

PACIFIC GAS & ELECTRIC Co

Form 424B2

November 18, 2011

[Table of Contents](#)

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Maximum Aggregate	Amount of
Securities to be Registered	Offering Price	Registration Fee(1)
Debt Securities	\$250,000,000	\$28,650.00

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

Table of Contents

Filed pursuant to Rule 424(b)(2)
SEC File No. 333-172394

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 23, 2011)

\$250,000,000

Floating Rate Senior Notes due November 20, 2012

We are offering \$250,000,000 principal amount of our Floating Rate Senior Notes due November 20, 2012, which we refer to in this prospectus supplement as our senior notes.

We will pay interest on our senior notes quarterly on February 20, 2012, May 20, 2012, August 20, 2012 and November 20, 2012. The senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

The senior notes will not be redeemable prior to maturity.

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

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 of this prospectus supplement.

Per Senior Note

Total

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Public Offering Price ⁽¹⁾	100.00%	\$ 250,000,000
Underwriting Discount	0.15%	\$ 375,000
Proceeds to Pacific Gas and Electric Company (before expenses) ⁽¹⁾	99.85%	\$ 249,625,000

⁽¹⁾ Plus accrued interest, if any, from and including original issuance of the senior notes which is expected to be November 22, 2011.

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 November 22, 2011 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

RBS

Wells Fargo Securities

Co-Manager

Loop Capital Markets

November 17, 2011

Table of Contents

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, the information incorporated by reference and any free writing prospectus prepared by us. 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, the accompanying prospectus and any free writing prospectus prepared by us is accurate only as of the date hereof or thereof.

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Supplement	
<u>Risk Factors</u>	S-3
<u>Forward-Looking Statements</u>	S-3
<u>Our Company</u>	S-5
<u>Ratio of Earnings to Fixed Charges</u>	S-5
<u>Use of Proceeds</u>	S-6
<u>Capitalization</u>	S-7
<u>Description of the Senior Notes</u>	S-8
<u>Certain United States Federal Income Tax Considerations</u>	S-14
<u>Underwriting</u>	S-16
<u>General Information</u>	S-18
<u>Legal Matters</u>	S-18
Prospectus	
<u>About This Prospectus</u>	i
<u>Pacific Gas and Electric Company</u>	1
<u>Risk Factors</u>	1
<u>Forward-Looking Statements</u>	1
<u>Ratio of Earnings to Fixed Charges</u>	3
<u>Use of Proceeds</u>	3
<u>Description of the Senior Notes</u>	4
<u>Plan of Distribution</u>	15
<u>Experts</u>	16
<u>Legal Matters</u>	16
<u>Where You Can Find More Information</u>	16
<u>Certain Documents Incorporated by Reference</u>	17

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, and the term Corp refers to our parent, PG&E Corporation.

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

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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, might, should, would, could, goal, potential and similar expressions. We are not able to predict all the factors that may affect future results. Forward-Looking Statements in the accompanying prospectus, 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.

S-2

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 the fiscal year ended December 31, 2010 and our quarterly reports on Form 10-Q for the three months ended March 31, 2011, the six months ended June 30, 2011 and the nine months ended September 30, 2011, each of which are 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.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompany prospectus and any documents incorporated by reference into this prospectus supplement and the accompanying prospectus contain forward-looking statements that are necessarily subject to various risks and uncertainties. These statements 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 report. These forward-looking statements relate to, among other matters, estimated capital expenditures; estimated environmental remediation, tax, and other liabilities; estimates and assumptions used in Corp's and our critical accounting policies; the anticipated outcome of various regulatory, governmental, and legal proceedings; estimated losses and insurance recoveries associated with the San Bruno accident; the estimated range of additional costs we will incur related to our natural gas transmission business; estimated future cash flows; and the level of future equity or debt issuances. These statements are also identified by words such as "assume," "expect," "intend," "plan," "project," "believe," "estimate," "target," "predict," "anticipate," "aim," "may," "might," "should," "would," "could," "goal," "potential," and "is able to predict all the factors that may affect future results. 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, include, but are not limited to:

