

PACIFIC GAS & ELECTRIC CO

Form 424B2

March 08, 2007

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This preliminary prospectus supplement and the accompanying prospectus relate to an effective registration statement under the Securities Act of 1933, but are not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(2)

Registration No. 333-109994

**SUBJECT TO COMPLETION, DATED MARCH 8, 2007**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated November 10, 2005)**

\$

**% Senior Notes due , 20**

We are offering \$ aggregate principal amount of our % Senior Notes due , 20 , which we refer to in this prospectus supplement as the senior notes. The senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000.

Interest on the senior notes will be payable semi-annually in arrears on each March 1 and September 1, commencing September 1, 2007.

We may redeem the senior notes in whole or in part at any time at the redemption prices set forth in this prospectus supplement.

The senior notes will be unsecured and will rank equally with all of our other unsecured and unsubordinated indebtedness.

There is no existing public market for the senior notes. We do not intend to list the senior notes on any securities exchange or any automated quotation system.

**Investing in these senior notes involves risks. See Risk Factors on page S-3.**

	<b>Per Senior Note</b>	<b>Total</b>
Public Offering Price <sup>(1)</sup>	%	\$
Underwriting Discount	%	\$
Proceeds to Pacific Gas and Electric Company (before expenses)	%	\$

<sup>(1)</sup> Plus accrued interest, if any, from the date of original issuance of the senior notes which is expected to be March , 2007.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The senior notes are expected to be delivered on or about March , 2007 through the book-entry facilities of The Depository Trust Company.

*Joint Book-Running Managers*

**Barclays Capital**

**Citigroup**

**Deutsche Bank Securities**

*Co-Managers*

**ABN AMRO Incorporated  
Loop Capital Markets, LLC**

**BNY Capital Markets, Inc.  
The Williams Capital Group, L.P.**

March , 2007

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**This prospectus supplement should be read in conjunction with the accompanying prospectus. You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference. Neither we nor any underwriter has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any underwriter is making an offer to sell the senior notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date hereof.**

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Unless otherwise indicated, when used in this prospectus supplement and the accompanying prospectus, the terms “we,” “our” and “us” refer to Pacific Gas and Electric Company and its subsidiaries.

This prospectus supplement and the accompanying prospectus contain forward-looking statements that are necessarily subject to various risks and uncertainties. Forward-looking statements in this prospectus supplement are based on current estimates, expectations and projections about future events, and assumptions regarding these events and management’s knowledge of facts as of the date of this prospectus supplement. These forward-looking statements

relate to, among other matters, estimated capital expenditures, our estimated rate base, estimated environmental remediation liabilities, the anticipated outcome of various regulatory and legal proceedings, future cash flows, and the level of future equity or debt issuances, and are also identified by words such as assume, expect, intend, plan, project, believe, estimate, predict, anticipate, aim, may, might, should, would, could, goal, potential. We are not able to predict all the factors that may affect future results. See Forward-Looking Statements in Part I, Item 1 of our annual report on Form 10-K for the fiscal year ended December 31, 2006, which is incorporated by reference, for some of the factors that could cause future results to differ materially from those expressed or implied by the forward-looking statements, or from historical results.

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**Table of Contents****RISK FACTORS**

Investing in the senior notes involves risk. These risks are described under "Risk Factors" in Item 1A of our annual report on Form 10-K for our fiscal year ended December 31, 2006, which is incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in the accompanying prospectus. Before making a decision to invest in the senior notes, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

**OUR COMPANY**

We are a leading vertically integrated electricity and natural gas utility. We were incorporated in California in 1905 and are a wholly owned subsidiary of PG&E Corporation. We operate in northern and central California and are engaged in the businesses of electricity and natural gas distribution, electricity generation, electricity transmission, and natural gas transportation and storage. We have more customers than any other investor-owned utility in the United States. At December 31, 2006, we served approximately 5.1 million electricity distribution customers and approximately 4.2 million natural gas distribution customers. Our principal executive office is located at 77 Beale Street, P.O. Box 770000, San Francisco, California 94177, and our telephone number is (415) 973-7000. The principal executive office of PG&E Corporation is located at One Market, Spear Tower, Suite 2400, San Francisco, California 94105.

**USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from the sale of the senior notes to repay outstanding commercial paper and for working capital purposes. At March 7, 2007, the outstanding amount of our commercial paper was approximately \$570 million and the weighted average yield on our outstanding commercial paper was approximately 5.37% per annum.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our historical ratio of earnings to fixed charges for each of the fiscal years indicated.

