

PG&E CORP
Form S-4/A
June 18, 2004

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As filed with the Securities and Exchange Commission on June 18, 2004

Registration No. 333-114923

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

**AMENDMENT NO. 1
TO**

**Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PG&E Corporation

(Exact Name of Registrant as Specified in Its Charter)

California
*(State or Other Jurisdiction of
Incorporation or Organization)*

4911
*(Primary Standard Industrial
Classification Code Number)*

94-3234914
*(I.R.S. Employer
Identification Number)*

One Market Street, Spear Tower, Suite 2400

**San Francisco, CA 94105
(415) 267-7000**
*(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)*

Bruce R. Worthington
One Market Street, Spear Tower, Suite 2400
San Francisco, CA 94105
(415) 267-7000
*(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)*

COPY TO:
Leslie P. Jay, Esq.
Orrick, Herrington & Sutcliffe LLP
400 Sansome Street
San Francisco, California 94111
(415) 392-1122

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed. We may not exchange the outstanding securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Preliminary Prospectus, Subject to Completion, Dated June 18, 2004

Offer to Exchange

**\$600,000,000 6 7/8% Senior Secured Notes due 2008 for
\$600,000,000 6 7/8% Senior Secured Notes due 2008
which have been registered under the Securities Act of 1933**

The exchange offer will expire at 5:00 p.m.,

New York City time, on _____, 2004, unless extended.

Material Terms of the Exchange Offer:

We are offering to exchange notes registered under the Securities Act of 1933, as amended, for a like principal amount of notes that we issued in a private placement that closed on July 2, 2003.

The terms of the exchange notes are substantially identical to the terms of the original notes, except that the exchange notes will not contain transfer restrictions, will not have the registration rights that apply to the original notes and will not entitle their holders to additional interest for our failure to comply with these registration rights. The terms and conditions of the exchange offer are more fully described in this prospectus.

The exchange offer is subject to the conditions that it shall be permissible under applicable law and Securities and Exchange Commission policy and that there is no action or proceeding, pending or threatened, that would impair our ability to proceed with the exchange offer.

You may withdraw tenders of original notes at any time before the expiration of the exchange offer. We will exchange all original notes that are validly tendered and not withdrawn before the expiration of the exchange offer.

We will not receive any cash proceeds from the exchange offer.

There is no existing market for the exchange notes and we do not intend to apply for their listing on any securities exchange or any automated quotation system.

We believe that the exchange of original notes for exchange notes will not be a taxable event for United States federal income tax purposes.

You should consider carefully the Risk Factors beginning on page 9 of this prospectus.

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.

Prospectus dated _____, 2004

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This prospectus incorporates business and financial information about us that is not included in or delivered with the prospectus. You should rely only on the information contained or incorporated by reference in this prospectus. We have not 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. You should assume that the information contained or incorporated by reference in this prospectus is accurate as of the date on the front cover of this prospectus or the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since then. We are not making an offer to sell or exchange the securities offered by this prospectus in any jurisdiction where the offer, sale or exchange is not permitted.

The information incorporated by reference into this prospectus is available without charge to holders of the original notes upon written or oral request to The Office of the Corporate Secretary, PG&E Corporation, One Market Street, Spear Tower, Suite 2400, San Francisco, California 94105, telephone number (415) 267-7070. In order to obtain timely delivery, such holders must request the information no later than five business days before the expiration date of the exchange offer.

When used in this prospectus and unless otherwise specified, the term:

NEGT refers to our unconsolidated subsidiary National Energy & Gas Transmission, Inc., formerly known as PG&E National Energy Group, Inc.;

Utility refers to our subsidiary Pacific Gas and Electric Company; and

we, our and us refer to PG&E Corporation and its consolidated subsidiaries.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference contain various forward-looking statements. These forward-looking statements can be identified by the use of words such as assume, expect, intend, plan, project, believe, estimate, predict, anticipate, will, should, would, could, goal, potential and similar expressions. We have based these forward-looking statements on our current expectations and projections about future events, our assumptions regarding these events and our knowledge of facts at the time the statements were made. These forward-looking statements are subject to various risks and uncertainties that may be outside our control, and our actual results could differ materially from our projected results. These risks and uncertainties include, among other things:

Whether the Implementation of the Utility's Plan of Reorganization Is Disrupted

The timing and resolution of the petitions for review that were filed in the California Court of Appeal for the first Appellate District, or the California Court of Appeal, seeking review of the December 18, 2003 decision of the California Public Utilities Commission, or the CPUC, approving the settlement agreement the CPUC entered into with the Utility and us on December 19, 2003, or the settlement agreement, and the CPUC's March 16, 2004 denial of applications for rehearing of the December 18, 2003 decision; and

the timing and resolution of the pending appeals of the confirmation by the U.S. Bankruptcy Court for the Northern District of California, or the bankruptcy court, of the Utility's plan of reorganization that incorporates the settlement agreement, or the Utility's plan of reorganization.