the outcome of pending and future investigations and regulatory proceedings related to the San Bruno accident, the CPUC's investigation of a natural gas explosion that occurred on December 24, 2008 in Rancho Cordova, California, and the safety of our natural gas transmission pipelines in our northern and central California service territory; the ultimate amount of costs we incur for natural gas pipeline matters that are not recoverable through rates; the ultimate amount of third-party claims associated with the natural gas transmission pipeline rupture and fire that occurred on September 9, 2010 in San Bruno, California (the "San Bruno accident") that will not be recovered through insurance; and the amount of any civil or criminal fines, penalties, or punitive damages we may incur related to these matters;

the outcome of future investigations or proceedings that may be commenced by the CPUC or other regulatory authorities relating to our compliance with law, rules, regulations, or orders applicable to the operation, inspection, and maintenance of our electric and gas facilities (in addition to investigations or proceedings related to the San Bruno accident and natural gas pipeline matters);

reputational harm that Corp and we may suffer depending on whether we are able to adequately and timely respond to the findings and recommendations made by the NTSB and CPUC's independent review panel; the outcome of the various regulatory proceedings and investigations of the San Bruno accident and natural gas pipeline matters; service disruptions caused by pressure reductions in our natural gas pipeline system, the outcome of civil litigation; and the extent to which additional regulatory, civil, or criminal proceedings may be pursued by regulatory or governmental agencies;

the adequacy and price of electricity and natural gas supplies, the extent to which we can manage and respond to the volatility of electricity and natural gas prices, and our ability and the ability of our counterparties to post or return collateral;

Table of Contents

explosions, fires, accidents, mechanical breakdowns, the disruption of information technology and systems (including the newly installed advanced electric and gas metering system), human errors, and similar events that may occur while operating and maintaining an electric and natural gas system in a large service territory with varying geographic conditions that can cause unplanned outages, reduce generating output, damage our assets or operations, which could subject us to third-party claims for property damage or personal injury, or result in the imposition of civil, criminal, or regulatory fines or penalties on us;

the impact of storms, earthquakes, floods, drought, wildfires, disease, and similar natural disasters, or acts of terrorism or vandalism, that affect customer demand or that damage or disrupt the facilities, operations, or information technology and systems owned by us, our customers, or third parties on which we rely;

the potential impacts of climate change on our electricity and natural gas businesses, the impact of environmental laws and regulations aimed at the reduction of carbon dioxide and other greenhouse gases on our electricity and natural gas businesses, and whether we are able to recover associated compliance costs including the cost of emission allowances and offsets that we may incur under cap and trade regulations;

changes in customer demand for electricity (load) and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, the development of alternative energy technologies including self-generation and distributed generation technologies, or other reasons;

the occurrence of unplanned outages at our two nuclear generating units at Diablo Canyon power plant (Diablo Canyon), the availability of nuclear fuel, and our ability to procure replacement electricity if nuclear generation from Diablo Canyon were unavailable;

the outcome of seismic studies we are conducting that could affect our ability to continue operating Diablo Canyon or renew the operating licenses for Diablo Canyon, the issuance of NRC orders or the adoption of new legislation or regulations to address seismic and other risks at nuclear facilities to avoid the type of damage sustained by nuclear facilities in Japan following the March 2011 earthquake, or to address the operations, decommissioning, storage of spent nuclear fuel, security, safety, cooling water intake, or other operational or licensing matters associated with Diablo Canyon and whether we are able to comply with such new orders, legislation, or regulations and recover the increased costs of compliance through rates;

the impact of federal or state laws or regulations, or their interpretation, on energy policy and the regulation of utilities and their holding companies, including how the CPUC interprets and enforces the financial and other conditions imposed on Corp when it became our holding company;

whether our newly installed electric and gas SmartMeter™ devices and related software systems and wireless communications equipment continue to accurately and timely measure customer energy usage and generate billing information, whether we can successfully implement the system design changes necessary to accommodate changing retail electric rates, and whether we can continue to rely on third-party vendors and contractors to support the advanced metering system;

the extent to which Corp or we incur costs in connection with third-party claims or litigation, that are not recoverable through insurance, rates, or from other third parties;

our ability and the ability of Corp and counterparties to access capital markets and other sources of credit in a timely manner on acceptable terms;

the impact of environmental remediation laws and regulations, particularly those affecting the remediation of our former manufactured gas plants and natural gas compressor sites, the extent to which we are able to recover compliance and remediation costs from third parties or through rates or insurance, and the ultimate amount of environmental remediation costs we incur related to the Hinkley

compressor station;