<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
2.98x	3.56x	10.75x	2.51x	3.91x

For the purpose of computing our ratio of earnings to fixed charges, "earnings" represent net income adjusted for the minority interest in losses of less than 100% owned affiliates, equity in undistributed income or losses of less than 50% owned affiliates, income taxes and fixed charges (excluding capitalized interest). "Fixed charges" include interest on long-term debt and short-term borrowings (including a representative portion of rental expenses), amortization of bond premium, discount and expense, interest on capital leases, allowance for funds used during construction debt, and earnings required to cover the preferred stock dividend requirements and preferred security distribution requirements of a majority-owned trust.



**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of December 31, 2006, and as adjusted to give effect to the issuance and sale of the senior notes and the use of proceeds from this offering as set forth under "Use of Proceeds" above. This table should be read in conjunction with our consolidated financial statements and related notes for the fiscal year ended December 31, 2006, incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in the accompanying prospectus.

	<b>As of December 31, 2006</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in millions)</b>	
Current Liabilities:		
Short-term borrowings(1)	\$ 759	\$
Long-term debt, classified as current:		
Current portion of long-term debt	1	
Current portion of rate reduction bonds(2)	290	
Current portion of energy recovery bonds(3)	340	
Total long-term debt, classified as current	\$ 631	\$
Capitalization:		
Long-term debt(4)	\$ 6,697	\$
Energy recovery bonds(3)	1,936	
Shareholders' equity(5)	8,200	
Total capitalization	\$ 16,833	\$

- (1) Short-term borrowings consisted of \$300 million borrowed under the former accounts receivable facility and \$459 million of commercial paper.
- (2) PG&E Funding LLC, a legally separate but wholly owned, consolidated subsidiary of us, issued rate reduction bonds, or RRBs, the proceeds of which were used to purchase from us the right, known as "transition property," to be paid a specified amount from a non-bypassable charge levied on residential and small commercial customers which is collected by us. We remit the proceeds of the non-bypassable charge to PG&E Funding LLC for the payment of the RRBs' principal, interest and miscellaneous associated expenses. The RRBs are secured solely by the transition property. Our creditors have no recourse to the assets of PG&E Funding LLC and its creditors have no recourse to our assets.
- (3) PG&E Energy Recovery Funding LLC, or PERF, a legally separate but wholly owned, consolidated subsidiary of us, issued energy recovery bonds, or ERBs, supported by a dedicated rate component, or DRC, the proceeds of which were used to purchase from us the right, known as "recovery property," to be paid a specified amount from a DRC. DRC charges are collected by us and remitted to PERF for payment of the ERBs' principal, interest and miscellaneous associated expenses. The ERBs are secured solely by the recovery property. Our creditors have no recourse to the assets of PERF and its creditors have no recourse to our assets.
- (4)



Actual Long-term debt consisted of \$1,613 million of pollution control bonds and \$5,084 million of senior notes and As Adjusted Long-term debt also includes the senior notes offered hereby, in each case, net of discounts and premiums.

(5) Includes \$258 million of preferred stock without mandatory redemption provisions.

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On February 13, 2007, a proposed decision was issued by an administrative law judge, or ALJ, presiding over our 2007 General Rate Case, or GRC, pending at the California Public Utilities Commission, or the CPUC. On the same day, an alternate proposed decision was issued by the assigned CPUC Commissioner in the case. The ALJ's proposed decision differs from the settlement agreement reached among us, the CPUC's Division of Ratepayer Advocates, and other parties. The alternate proposed decision issued by the assigned Commissioner recommends that the proposed settlement agreement be approved.

The ALJ's proposed decision would modify the revenue requirements proposed in the settlement agreement in a number of areas, including hydroelectric operations, rate base and the treatment of certain tax issues. Instead of the \$213 million total revenue requirement increase over 2006 authorized revenues proposed in the settlement agreement, the ALJ's proposed decision would result in a total revenue requirement increase of approximately \$170 million over 2006 authorized revenues (\$43 million less than the amount proposed in the settlement agreement for the same period).

Both the ALJ's proposed decision and the alternate proposed decision would accept the settlement agreement terms for an annual increase, known as an attrition adjustment, in authorized revenues in each of 2008, 2009 and 2010. The settlement agreement provides that our 2007 authorized revenues would be increased by \$125 million in each of 2008 and 2009. In addition, we would receive a one-time additional amount of \$35 million in 2009 for a planned second refueling at Diablo Canyon. We also would receive an increase of \$90 million in 2010.

