-consumer content, representing 85 percent of the expenditures on office paper.

Through the P2 program within the PG&E National Energy Group, facilities are also reducing waste and increasing recycling. Paper and cardboard recycling policies are now in place at our hydroelectric operations in New England. At an annual cost of only \$720, these programs yield a reduction of approximately 1.5 tons of paper and 30 cubic yards of flattened cardboard per year.

Sixty-nine percent of the ash produced at our PG&E National Energy Group power plants was beneficially used in 2001, compared with 82 percent in 2000. The decrease is primarily the result of a change in management methods for the ash from our two coal-fired power plants in Massachusetts. The company no longer uses the ash for structural fill, and as a result is now managing the ash in municipal landfills that have liners, leachate collection and groundwater monitoring systems. Despite the decline, we still far outperform the national average for the beneficial use of coal ash, which is approximately 32 percent.

In 2001, our Cedar Bay power plant in Florida put the mechanisms in place to achieve 100 percent beneficial use of its ash, saving the facility more than \$1 million annually in landfill costs. Most of the ash is used to stabilize sludge from the local wastewater treatment plant and as an admixture in cement manufacturing.

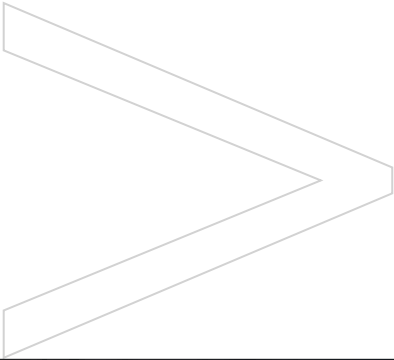
During 2001, we explored and evaluated new alternatives for beneficially using ash from our facilities, including blending the ash with recyclable plastic or using it as a feedstock for asphalt production plants. These efforts will continue in 2002.

Also in 2001, we continued to use ash to reclaim contaminated waste coal sites in Pennsylvania. Our Northampton and Scrubgrass power plants remove and use waste coal from abandoned mine lands and then return the alkaline ash to the fuel sites to help neutralize the acidic contamination. These reclamation efforts have been an ongoing part of operations at the plants since the mid-1990s. To date, we have reclaimed over 950 acres of abandoned mine lands at an estimated savings of more than \$19 million to the Commonwealth of Pennsylvania. Twenty-seven mine sites have been or are in the process of being environmentally improved.

**ENVIRONMENTAL
LITIGATION AND LIABILITIES**

Legal disputes are an inevitable aspect of any large company's business. PG&E Corporation is no exception. Our 2001 Annual Report, available on our website at www.pgecorp.com, includes a full discussion of the environmental litigation involving PG&E Corporation or its businesses.

The 2001 Annual Report also includes a discussion of potential liabilities associated with hazardous waste remediation at some former utility operations sites, including manufactured gas plants that were removed from service approximately 75 years ago, as well as fossil-fuel and geothermal power plants that our utility no longer owns or operates.



**More innovation
with natural gas vehicles**





We continue to be a leader in clean air transportation, with the development of the first heavy-duty truck to use compressed natural gas.

Over the past decade, we have converted a considerable portion of our utility fleet – more than 500 passenger cars and light-duty pickups – to run on compressed natural gas (CNG).

More recently, we have led efforts to develop heavy-duty trucks that use CNG. These trucks produce substantially less NO_x and particulate emissions than comparable diesel-fired trucks. The new vehicle we designed is the first heavy-duty truck to be modified to run on CNG exclusively.

PG&E placed an additional 13 such vehicles into use in its own fleet in 2001, displacing the same number of diesel fueled heavy-duty gas service trucks. Each compressed natural gas fueled heavy-duty crew truck represents a significant reduction in diesel particulate matter and other air pollutants. For example, the natural gas powered crew truck that we designed and are increasingly using in our fleet emits 35 percent less nitrogen oxide and 78 percent less particulate exhaust than a diesel-fueled equivalent truck.

STEWARDSHIP

AND

OUTREACH

PG&E Corporation's facilities and operations encompass vast lands and waterways that are home to wildlife and other valuable natural resources. We are also neighbors in thousands of communities throughout the country. Our businesses maintain extensive programs and initiatives designed to ensure responsible stewardship of these resources, and to build and foster strong relationships with members of our communities.

CONTRIBUTING TO OUR COMMUNITIES

PG&E Corporation is an active contributor to the communities in which we operate. Many of these contributions bring together our commitment to environmental excellence with our commitment to help make our communities great places to live and work.