Operating Environment

Unanticipated changes in our or the Utility's operating expenses or capital expenditures;

the level and volatility of wholesale electricity and natural gas prices and supplies, the Utility's ability to manage and respond to the levels and volatility successfully and the extent to which the Utility is able to timely recover increased costs related to this volatility;

the extent to which the Utility's residual net open position (*i.e.*, that portion of the Utility's electricity customers' demand not satisfied by electricity that the Utility generates or has under contract, or by electricity provided under the California Department of Water Resources, or DWR, power purchase contracts allocated to the Utility's customers) increases or decreases due to changes in customer and economic growth rates, the periodic expiration or termination of the Utility's or the DWR's power purchase contracts, the reallocation of the DWR's power purchase contracts among the California investor-owned electric utilities, whether various counterparties are able to meet their obligations under their power purchase contracts with the Utility or with the DWR, the retirement or other closure of the Utility's electricity generation facilities, the performance of the Utility's electricity generation facilities, the extent to which the Utility purchases or builds electricity generation facilities, and other factors;

weather, storms, earthquakes, fires, floods, other natural disasters, explosions, accidents, mechanical breakdowns and other events or hazards that affect demand, result in power outages, reduce generating output, or cause damage to the Utility's assets or operations or those of third parties on which the Utility relies;

unanticipated population growth or decline, changes in market demand, demographic patterns or general economic and financial market conditions, including unanticipated changes in interest or inflation rates, and the extent to which the Utility is able to timely recover its costs in the face of such events;

the operation of the Utility's Diablo Canyon power plant, which exposes it to potentially significant environmental and capital expenditure outlays, and, to the extent the Utility is unable to increase the Utility's spent fuel storage capacity by 2007 or find an alternative depository, the risk that the Utility may be required to close its Diablo Canyon power plant and purchase electricity from more expensive sources;

actions of credit rating agencies;

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significant changes in our or the Utility's relationship with our or its employees, the availability of qualified personnel and the potential adverse effects if labor disputes were to occur; and

acts of terrorism.

Legislative and Regulatory Environment and Pending Litigation

The impact of current and future ratemaking actions of the CPUC;

whether the conditions to securitizing the \$2.2 billion after-tax regulatory asset established under the settlement agreement are met and, if so, the timing and amount of the securitization and the impact of the securitization on our and the Utility's earnings;

prevailing governmental policies and legislative or regulatory actions generally, including those of the California legislature, the U.S. Congress, the CPUC, the Federal Energy Regulatory Commission, or the FERC, and the Nuclear Regulatory Commission, or the NRC, with regard to the Utility's allowed rates of return, industry and rate structure, recovery of investments and costs, acquisitions and disposals of assets and facilities, treatment of affiliate contracts and relationships, and operation and construction of facilities;

the extent to which the CPUC or the FERC delays or denies recovery of the Utility's costs, including electricity purchase costs, from customers due to a regulatory determination that the costs were not reasonable or prudent or for other reasons;

how the CPUC administers the capital structure, stand-alone dividend and capital requirements conditions of the CPUC's decisions permitting the establishment of holding companies for the California investor-owned electric utilities;

whether the Utility is in compliance with all applicable rules, tariffs and orders relating to electricity and natural gas utility operations, and the extent to which a finding of non-compliance could result in customer refunds, penalties or other non-recoverable expenses;

whether the Utility is required to incur material costs or capital expenditures or curtail or cease operations at affected facilities to comply with existing and future environmental laws, regulations and policies; and

the outcome of pending litigation.

Competition

Increased competition as a result of the takeover by condemnation of the Utility's distribution assets, duplication of the Utility's distribution assets or service by local public utilities, self-generation by the Utility's customers and other forms of competition that may result in stranded investment capital, decreased customer growth, loss of customer load and additional barriers to cost recovery; and

the extent to which the Utility's distribution customers switch between purchasing electricity from the Utility and purchasing electricity from alternate energy service providers, thus becoming direct access customers, and the extent to which cities, counties and others in the Utility's service territory begin directly serving the Utility's customers or combine to form community choice aggregators.

For additional factors that could affect the validity of our forward-looking statements, you should read the section of this prospectus titled Risk Factors.

You should read this prospectus and the documents that we incorporate by reference into this prospectus, the documents that we have filed as exhibits to the registration statement of which this prospectus is a part and the documents that we refer to under the section of this 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 currently expect. We qualify all our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this prospectus or the date of the document incorporated by reference, as applicable. 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.

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SUMMARY

This summary may not contain all of the information that may be important to you in deciding whether to exchange your original notes for exchange notes. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the accompanying notes) included and incorporated by reference in this prospectus.

Our Company

We are an energy-based holding company headquartered in San Francisco, California that conducts its business principally through the Utility, a public utility operating in northern and central California. The Utility engages primarily in the businesses of electricity and natural gas distribution, electricity generation, electricity transmission, and natural gas transportation and storage.