The following table sets forth the amount of the changes to 2006 authorized revenue requirements, by category, that would result from the revenue requirements recommended in the ALJ's proposed decision and in the CPUC Commissioner's alternate proposed decision and the differences between the resulting revenue requirement change:

<b>Category</b>	<b>Proposed Decision (Recommended Increase (Decrease) From 2006 Authorized Amount)</b>	<b>Alternate Proposed Decision</b>	<b>Difference Between Recommended Amounts</b>
		<b>(Recommended Increase (Decrease) From 2006 Authorized Amount) (Reflects Settlement Agreement) (\$ in millions)</b>	
Electric distribution	\$ 199	\$ 222	\$ (23)
Gas distribution	9	21	(12)
Electric generation	(38)	(30)	(8)
Total revenue requirement increase (decrease) for 2007	\$ 170	\$ 213	\$ (43)

Both the proposed decision and the alternate proposed decision accept the settlement agreement's proposal to set the Utility's GRC revenue requirements for a four-year period, 2007-2010. Under this proposal, our next GRC would be effective January 1, 2011.

The CPUC rules of procedure generally require that a proposed decision have been issued at least 30 days before the CPUC can vote on the decision. The next scheduled meeting at which the CPUC could issue a final decision in the 2007 GRC will be held on March 15, 2007.

We cannot predict when the CPUC will issue a final decision or whether the settlement agreement will be approved.

#### **Transmission Owner Rate Case**

In addition, on February 15, 2007, we submitted an offer of settlement reached by the parties in our transmission owner rate case pending at the Federal Energy Regulatory Commission, or the FERC. The

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settlement proposes to set the Utility's transmission retail revenue requirements at \$674 million, an increase of approximately \$68 million over current authorized revenue requirements. We had originally requested approval of an annual transmission revenue requirement of approximately \$719 million, an increase of approximately \$113 million over current authorized revenue requirements. If the FERC approves the proposed settlement, the revenue requirement changes will be deemed to have been effective as of March 1, 2007.

We cannot predict when the FERC will issue a final decision or whether the settlement agreement will be approved.

## **Credit Facility**

On February 26, 2007, we entered into a five-year amended and restated agreement for a \$2.0 billion revolving credit facility, or our working capital facility. The amendment increased the amount of our working capital facility from \$1.35 billion to \$2.0 billion and lowered interest rates and fees. The credit agreement contains usual and customary covenants for credit facilities of this type including covenants limiting liens, mergers, substantial asset sales and other fundamental changes. The credit agreement also requires that we maintain a ratio of total consolidated debt to total consolidated capitalization of not more than 0.65 to 1.00 as of the end of each fiscal quarter. Subject to obtaining commitments from existing or new lenders and satisfying other conditions specified in the credit agreement, we may increase our working capital facility to \$3 billion. In addition, at our request and at the sole discretion of each lender, the facility may be extended for additional periods.

## **Termination of Accounts Receivable Facility**

Concurrently with our execution of our five-year amended and restated revolving credit agreement, we terminated our accounts receivable facility. There were no loans outstanding under the facility at the time of termination. The facility was scheduled to expire on March 5, 2007.

## **DESCRIPTION OF THE SENIOR NOTES**

### **General**

You should read the following information in conjunction with the statements under Description of the Senior Notes in the accompanying prospectus.

We are offering the senior notes in an initial principal amount of \$ . We will issue the senior notes under an existing indenture, which was originally entered into on March 11, 2004 and amended and restated on April 22, 2005, between us and The Bank of New York Trust Company, N.A., as Trustee, as supplemented by a supplemental indenture between us and the Trustee. Please read the indenture because it, and not this description, defines your rights as holders of the senior notes. We have filed with the Securities and Exchange Commission a copy of the indenture as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus are a part.

Pursuant to the Trust Indenture Act of 1939, as amended, if a default occurs on the senior notes, The Bank of New York Trust Company, N.A. will be required to resign as trustee under the indenture, unless the default is cured, duly waived or otherwise eliminated within 90 days.

We will issue the senior notes in denominations of \$1,000 and integral multiples of \$1,000.

We will issue the senior notes as a separate series under the indenture. We may without consent of the holders of the senior notes, issue additional senior notes under the indenture having the same terms in all respects as the senior notes offered by this prospectus supplement and the accompanying prospectus, and which may form a single series with the

senior notes.

We will issue the senior notes in the form of one or more global securities, which will be deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of DTC's nominee. Information regarding DTC's book-entry system is set forth below under Book-Entry System; Global Notes.

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The senior notes:

will be redeemable at our option, in whole or in part, at any time as described under Optional Redemption below;

will mature on ; and

will bear interest at % payable semi-annually on each March 1 and September 1, commencing on September 1, 2007 to holders of record on the 15th day of the month immediately preceding the interest payment date.