FINANCIAL SUPPORT FOR LOCAL ORGANIZATIONS AND PROJECTS

In 2001, the PG&E Corporation Foundation provided \$850,000 in grants to food banks that serve low-income clients across northern and central California. Thirteen such food banks received \$60,000 to \$90,000 grants, which they redistributed to local hunger relief agencies in their food distribution network. The grants enable these hunger relief agencies to make energy efficient improvements to their facilities, such as new energy efficient refrigeration, insulation, lighting, weather-stripping, heating, and air conditioning. These upgrades will reduce the hunger relief facilities' long-term energy costs, while helping to meet California's energy efficiency needs.

In Covert, Mich., last year we established the \$2 million Covert Township Community Foundation to benefit civic, charitable, educational, cultural and environmental programs. Our Selkirk power plant in New York donated \$15,000 to the Open Space Institute for land preservation and development of hiking trails throughout the state (the first private company to provide financial support to the Institute). And our Harquahala power plant, now under construction in Arizona, announced it will contribute \$50,000 annually for the next 11 years to a community fund, jointly established with nearby residents, to support local project grants.

EMPLOYEE VOLUNTEER INITIATIVES

In 2001, Pacific Gas and Electric Company created a Volunteer Stewardship Program to encourage employees to work with environmental and community groups. The program sponsored several projects in 2001. For example, near San Francisco at the Antioch Dunes Refuge, which is home to four endangered species, 35 employee volunteers planted buckwheat and removed non-native weeds in order to preserve the endangered plant species. Other examples where our utility employees and their families volunteered their time last year were the California Coastal Conservancy's annual Coastal Clean-Up, the Russian River Clean-Up, and a number of events promoting energy efficiency and conservation. In 2002, we plan to sponsor over a dozen such events.

Employees at many of our PG&E National Energy Group facilities also volunteer their time, labor and expertise in support of various environmental projects, ranging from planting trees to remarking hiking trails. As one example, last year PG&E National Energy Group employees in Maryland worked with local park staff on a reforestation and tributary restoration project, planting 300 seedlings and 150 larger trees along a tributary of the Anacostia River.

LAND USE AND BIODIVERSITY

From New England to California, PG&E Corporation and its businesses actively seek to identify and protect valuable natural resources for future generations.

PROTECTING AND ENHANCING LAND AND WILDLIFE RESOURCES IN NEW ENGLAND

PG&E Corporation owns and operates two extensive hydroelectric systems on the Deerfield and Connecticut Rivers in New England. These systems include thousands of acres of pristine lands and wildlife habitat in Massachusetts, Vermont and New Hampshire. Protecting and enhancing these resources is an ongoing responsibility and a major focus of our operations in New England.

In July 2001, we announced an agreement with the Commonwealth of Massachusetts that will protect 2,618 acres of land along the Deerfield River. The land contains important habitats for fish and wildlife, access points for canoeists and kayakers as well as scenic vistas and shoreline fishing sites. This conservation easement is contiguous with the 15,000-acre easement negotiated the previous year with the Vermont Land Trust, and it fulfills our obligation under the license granted for our Deerfield River hydroelectric operations. Our New England hydroelectric operations group is also developing a Global Information System-based program to help manage the wildlife, fisheries, timber, recreation and other resources associated with the Deerfield River and other lands.

Last year, on the Connecticut River, we also launched a five-year project to create a protective natural buffer between agricultural land and the riverbank. Working with Scout Troops, home school associations, elementary schools and interested citizens, this initiative was responsible for planting 1,300 trees along the river in 2001. Another 5,000 trees are expected to be planted in 2002.

RESTORING WILDLIFE HABITATS

In California, habitat and species protection issues are becoming increasingly challenging, as more species become threatened or endangered. At Pacific Gas and Electric Company, we have developed and implemented a comprehensive training program to educate our employees about endangered species and critical habitat requirements. In 2001, we trained 11,000 employees through this program.

We also undertook a number of habitat restoration projects, not only in California, but across the company.

In one innovative project last year, Pacific Gas and Electric Company partnered with Ducks Unlimited (DU) to help restore and maintain wetland habitat while recycling used materials. We donated 650 feet of large diameter used pipeline for use in building water conveyance systems at the California Department of Fish and Game's Gray Lodge Wildlife Area in the state's Central Valley and at the Stillwater National Wildlife Refuge in Nevada. We transported the pipeline to these two sites, both of which provide significant habitat for ducks, geese and hundreds of other plant and animal species along the Pacific Flyway, a critical migratory route for birds. In recognition of our partnership efforts, DU awarded the Utility its prestigious Silver Teal award for cumulative in-kind donations of \$25,000. In 2002, we will continue to look for opportunities to put our used pipe to work for DU and wetlands.

On the Delaware River in New Jersey, our Logan power plant is participating with the Partnership for the Delaware Estuary in the Corporate Environmental Stewardship program. The plant is volunteering time and money to restore 10 acres of land currently dominated by phragmites, an invasive plant species that reduces vegetation diversity in wetlands. The river marsh areas that surround the property are particularly valuable to migratory birds and waterfowl along the Atlantic Coast flyway.