S-4

Table of Contents

the loss of customers due to various forms of bypass and competition, including municipalization of our electric distribution facilities, increasing levels of direct access by which consumers procure electricity from alternative energy providers, and implementation of community choice aggregation, which permits cities and counties to purchase and sell electricity for their local residents and businesses; and

the outcome of federal or state tax audits and the impact of changes in federal or state tax laws, policies, or regulations, such as The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

For more information about the significant risks that could affect the outcome of these forward-looking statements and our future financial condition and results of operations, you should read the sections of the documents incorporated by reference in this prospectus supplement titled Risk Factors together with Risk Factors in this prospectus supplement and the accompanying prospectus.

You should read this prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into this prospectus supplement and the accompanying prospectus, the documents that we have included as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus are a part and the documents that we refer to under the section of the accompanying prospectus titled Where You Can Find More Information completely and with the understanding that our actual future results could be materially different from what we expect when making the forward-looking statements. We qualify all our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this prospectus supplement or the date of the document incorporated by reference. Except as required by applicable laws or regulations, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

OUR COMPANY

We are a leading vertically integrated electricity and natural gas utility. We were incorporated in California in 1905 and are a 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, procurement and transmission, and natural gas procurement, transportation and storage. At September 30, 2011, we served approximately 5 million electricity distribution customers and approximately 4 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.

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 and for the nine months ended September 30, 2011.

<u>Nine Months Ended September 30, 2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2.72x	3.12x	3.12x	2.96x	2.79x	2.98x

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For the purpose of computing our ratio of earnings to fixed charges, earnings represent net income adjusted for the income or loss from equity investees 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. Fixed charges exclude interest on tax liabilities.

S-5

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$249.3 million, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from the sale of the senior notes to support our liquidity requirements relating to our commodity hedging activities by repaying a portion of our outstanding commercial paper we issued to satisfy margin calls relating to our commodity hedging activities. At November 16, 2011, the outstanding amount of our commercial paper was approximately \$958 million, the weighted average yield on our outstanding commercial paper was approximately 0.42% per annum and the average maturity on our outstanding commercial paper was 24.78 days.

S-6

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization as of September 30, 2011, and as adjusted to give effect to the (i) issuance and sale of the senior notes offered hereby, (ii) payment in full of our floating rate senior notes due October 11, 2011 in the principal amount of \$250 million on their maturity date, and (iii) the use of net proceeds from this offering as set forth under "Use of Proceeds" in this prospectus supplement. This table should be read in conjunction with our consolidated condensed financial statements and related notes as of and for the nine months ended September 30, 2011, incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in the accompanying prospectus.

	As of September 30, 2011	
	Actual	As Adjusted
	(in millions)	
Current Liabilities:		
Short-term borrowings(1)	\$ 1,062	\$ 1,062
Long-term debt, classified as current:		
Current portion of long-term debt	50	50
Current portion of energy recovery bonds(2)	418	418
Total long-term debt, classified as current	\$ 468	\$ 468
Capitalization:		
Long-term debt(3)	\$ 11,167	\$ 11,167
Energy recovery bonds(2)	110	110
Shareholders' equity(4)	12,307	12,307
Total capitalization	\$ 23,584	\$ 23,584

- (1) Actual short-term borrowings consisted of commercial paper and floating rate senior notes and as adjusted short-term borrowings gives effect to (i) the payment of our floating rate senior notes in the principal amount of \$250 million on their maturity date and (ii) the issuance of the senior notes offered hereby.
- (2) PG&E Energy Recovery Funding LLC, or PERF, a legally separate but wholly-owned, consolidated subsidiary of ours, 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.
- (3) Actual long-term debt consisted of \$1,267 million of pollution control bonds and \$9,900 million of senior notes, net of any discounts and premiums.
- (4) Includes \$258 million of preferred stock without mandatory redemption provisions.