Interest on the senior notes will accrue from , 2007. Interest on the senior notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. If any payment date falls on a day that is not a business day, the payment will be made on the next business day, but we will consider that payment as being made on the date that the payment was due to you. In that event, no interest will accrue on the amount payable for the period from and after the payment date.

## **Ranking**

The senior notes will be our direct, unsecured and unsubordinated obligations and will rank equally with all our other unsecured and unsubordinated obligations. The senior notes will be effectively subordinated to all our secured debt. As of February 28, 2007, we had approximately \$5.1 billion of notes outstanding under the indenture for the senior notes.

As of December 31, 2006, we did not have any outstanding secured debt for borrowed money. The indenture contains no restrictions on the amount of additional indebtedness that may be incurred by us.

## **Optional Redemption**

We may, at our option, redeem the senior notes in whole or in part at any time at a redemption price equal to the greater of:

100% of the principal amount of the senior notes to be redeemed, plus accrued interest on those senior notes to the redemption date, or

as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the senior notes to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus basis points,

plus, in either case, accrued interest on those senior notes to the redemption date.

The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each registered holder of the senior notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the senior notes or portions of the senior notes called for redemption.

**Adjusted Treasury Rate** means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

**Business Day** means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

**Comparable Treasury Issue** means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the senior notes that would be used, at the time of

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selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the senior notes.

Comparable Treasury Price means, with respect to any redemption date:

the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations; or

if we obtain fewer than four Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

Quotation Agent means the Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (1) each of Barclays Capital Inc., Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in the United States ( Primary Treasury Dealer ), in which case we shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that redemption date.

If we redeem only some of the senior notes, DTC's practice is to choose by lot the amount to be redeemed from the senior notes held by each of its participating institutions. DTC will give notice to these participants, and these participants will give notice to any street name holders of any indirect interests in the senior notes according to arrangements among them. These notices may be subject to statutory or regulatory requirements. We will not be responsible for giving notice of a redemption of the senior notes to anyone other than DTC. If senior notes to be redeemed are no longer held through DTC and fewer than all the senior notes are to be redeemed, selection of senior notes for redemption will be made by the trustee in any manner the trustee deems fair and appropriate.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we or our affiliates may, at any time and from time to time, purchase outstanding senior notes by tender, in the open market or by private agreement.

## **No Sinking Fund**

There is no provision for a sinking fund for the senior notes.

## **Covenants**

The indenture restricts us and any of our subsidiaries which are significant subsidiaries from incurring or assuming secured debt or entering into sale and leaseback transactions, except in certain circumstances. The accompanying prospectus describes this covenant (see Restrictions on Liens and Sale and Leaseback Transactions in the accompanying prospectus) and other covenants contained in the indenture in greater detail and should be read prior to investing.

## **Book-Entry System; Global Notes**



Except as set forth below, the senior notes will initially be issued in the form of one or more global notes. The senior notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the senior notes in the aggregate principal amount of such issue, and will be deposited with DTC or the trustee on behalf of DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining

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principal amount of such issue. Investors may hold their beneficial interests in a global note directly through DTC or indirectly through organizations which are participants in the DTC system.

Unless and until they are exchanged in whole or in part for certificated notes, the global notes may not be transferred except as a whole by DTC or its nominee.

DTC has advised us as follows:

DTC is a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a clearing agency registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's direct participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities through electronic book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC. DTCC, in turn, is owned by a number of DTC's direct participants, and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is available to others, including both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. DTC has S&P's highest rating: AAA. The DTC rules applicable to its direct and indirect participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the senior notes under the DTC system must be made by or through direct participants, which will receive a credit for the senior notes on DTC's records. The ownership interest of each actual purchaser of each senior note, or the beneficial owner, is, in turn, to be recorded on the direct and indirect participants' record. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the senior notes are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in senior notes, except in the event that use of the book-entry system for the senior notes is discontinued.

To facilitate subsequent transfers, all senior notes deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of senior notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the senior notes; DTC's records reflect only the identity of the direct participants to whose accounts the senior notes are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of the senior notes may wish to take certain steps to

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augment the transmission to them of notices of significant events with respect to the senior notes, such as redemptions, tenders, defaults and proposed amendments to the senior note documents. For example, beneficial owners of senior notes may wish to ascertain whether the nominee holding the senior notes for their benefit has agreed to obtain and transmit notices to beneficial owners. In the alternative, beneficial owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the senior notes within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to senior notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts senior notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, distributions and dividend payments on the senior notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of the participant and not of DTC nor its nominee, agent or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or agent, disbursement of the payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

DTC may discontinue providing its services as depository with respect to the senior notes at any time by giving reasonable notice to the issuer or the agent. Under such circumstances, in the event that a successor depository is not obtained, senior note certificates are required to be printed and delivered.