Early in 2000, we replaced six transmission towers around San Bruno Mountain in California and disturbed some of the vegetation that serves as habitat for the endangered Callipe silverspot. The extensive replanting of Johnny jump-up seedlings completed in 2001 will leave the area in better condition than before the tower replacement, with a heavier concentration of seedlings providing a richer habitat for the rare insect.

PROMOTING SUSTAINABLE AGRICULTURE

PG&E National Energy Group announced in 2001 that as of 2002 it is requiring all company land leased by our hydroelectric operations for agricultural use to transition to organic farming practices over three years. By eliminating the use of pesticides and herbicides alongside rivers, potential run-off into the water will be reduced. In three years – the time required for certification – we expect that more than 600 acres of company-owned farmland will be eligible for certified organic status.

PROTECTING BIRDS FROM POWER LINE INJURIES

During 2001, our utility worked to develop systems that will improve the safety of our structures with respect to birds. We have developed an ambitious employee training program on migratory bird protection. A revised engineering standard for electric lines and poles is under development and will be implemented in 2002. In addition, the company has committed to the U.S. Fish and Wildlife Service to retrofit 200 miles of electric line and 2,000 poles with “bird-safe” technology each year.

**PROMOTING ENVIRONMENTAL
EDUCATION IN OUR COMMUNITIES**

PG&E Corporation is committed to helping others, especially young people, learn about the environment and ways to promote stewardship and conservation.

NATIONAL ENVIRONMENTAL EDUCATION GRANTS PROGRAM

In 1998, we launched a major environmental education grants program in New England, providing annual grants to support educators and conservation groups with innovative ideas for educating young people about our environment. The program allows us to help teachers make educational opportunities possible that would otherwise have no funding. Since its inception, the program has provided nearly half a million dollars in grants.

Last year, we expanded the grants program beyond New England, opening it to applicants from all schools and conservation groups nationwide. In 2001, 31 groups in 16 states received grants of up to \$5,000 each.

EDUCATING STUDENTS AND SCHOOLS ABOUT ENERGY EFFICIENCY

In California last year, Pacific Gas and Electric Company operated three programs that combined our expertise in energy efficiency with our commitment to environmental education. These programs are aimed at improving the design and energy efficiency of school buildings, as well as providing education on energy efficiency for students and their parents.

PG&E's Energenius Educational Series provides complete curricula focusing on energy efficiency and gas and electric safety education for grades one through eight. The program is free to all schools in our utility service territory. Each series comes with a teacher curriculum guide and activities for each student. The program targets teachers, students, and parents (through homework assignments) and facilitates outreach to hard-to-reach customers through the student-parent interaction. In 2001, we developed an energy education resource guide for teachers and delivered 33,222 student kits ordered by educators.

Our Energy Treasure Hunt program helps K-12 school districts develop and implement energy savings plans. The program offers school districts a broad array of energy audit services, technical assistance, financing information, educational materials, professional training services and an introduction to Pacific Gas and Electric Company's rebate programs. We assist them in identifying energy-efficiency upgrade projects and educating school district personnel, students, and parents about energy-related issues.

Pacific Gas and Electric Company is also working with state agencies, the Coalition for Adequate School Housing and the Natural Resources Defense Council to help promote energy efficient building designs in schools. The Collaborative for High Performance Schools program provides information, services, and incentive programs directly to school districts and designers to encourage schools to incorporate energy efficient building designs.

ADDITIONAL EDUCATIONAL OUTREACH

A number of PG&E Corporation's individual operating facilities provide support every year for educational efforts in their communities. These efforts range from purchasing text books or other educational materials for local classrooms to sponsoring larger projects in conjunction with various community organizations.

For example, last year our Madison Windpower facility in New York gave a \$30,000 grant to the local school district to build a meteorological tracking system that schools can use for science and agricultural studies. Data collected from the project are also being used by local farmers during planting and growing seasons.

Last year, our Selkirk power plant near Albany, New York, helped provide funding for environmental education for hearing impaired students. In Massachusetts, our Salem Harbor power plant gave tuition assistance to elementary school students so that they could attend "Horizons for Youth Environmental Camp." Also last year, PG&E Corporation contributed \$300,000 to the Children's Museum of Houston, Texas, for a 4,600-square-foot exhibit that will let children explore first-hand how their actions impact the environment.

LISTENING TO OUR NEIGHBORS AND OTHER STAKEHOLDERS

Everywhere we operate, PG&E Corporation works to build relationships and maintain a dialogue with our neighbors. Doing so is a fundamental part of our culture and our corporate values.