Table of Contents

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.

As used in this section, the terms "we," "us" and "our" refer to Pacific Gas and Electric Company, and not to any of our subsidiaries.

The senior notes are being offered in an initial aggregate principal amount of \$250,000,000 and will mature on November 20, 2012.

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 Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee, as supplemented by supplemental indentures 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, or the 1939 Act, if a default occurs on the senior notes, The Bank of New York Mellon Trust Company, N.A. may be required to resign as trustee under the indenture if it has a conflicting interest (as defined in the 1939 Act), unless the default is cured, duly waived or otherwise eliminated within 90 days.

We may, without consent of or notice to the holders of the senior notes, issue additional senior notes under the indenture, having the same terms in all respects to the senior notes (except for the public offering price and the issue date and, in some cases, the first interest payment date) so that those additional notes will be consolidated and form a single series with the other outstanding senior notes.

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

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."

Interest

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The senior notes will bear interest from November 22, 2011 or from the most recent date to which interest has been paid or provided for. We will pay interest on the senior notes quarterly on February 20, 2012, May 20, 2012, August 20, 2012 and November 20, 2012 (each, an interest payment date), to the persons in whose names the senior notes are registered at the close of business on the 15th calendar day (whether or not a Business Day) immediately preceding the related interest payment date; *provided, however*, that interest payable on the maturity date shall be payable to the person to whom the principal of such senior notes shall be payable. Interest on the senior notes will be computed on the basis of the actual number of days elapsed over a 360-day year. Notwithstanding anything to the contrary in this prospectus supplement, so long as the senior notes are in book-entry form, we will make payments of principal and interest through the trustee to DTC.

Interest payable on any interest payment date or the maturity date shall be the amount of interest accrued from, and including, the immediately preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the original issue date, if no interest has been paid or duly provided for with respect to the senior notes) to, but excluding, such interest payment date or maturity date, as the case

S-8

Table of Contents

may be. If any interest payment date (other than the maturity date) is not a Business Day at the relevant place of payment, we will pay interest on the next day that is a Business Day at such place of payment as if payment were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the immediately succeeding Business Day, except that if such Business Day is in the immediately succeeding calendar month, such interest payment date (other than the maturity date) shall be the immediately preceding Business Day. If the maturity date is not a Business Day at the relevant place of payment, we will pay interest, if any, and principal and premium, if any, on the next day that is a Business Day at such place of payment as if payment were made on the date such payment was due, and no interest will accrue for the intervening period.

Business Day means any day (1) that is not a Saturday or Sunday and that is not a day on which banking institutions are authorized or obligated by law or executive order to close in The City of New York and, for any place of payment outside of The City of New York, in such place of payment, and (2) that is also a London business day, which is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Rate of Interest

The interest rate on the senior notes will be reset quarterly on February 20, 2012, May 20, 2012 and August 20, 2012 (each, an interest reset date). The senior notes will bear interest at a per annum rate equal to three-month LIBOR (as defined below) for the applicable interest reset period or initial interest period (each as defined below) plus 0.450% (45 basis points). The interest rate for the initial interest period will be three-month LIBOR, determined as of two London business days prior to the original issue date, plus 0.450% (45 basis points) per annum. The interest rate on the senior notes will in no event be higher than the maximum rate permitted by California law as the same may be modified by United States law of general application.

The initial interest period will be the period from and including the original issue date to but excluding the initial interest reset date. Thereafter, each interest reset period will be the period from and including an interest reset date to but excluding the immediately succeeding interest reset date; *provided* that the final interest reset period for the senior notes will be the period from and including the interest reset date immediately preceding the maturity date of such senior notes to but excluding the maturity date.