We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, senior note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable but we take no responsibility for the accuracy thereof.

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Subject to the terms and conditions set forth in an underwriting agreement between us and the underwriters named below, for whom Barclays Capital Inc., Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. are acting as representatives, we have agreed to sell to each of the underwriters, and each of the underwriters has severally and not jointly agreed to purchase from us, the principal amount of notes set forth opposite its name below.

<b>Underwriter</b>	<b>Principal Amount of Senior Notes</b>
Barclays Capital Inc.	\$
Citigroup Global Markets Inc.	
Deutsche Bank Securities Inc.	
ABN AMRO Incorporated	
BNY Capital Markets, Inc.	
Loop Capital Markets, LLC	
The Williams Capital Group, L.P.	
Total	\$

The underwriters have agreed, subject to the terms and conditions set forth in the underwriting agreement, to purchase all of the senior notes if any of the senior notes are purchased.

The underwriters propose to offer the senior notes directly to the public at the public offering price specified on the cover page to this prospectus supplement and may also offer the senior notes to certain dealers at the public offering price less a concession not to exceed % of the principal amount of the senior notes. The underwriters may allow, and these dealers may reallow, a concession not to exceed % of the principal amount of the senior notes, to certain brokers and dealers. After the initial offering of the senior notes, the underwriters may change the offering price and concessions.

The senior notes are a new issue of securities with no established trading market. We currently have no intention to list the senior notes on any securities exchange or automated dealer quotation system. The underwriters may make a market in the senior notes after completion of the offering, but will not be obligated to make a market in the senior notes and may discontinue such market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the senior notes or that an active public market for the senior notes will develop. If an active public trading market for the senior notes does not develop, the market price and liquidity of the senior notes may be adversely affected.

We will agree to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments which the underwriters may be required to make in respect thereof.

We estimate the expenses for this offering, other than the underwriting commission, to be approximately \$ million.

We will agree with the underwriters not to, during the period 7 days from the date of the underwriting agreement, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any debt securities other than the senior notes,

without the prior written consent of each of Barclays Capital Inc., Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. This agreement will not apply to issuances of commercial paper or other debt securities with scheduled maturities of less than one year.

In order to facilitate the offering of the senior notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the senior notes. Specifically, the underwriters may over-allot in connection with the offering, creating short positions in the senior notes for their own accounts. In addition, to cover over-allotments or to stabilize the price of the senior notes, the underwriters may bid for, and purchase, senior notes in the open market. The underwriters may reclaim selling concessions allowed to an underwriter or dealer for distributing senior notes in the offering, if the underwriters repurchase previously distributed senior notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the senior notes above independent market

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levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time without notice.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither we nor any underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the senior notes. In addition, neither we nor any underwriter makes any representation that the underwriters will engage in such transactions or that such transactions once commenced will not be discontinued without notice.

Certain of the underwriters and their affiliates have engaged and may in the future engage in transactions with, and, from time to time, have performed and may perform investment banking and/or commercial banking services for, us and certain of our affiliates in the ordinary course of business, for which they have received and will receive customary compensation.

**LEGAL MATTERS**

The validity of the senior notes will be passed upon for us by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Certain legal matters will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Skadden, Arps, Slate, Meagher & Flom LLP has in the past performed, and continues to perform, legal services in connection with federal regulatory and transactional matters for us and our affiliates.

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**PROSPECTUS**

**\$2,718,052,000**

**Pacific Gas and Electric Company  
Senior Notes**

Under this prospectus, we may offer and sell from time to time senior notes with an aggregate initial offering price of up to \$2,718,052,000 in one or more offerings. This prospectus provides you with a general description of the senior notes that may be offered.

Each time we sell senior notes, we will provide a prospectus supplement that contains specific information about the offering and the terms of the offered senior notes. The prospectus supplement also may add, delete, update or change information contained in this prospectus. You should carefully read this prospectus and any applicable prospectus supplement for the specific offering before you invest in any of the senior notes. This prospectus may not be used to sell senior notes unless accompanied by a prospectus supplement.

The senior notes may be sold to or through underwriters, dealers or agents or directly to other purchasers. A prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of the senior notes, the aggregate principal amount of senior notes to be purchased by them and the compensation they will receive.

**None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

November 10, 2005

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