As an energy company, we recognize that some of our neighbors will always have questions or concerns about the environmental and safety aspects of our operations. At times, issues surrounding our operations can become controversial or contentious. We respect their concerns, and we make it a priority to listen, share information, and respond as best we can. Most often, that process leads to a solution. Even when it doesn't, we continue to look for opportunities to find common ground with those stakeholders on other issues.

GOOD NEIGHBOR EFFORTS AT HUNTERS POINT

During the California energy crisis in 2001, the California Independent System Operator – which is responsible for maintaining an adequate power supply – asked our utility to expand operating hours for a peaking generator at our Hunters Point Power Plant near San Francisco. In response, we initiated discussions with community members and local officials, who expressed serious concerns about noise, air quality and environmental justice. We informed the California Independent System Operator that expanding operating hours at the plant would be possible only if a process were initiated to identify and address community concerns.

To the best of our knowledge, our utility was the only power provider to publicly call for an appropriate community participation process in connection with the ISO's request. Ultimately, the operating hours were not expanded. We continue to work closely with the Hunter's Point community regarding operations at the plant.

We also remain committed to de-commissioning Hunter's Point Power Plant, in accordance with a 1998 agreement with the City and County of San Francisco, as soon as replacement power becomes available for our customers. Currently, the plant consistently operates well below legal permitted emission levels. Emissions of NO_x have been reduced by 65 percent since 1994. In 2000 and 2001, the plant's NO_x emissions were 30 percent below the permitted limit.

RELICENSING OF HYDROELECTRIC FACILITIES

In 2001, we received two federal license extensions for hydroelectric operations on the Mokelumne and Feather Rivers in California. As part of the relicensing process, we worked closely with various environmental stakeholders to address issues including recreational access, fisheries protection, minimum streamflow and habitat improvement. Our successful collaborations led to agreements that allowed the Federal Energy Regulatory Commission to issue the 30-year license renewals. Similar collaborative efforts continued last year in connection with relicensing efforts for projects on Hat Creek, the Poe River and the Upper North Fork Feather River.

In New England, our Fifteen Mile Falls hydroelectric project received a Section 401 Water Quality Certification jointly issued by New Hampshire and Vermont – the principal state-level approval needed for a new operating license. The certification supports the Fifteen Mile Falls Settlement Agreement signed by 21 state and federal agencies and environmental groups in 1997. Fifteen Mile Falls is New England’s largest hydroelectric project, and a new 40-year federal license is expected to be issued in 2002.

ADDRESSING THERMAL WATER RELEASES AT BRAYTON POINT POWER PLANT

PG&E National Energy Group is in the process of renewing the federal permit governing thermal releases of cooling water into Mount Hope Bay at our Brayton Point power plant in Massachusetts. Regulators and some members of the public have raised concerns about declines in the population of winter flounder in waters across the Northeast, including the Narragansett and Mount Hope Bays. Thermal releases from Brayton Point’s cooling towers have been cited as one of a number of possible contributors to the decline, among others such as over-fishing.

PG&E National Energy Group is now working with the U.S. EPA, the Massachusetts Department of Environmental Protection, the Rhode Island Department of Environmental Management and other stakeholders to review and address this issue. We have invested \$8 million in research since 1996, most of which has gone to fund research studies of the issue. These studies and other evidence increasingly suggest Brayton Point is not the primary factor leading to the decline in flounder populations.

Despite this evidence, we have proposed a \$58 million plan to reduce thermal releases from the cooling system by more than 30 percent. The plan would reduce the plant’s water intake and thermal releases to 1970s levels, well before any decline in fish populations, which began in the 1980s.

SITING NEW POWER PLANTS AND PIPELINES

Our PG&E National Energy Group is building new power plants in markets across the country. While the challenges associated with each of these projects are unique by virtue of a facility's size, location, regulatory requirements and other factors, in every case environmental considerations are a priority. Ultimately, sound environmental strategies have been essential to our ability to execute these plans on an accelerated time table in keeping with our aggressive growth goals.

PG&E National Energy Group incorporates environmental management considerations into all of its facility siting decisions. An established set of guidelines allows us to compare prospective sites with respect to the relative costs of environmental mitigation that may be required and the permitting issues that are involved. The guidelines also support the Corporation's Environmental Justice Policy.

When considering sites for new facilities, we actively reach out to nearby residents and local governments to understand and address their concerns. For example, we have forged a strong relationship with the community near the site of a new gas-fired power plant in Covert, Mich., currently under construction. The plant will use water from Lake Michigan, and the new intake structure will be owned and operated by the municipality, which will then sell the water to the new facility. This arrangement will benefit the municipality by allowing it to expand its own water supply system. The public support necessary for this plan was made possible by our outreach efforts, including community meetings and workshops on the water supply issue. Through extensive discussions with residents, we also successfully addressed such concerns as traffic and public safety.