If any interest reset date would otherwise be a day that is not a Business Day, the interest reset date will be postponed to the immediately succeeding day that is a Business Day, except that if that Business Day is in the immediately succeeding calendar month, the interest reset date shall be the immediately preceding Business Day.

The interest rate in effect on each day will be (i) if that day is an interest reset date, the interest rate determined as of the interest determination date (as defined below) immediately preceding such interest reset date or (ii) if that day is not an interest reset date, the interest rate determined as of the interest determination date immediately preceding the most recent interest reset date or the original issue date, as the case may be.

Interest Rate Determination

The interest rate applicable to each interest reset period commencing on the related interest reset date, or the original issue date in the case of the initial interest period, will be the rate determined as of the applicable interest determination date. The interest determination date will be the second London business day immediately preceding the original issue date, in the case of the initial interest reset period, or thereafter, will be the

second London business day immediately preceding the applicable interest reset date.

S-9

Table of Contents

The Bank of New York Mellon Trust Company, N.A., or its successor appointed by us, will act as calculation agent. Three-month LIBOR will be determined by the calculation agent as of the applicable interest determination date in accordance with the following provisions:

(i) LIBOR is the rate for deposits in U.S. dollars for the 3-month period which appears on Reuters Screen LIBOR01 Page (as defined below) at approximately 11:00 a.m., London time, on the applicable interest determination date. Reuters Screen LIBOR01 Page means the display designated on page LIBOR01 on Reuters Screen (or such other page as may replace the LIBOR01 page on that service, any successor service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). If no rate appears on Reuters Screen LIBOR01 Page, LIBOR for such interest determination date will be determined in accordance with the provisions of paragraph (ii) below.

(ii) With respect to an interest determination date on which no rate appears on Reuters Screen LIBOR01 Page as of approximately 11:00 a.m., London time, on such interest determination date, the calculation agent shall request the principal London offices of each of four major reference banks (which may include affiliates of the underwriters) in the London interbank market selected by the calculation agent (after consultation with us) to provide the calculation agent with a quotation of the rate at which deposits of U.S. dollars having a three-month maturity, commencing on the second London business day immediately following such interest determination date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such interest determination date in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. If at least two such quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of such quotations as calculated by the calculation agent. If fewer than two quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of the rates quoted as of approximately 11:00 a.m., New York City time, on such interest determination date by three major banks (which may include affiliates of the underwriters) selected by the calculation agent (after consultation with us) for loans in U.S. dollars to leading European banks having a three-month maturity commencing on the second London business day immediately following such interest determination date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time; *provided, however*, that if the banks selected as aforesaid by the calculation agent are not quoting such rates as mentioned in this sentence, LIBOR for such interest determination date will be LIBOR determined with respect to the immediately preceding interest determination date.

All percentages resulting from any calculation of any interest rate for the senior notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

Promptly upon such determination, the calculation agent will notify us and the trustee (if the calculation agent is not the trustee) of the interest rate for the new interest reset period. Upon request of a holder of the senior notes, the calculation agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next interest reset period.

All calculations made by the calculation agent for the purposes of calculating interest on the senior notes shall be conclusive and binding on the holders and us, absent manifest errors.

Ranking

The senior notes will be our direct, unsecured and unsubordinated obligations and will rank equally with all our other existing and future unsecured and unsubordinated obligations. The senior notes will be effectively subordinated to all our secured debt. As of September 30, 2011 and after giving effect to the repayment of the \$250 million aggregate principal amount of our floating rate senior notes due October 11, 2011 on

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their maturity date, we had approximately \$9.95 billion of notes outstanding under the indenture for the senior notes. The indenture contains no restrictions on the amount of additional indebtedness that may be incurred by us.

S-10

Table of Contents

As of September 30, 2011, we did not have any outstanding secured debt for borrowed money.

No Redemption

The senior notes will not be redeemable prior to maturity.

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 Description of the Senior Notes 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 series, and will be deposited with DTC or the trustee on behalf of DTC. If, however, the aggregate principal amount of the senior notes 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 principal amount of senior notes. 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:

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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 New York 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 computerized 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as 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

S-11

Table of Contents

has a Standard & Poor's rating of AA+. 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.