One example in which our efforts to gain community support for a new power plant were not as successful was in Athens, New York, in the Hudson River Valley. Early on in the project, water use and scenic issues linked to the plant's cooling system were a concern to some in the local community. While we made numerous efforts to address these concerns early in the development process, community opposition ultimately led permitting authorities to require the plant to use a different cooling system – a system we had rejected in our discussions with the community. We adjusted our plans accordingly, and we remain committed to the project and to the community.

NUCLEAR FUEL STORAGE AT DIABLO CANYON POWER PLANT

Like every other nuclear power plant in the United States, our Diablo Canyon plant currently awaits establishment of a permanent nuclear fuel storage facility by the federal government, which may be decades away.

In anticipation of existing on-site storage capacity becoming exhausted, Pacific Gas and Electric Company has evaluated the two available storage options – wet storage and dry storage. Both options are considered safe by the federal Nuclear Regulatory Commission. As part of this process, we sought and received input from many San Luis Obispo County community and government leaders as well as other county residents. In light of this input, as well as our technical evaluations, we are moving forward with plans to permit and construct a dry storage facility that will offer a storage solution until the federal facility is available.

WORKING WITH ENVIRONMENTAL AND CONSERVATION GROUPS

PG&E Corporation is also an active member of the following organizations dedicated to environmental conservation and protection.

- > **American Rivers: Low Impact Hydropower Certification Program** Developed by American Rivers, the program aims to create an accepted hydropower evaluation standard for consumer use. www.lowimpacthydro.org
- < **Audubon Society of New Hampshire** A statewide nonprofit organization that works to conserve wildlife and habitats throughout the state. www.nh.audubon.org
- > **Connecticut River American Heritage** A project focused on the restoration and stabilization of the Connecticut River, including public education and outreach. www.ctriver.org
- < **PEW Center on Global Climate Change: Business Environmental Leadership Council** A group of leading companies worldwide responding to the challenges posed by climate change. www.pewclimate.org/belc
- > **The Nature Conservancy** The world's largest private international conservation group protecting lands and waters. www.nature.org
- < **Sierra Business Council** A nonprofit association of more than 500 businesses, agencies, and individuals working to secure the economic and environmental health of the Sierra Nevada region for this and future generations. www.sbcouncil.org

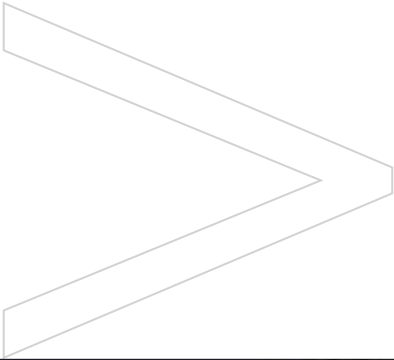
- > **Audubon California** With a mission to conserve and restore California's natural ecosystems, focusing on birds, other wildlife and their habitats for the benefit of humanity and the earth's biological diversity. www.audubon-ca.org
- < **Save SF Bay Association** Seeks to preserve, restore and protect the San Francisco Bay and Sacramento/San Joaquin Delta Estuary as a healthy and biologically diverse ecosystem essential to the well-being of the human and natural communities it sustains. www.savesfbay.org
- > **Sustainable Conservation** A non-profit organization dedicated to finding new solutions to environmental problems by employing the incentives and capabilities of the private sector. www.suscon.org
- < **California Environmental Dialogue** CED's mission is to engage California business, government and environmental leaders collaboratively to improve public and private environmental policy. www.cedlink.com
- > **S.F. Bay Joint Venture** A partnership of public agencies, environmental organizations, the business community, local governments, the agricultural community and landowners working cooperatively to protect, restore, increase and enhance wetlands and riparian habitat in the San Francisco Bay and adjoining watersheds. www.sfbayjv.org
- < **National Environmental Justice Advisory Council** A federal advisory committee established in 1993 to provide independent advice, consultation and recommendations to the administrator of the U.S. EPA on environmental justice matters. es.epa.gov/oeca/main/ej/nejac
- > **National Environmental Policy Commission** Identifies environmental issues and policy alternatives for consideration by policymakers. www.ebp.musc.edu/policy/np/nepc.html
- < **California Environmental Protection Agency Advisory Committee on Environmental Justice** A group created to assist the California EPA Interagency Working Group with implementing an environmental justice agenda. www.calepa.ca.gov/EnvJustice

**WORKING WITH OTHERS
IN THE BUSINESS COMMUNITY**

PG&E Corporation is an active member of numerous business organizations that work to address various environmental challenges, from promoting clean technologies to developing and advocating sound environmental policies. Below is a list of many of these organizations:

- > ***Air and Waste Management Association*** A nonprofit organization providing environmental professionals with training, information and networking opportunities. www.awma.org
- < ***American Gas Association*** A membership organization that is clearinghouse for gas energy information and a catalyst in technical and energy policy matters. www.aga.org
- > ***California Council for Environmental and Economic Balance*** A coalition of California business, labor and public policy leaders who work together to advance collaborative strategies for a sound economy and a healthy environment. www.cceeb.org
- < ***California Natural Gas Vehicle Coalition*** California is the nation's leading user of natural gas vehicles, and the California Natural Gas Vehicle Coalition is devoted to ensuring that the state continues to set the pace in adopting this clean-burning transportation technology. www.cngvc.org
- > ***Clean Air Products*** A California corporation developing, marketing and supporting advanced technology for gaseous fueled engines. www.cleanairproducts.com

- < **Electric Power Suppliers Association** An organization advocating domestic and international policies that will result in a fully competitive electric power supply marketplace. www.epsa.org
- > **National Hydropower Association** A non-profit national association that seeks to secure hydropower's place as an emissions-free, renewable and reliable energy source that serves national environmental and energy policy objectives. www.hydro.org
- < **Natural Gas Vehicle Coalition (NGVC)** A national organization dedicated to the development of a growing, sustainable and profitable natural gas vehicle market; represents more than 180 natural gas companies, engine, vehicle and equipment manufacturers and service providers, as well as environmental groups and government organizations. www.ngvc.org
- > **New England Interstate Water Pollution Control Commission** A nonprofit interstate agency assisting members in the protection of water quality in the New England region and New York. www.neiwpc.org
- < **Utility Solid Waste Activities Group** An informal consortium addressing solid and hazardous waste issues on behalf of the utility industry. www.uswag.org



**More grants supporting
environmental education**





Last year, we expanded our environmental education grants program – which began as a regional program in New England – opening it to applicants from all schools and conservation groups nationwide, and awarding more grants.

In 2001, 31 groups in 16 states received grants of up to \$5,000 each. Here are some projects our grants made possible:

> **ENERGY EFFICIENCY IN FRESNO, CALIFORNIA.**

About 500 school students, ages 8 to 12, will experiment with technologies for monitoring energy efficiency in buildings. They then will design or make recommendations on how to modify those environments to conserve energy. Funding will help toward the purchase of equipment, software and training materials.

< **MARINE SCIENCE EDUCATION IN LOS ANGELES.**

About 5,000 students, ages 8 to 18, will learn about the connection between urban pollution and the health of our oceans.

> **HABITAT CREATION AND RESTORATION, WETLANDS PROTECTION, WATER QUALITY AND CONSERVATION IN MARYLAND.** More than 700 students, ages 4 to 18, will develop an environmental restoration showcase project. Funds will help with the purchase of curriculum supplies, materials and equipment.

< **ELEMENTARY SCHOOL OUTDOOR LEARNING CENTER, CATSKILL, NEW YORK.**

This project will create an outdoor learning center with a nature trail, outdoor classroom and amphitheater for school and public environment education. About 850 students, ages 4 to 12, are expected to benefit from the center.

> **ON-LINE MENTORING FOR STUDENTS IN NEW YORK CITY.**

Educational Broadcasting Corp. will develop an on-line mentoring component for its “What’s Up in the Environment” program allowing 50 classrooms across the country to communicate with environmental experts on a long-term classroom project. Ten experts will serve as online mentors from five different environmental disciplines.

< **RAISING SALMON IN PORTLAND, OREGON.**

About 50 students, ages 8 to 18, will learn about the lifecycle of salmon and basic watershed ecology. They will incubate and raise salmon then release the fish. Funds will help purchase aquarium equipment, outreach materials, water testing equipment and other resources to complete the project.

APPENDIX

1999 – 2001

PERFORMANCE SUMMARY

The following tables summarize PG&E Corporation’s quantitative results in those performance areas that we track. Select environmental performance data are also shown normalized to megawatt-hours (MWh) generated, in order to provide for comparability with others in the industry. Where possible, multiple years’ data are shown along with percent change. These data represent PG&E Corporation operations at facilities owned and leased; they do not reflect electricity controlled through contracts, or facilities for which we do not have management responsibility.