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' records. 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 DTC 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 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 that 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the senior notes 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 MMI 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

Table of Contents

such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the 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.

S-13

Table of Contents

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain United States federal income tax consequences of the acquisition, ownership and disposition of the senior notes as of the date hereof. This summary is based on the Internal Revenue Code of 1986, as amended (the Code), as well as final, temporary and proposed Treasury regulations and administrative and judicial decisions. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could affect the accuracy of the statements described herein. This summary generally is addressed only to beneficial owners of senior notes who are United States persons (as defined in Section 7701(a)(30) of the Code) and who purchased senior notes in this offering at the initial price, deals only with senior notes held as capital assets and does not purport to address all United States federal income tax matters that may be relevant to investors in special tax situations, such as insurance companies, tax-exempt organizations, financial institutions, dealers in securities or currencies, traders in securities that elect to mark to market, holders of senior notes that are held as a hedge or as part of a hedging, straddle or conversion transaction, certain former citizens or residents of the United States, or holders whose functional currency is not the United States dollar. If a partnership (including an entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of a senior note, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A beneficial owner of a senior note that is a partnership, and partners in such a partnership, should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the senior notes. **Persons considering the purchase of the senior notes should consult their own tax advisors concerning the application of United States federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.**

Stated Interest

Because the maturity date of the senior notes is not more than one year, interest on a senior note will be taxable to a holder of a senior note in accordance with the rules applicable to short-term debt obligations. In general, under those rules, a holder of a senior note who reports income for federal income tax purposes on the accrual method and certain other holders will be required to include the stated interest on such notes in income on a straight-line basis, unless an election is made to accrue the stated interest according to a constant interest method based on daily compounding. A holder of a senior note who reports income for United States federal income tax purposes on the cash method will be required to include the stated interest in income at the time it is received unless such holder makes an election to include the stated interest in income currently as it accrues. Non-electing cash method holders will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry such senior notes in an amount not exceeding the deferred interest income, until such deferred interest income is realized.

Sale, Exchange, Retirement or Disposition of the Senior Notes

Upon the sale, exchange, retirement or other taxable disposition of a senior note, a holder generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other taxable disposition and the holder's adjusted tax basis in the senior note. Such gain or loss generally will be short-term capital gain or loss, except in the case of a holder who is not required and does not elect to include interest in income currently in which case any gain realized on the sale, exchange, retirement or other taxable disposition of such a senior note will be treated as ordinary income to the extent of the unpaid interest that has accrued on a straight-line basis (or, if elected, according to a constant interest method based on daily compounding) through the date of such disposition. The deductibility of capital losses is subject to certain limitations. A holder's adjusted tax basis in a senior note should equal the cost for the senior note, and in the case of an accrual method holder (or cash method holder that has elected to include interest in income currently) decreased by any payment of stated interest previously received and increased by any stated interest previously accrued.

Table of Contents

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of interest and proceeds from dispositions of the senior notes made to holders (unless the holder is an exempt recipient, such as a corporation). A holder of a senior note will be required to provide (unless such holder is an exempt recipient), under penalties of perjury, a certificate containing such holder's name, address, correct federal taxpayer identification number and a statement that such holder is a United States person and is not subject to backup withholding. If the holder of a senior note is not an exempt recipient and such holder fails to provide the required certification, such payments will be subject to backup withholding. Holders of senior notes should consult with their own tax advisor regarding the application of backup withholding to their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules should be allowed as a refund or credit against the holder's federal income tax liability, provided the required information is timely furnished to the IRS.

S-15

Table of Contents

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement between us and the underwriters named below, for whom RBS Securities Inc. and Wells Fargo Securities, LLC 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 senior notes set forth opposite its name below.

<u>Underwriter</u>	<u>Principal Amount of Senior Notes</u>
RBS Securities Inc.	\$ 112,500,000
Wells Fargo Securities, LLC	112,500,000
Loop Capit	