ENERGY PRODUCTION AND DELIVERY

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Electricity generated (total gigawatt-hours)	66,613	70,558	61,471	-7.7%
Fossil fuel plants	34,766	36,542	33,281	-4.3%
Other plants	31,847	34,015	28,190	-11.5%
Natural gas throughput (MDth) ¹				
PG&E NEG	925,118	966,653	963,126	+4.1%
Utility	848,625	888,045	967,250	+14%
Total natural gas throughput (MDth)	1,773,743	1,854,698	1,930,376	+8.8%

¹ Decatherm (Dt): The quantity of heat energy that is equivalent to one million (1,000,000 or 1 MM) British Thermal Units. 1000 Dt equals 1 MDth

EMISSIONS STATISTICS

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Total NO_x emissions (tons)	29,391	31,052	27,937	-4.9%
NO_x emissions rate (pounds/megawatt-hour)				
All plants	0.88	0.90	0.90	+2.3%
Fossil fuel plants	1.69	1.70	1.70	+0.59%
Total SO₂ emissions (tons)	78,807	72,496	67,050	-14.9%
SO₂ emissions rate (pounds/megawatt-hour)				
All plants	2.4	2.1	2.2	-7.2%
Fossil fuel plants	4.5	4.0	4.0	-11.5%
Total CO₂ emissions (million tons)	28.4	27.5	25.7	-9.5%
CO₂ emissions rate for all plants (pounds/megawatt-hour generated)	851	780	835	-1.9%
CO₂ emissions rate for fossil fuel facilities (pounds/megawatt-hour generated)	1,631	1,506	1,542	-5.5%
Total greenhouse gas emissions avoided (tons of CO ₂ equivalent)	5,123,465	3,325,647	3,681,638	-28%
CO₂ emissions avoided (tons)	4,160,095	2,362,499	2,159,516	-48%
Methane emissions avoided (tons)	45,308	43,555	67,770	+50%
SF₆ emissions avoided (pounds)	996	4,058	8,281	+731%
Total SF₆ emissions (pounds)	22,004	18,942	14,719	-36% less than 1998 baseline of 23,000 pounds
Projected lifecycle emissions avoided through Customer Energy Efficiency Programs (Electric)				
CO₂ emissions avoided (tons)	114,450	68,096	239,910	+110%
NO_x emissions avoided (tons)	66	39	138	+110%
SO_x emissions avoided (tons)	40	24	86	+115%

CUSTOMER ENERGY EFFICIENCY SAVINGS

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Lifecycle energy savings achieved through Customer Energy Efficiency Programs Megawatts	50.6	91.8	183	+262%
Megawatt-Hours	209,925	448,116	791,783	+277%
Therms (Natural Gas)	5,501,000	9,387,000	9,000,000	+63%

CLEAN AIR TRANSPORTATION

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Millions of therms of natural gas used or sold in vehicles	7.51	9.72	10.47	+39.4%
Millions equivalent gallons of gasoline displaced by natural gas vehicles (mmgal)	6.48	8.84	9.52	+39.4%
Millions of kilowatt-hours used or sold for vehicles	1.05	2.36	1.45	+38.1%
Millions equivalent gallons of gasoline displaced by electric vehicles (mmgal)	0.15	0.34	0.21	+46.9%

ENERGY CONSUMPTION AND FUEL USE

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Electricity consumption (megawatt-hours)	128,068¹	118,925¹	101,624²	-20.6%
Natural gas use for electricity generation (million cubic feet)	100,622,956	77,606,542	71,155,905	-29.3%
Fuel oil use (gallons)	149,798,538	131,082,682	160,168,927	+6.9%
Coal use (tons)	6,697,732	6,785,588	6,700,242	—
Waste coal use (tons)	1,284,735	1,343,842	1,189,945	-7.4%
Propane use (million cubic feet)	399,485	334,625	457,241	+14.5%

¹ Excludes PG&E National Energy Group's gas transmission (GT) operations

² Excludes GT, Dispersed Generation and the Mountain View windpower facility

HAZARDOUS AND NONHAZARDOUS WASTE

Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
TRI releases (pounds)	4,340,270	6,939,381	Data not yet available from U.S. EPA	+59.9%¹ 1999 – 2000
Kilograms of PCB Waste ≥ 50 ppm PCB disposed	Not available	Not available		
Incineration			326,611	
Metal Salvage			94,034	
Landfill			161,574	
Total			582,219	
Kilograms of PCB Waste ≤ 50 ppm PCB disposed	Not available	Not available		
Incineration			396,423	
Metal Salvage			1,146	
Landfill			81,940	
Total			479,509	
RCRA Hazardous waste generated (tons)	892	348	986	1999 & 2000 data represent utility only
recycled (tons)	173	117	186	
% recycled	19%	34%	19%	
Ash generated (tons)	—	1,780,726	1,847,119	+3.7% 2000 – 2001
Percentage of ash utilized	—	82%	69%	—
Nonhazardous waste generated, excluding municipal trash (tons)	Not available	Not available		
recycled (tons)			33,209	
% recycled			1,574	
			4.7%	
Universal waste generated (pounds)	Not available			
recycled (pounds)		15,760	222,024	
% recycled		15,700	219,235	
		100%²	99%	

¹ Increase due in part to additional compounds that were required to be reported in 2000, but were not required to be reported in 1999. No TRI emissions were in California.

² 2000 data represent utility only.

COMPLIANCE DATA

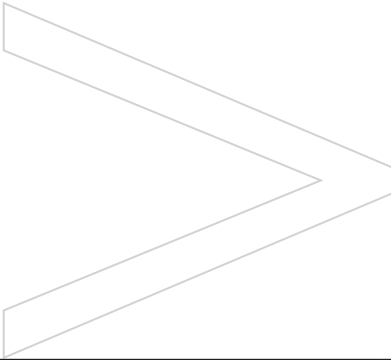
Indicator	Year			% Change 1999 – 2001
	1999	2000	2001	
Notices of Violation (NOVs)	26	6	16	-38%
Releases/Exceedances	572	405	427	-26%
Rate of NOVs (per 100 inspections)	5.42	1.37	3.07	-43%
Penalties Paid	\$ 20,875	\$ 4,925	\$ 8,975	-58%

**AWARDS
IN 2001**

Our people earned a number of awards in 2001 for their continued efforts to deliver outstanding environmental and safety performance at all levels of our organization. Here are some examples we're proud to share.

- > Our Deerfield River Hydroelectric System was selected as one of only 10 projects in the United States to be included in the National Hydropower Association's "2001 Outstanding Stewardship of America's Rivers" report. This report honored PG&E Corporation for our accomplishments in river protection and enhancement.
- < For the seventh straight year, the National Arbor Day Foundation's Tree Line USA Award honored PG&E Corporation for our public education programs, arboreal worker training, tree-trimming practices and stewardship of urban forests.
- > U.S. EPA awarded our company the Energy Star® "Excellence in Consumer Education Award" in 2001 for our promotion of the Energy Star® label as a symbol for energy efficiency.
- < Our Hermiston power plant in Oregon received the Safety and Health Achievement Recognition Award from the Oregon Occupational Safety and Health Administration.
- > Pacific Gas and Electric Company received a Champion of Energy Efficiency award from the American Council for an Energy Efficient Economy for its efforts to reduce energy use in California in 2001.

- > Our Northwest gas transmission operation was recognized by the Natural Gas STAR Team as a rookie partner that has excelled in launching the program within the company, and was a finalist for Partner of the Year.
- < Our Diablo Canyon Nuclear Power Plant received a Number 1 rating in 2001 from the Institute of Nuclear Power Operations. Diablo Canyon was particularly recognized for its excellence in management during the California energy crisis, teamwork, and staff professionalism.
- > For the third time since 1994, the utility was recognized under the California Waste Reduction Awards Program (WRAP) for our efforts in reusing and recycling waste. WRAP honors are given by the California Integrated Waste Management Board to encourage California businesses to make meaningful improvements in pollution prevention.



**More than 30 awards for stewardship at
our California hydroelectric system**





Every year, 350,000 visitors enjoy access to our California hydro system. The two million user-days recorded every year at our campgrounds alone represent about two-thirds of the annual visitor load to Yellowstone National Park.

For nearly a century, we have managed and protected the environmental integrity of our California hydro system, encompassing 16 river basins, 130 lakes and 140,000 acres of land in the Sierra Nevada, Cascade and Coastal ranges stretching nearly 500 miles from Redding in the north to Bakersfield in the south.

We operate 93 recreational facilities, including campgrounds, boat launches, trailheads, picnic and day-use areas, and fishing access points. To help provide a quality recreational experience, we strive to provide river flows that take into consideration the needs of river anglers and whitewater boaters.

Our stewardship efforts have won more than 30 awards in last 20 years. Here are a few:

- > The 1992 Ecological Society of America Corporate Award for Environmental Leadership for conservation of biological resources.
- < The 1996 Volunteers Program National Award from the U.S. Forest Service for our multi-year program to reforest watershed lands in the National Forest System following devastating wildfires a decade earlier.

> The 1999 California Governor's Environmental and Economic Leadership Award for Ecosystem Restoration for our collaborative efforts to restore Battle Creek, a habitat for the natural reproduction of spring-run Chinook salmon and steelhead trout.

< The 2000 Public Officials for Water and Environmental Reform (POWER) Award for a collaborative effort with environmental groups and state and federal resource agencies to reach broad-based settlement agreement for the operation of the Mokelumne River hydropower project.

Ensuring that this decades-long commitment to stewardship will continue is part of our plan to resolve Pacific Gas and Electric Company's bankruptcy. Our plan ensures continuity in state and federal environmental oversight, continuity in local, state and federal land-use controls, and continuity in our management practices and team, which has consistently proven its commitment to stewardship for many decades.

PG&E CORPORATION

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