Our executive offices are located at One Market Street, Spear Tower, Suite 2400, San Francisco, California 94105, and our telephone number is (415) 267-7000.

The California Energy Crisis and the Utility's Chapter 11 Proceeding

In 1998, the state of California implemented electricity industry restructuring and established a framework allowing generators and other power providers to charge market-based prices for electricity sold on the wholesale market. The implementing legislation also established a retail electricity rate freeze and a plan for recovering the Utility's generation-related costs that were expected to be uneconomic under the new market framework. State regulatory action further required the Utility to divest a majority of its fossil fuel-fired generation facilities and made it economically unattractive to retain its remaining generation facilities. The resulting sales of generation facilities in turn made the Utility more dependent on the newly deregulated wholesale electricity market.

Beginning in May 2000, wholesale prices for electricity began to increase. Since the Utility's retail electricity rates remained frozen, the Utility financed the higher costs of wholesale electricity by issuing debt and drawing on its credit facilities. The Utility's inability to recover its electricity purchase costs from customers ultimately resulted in billions of dollars in defaulted debt and unpaid bills and caused the Utility to file a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, or Chapter 11, on April 6, 2001. During its Chapter 11 proceeding, the Utility retained control of its assets and operated its business as a debtor-in-possession while subject to the jurisdiction of the bankruptcy court.

The CPUC Settlement Agreement

On December 18, 2003, the CPUC approved the settlement agreement that provided the basis for the Utility's plan of reorganization. Two CPUC commissioners, or the dissenting commissioners, voted not to approve the settlement agreement. The settlement agreement was executed by the CPUC, the Utility and us on December 19, 2003.

The settlement agreement contains a statement of intent that it is in the public interest to restore the Utility to financial health and to maintain and improve its financial health in the future to ensure that it is able to provide safe and reliable electricity and natural gas service to its customers at just and reasonable rates. The settlement agreement generally ensures that the Utility will have the opportunity to collect in rates reasonable costs of providing utility service. The settlement agreement provides that the Utility's authorized return on equity will be no less than 11.22% per year and, except for 2004 and 2005, the Utility's authorized equity to capitalization ratio will be no less than 52% until Moody's Investors Service, or Moody's, has issued the Utility an issuer rating of not less than A3 or Standard & Poor's Ratings Services, or S&P, has issued the Utility a long-term issuer credit rating of not less than A-. The settlement agreement also establishes a \$2.2 billion after-tax regulatory asset (subject to certain reductions) and allows for the recognition of an approximately \$700 million after-tax regulatory asset related to generation assets. The settlement agreement and related decisions by the CPUC provide that the Utility's revenue requirement will

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be collected regardless of sales levels and that the Utility's rates will be timely adjusted to accommodate changes in costs that it incurs.

Confirmation and Implementation of the Plan of Reorganization

On December 22, 2003, the bankruptcy court confirmed the plan of reorganization, fully incorporating the settlement agreement. On April 12, 2004, the Utility's plan of reorganization became effective.

On the effective date, the Utility paid approximately \$8.394 billion in cash to holders of allowed claims and deposited approximately \$1.843 billion into escrow accounts for the payment of disputed claims. The Utility also paid approximately \$83 million in preferred stock dividends and made sinking fund payments of approximately \$10 million that were in arrears. The proceeds of the Utility's public offering of \$6.7 billion of first mortgage bonds provided the majority of the funds for these payments, with \$350 million from an accounts receivable financing facility, \$799 million from a term loan and reimbursement agreements, and approximately \$2.481 billion from cash on hand supplying the balance. In addition, the Utility reinstated approximately \$814 million in debt consisting of pollution control bond-related obligations and approximately \$421 million of its preferred stock.

Although the Utility's operations will no longer be subject to the oversight of the bankruptcy court, the bankruptcy court will retain jurisdiction to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of (i) the settlement agreement, (ii) the Utility's plan of reorganization and (iii) the confirmation order. The bankruptcy court retains jurisdiction to resolve remaining disputed claims.

In connection with its emergence from Chapter 11, the Utility has received an issuer credit rating of Baa3 from Moody's and a long-term issuer credit rating of BBB- from S&P.

Pending Proceedings

Appeals of the bankruptcy court's order confirming the Utility's plan of reorganization are still pending in the U.S. District Court for the Northern District of California, or the District Court. These appeals were filed by the dissenting commissioners and a municipality. The District Court will set a schedule for briefing and argument of the appeals at a later date. In addition, on April 15, 2004, the City and County of San Francisco, or CCSF, and Aglet Consumer Alliance, or Aglet, each filed a petition with the California Court of Appeal seeking review of the CPUC's December 18, 2003 decision approving the settlement agreement and the CPUC's March 16, 2004 decision denying applications for rehearing of the December 18, 2003 decision. CCSF and Aglet allege that the settlement agreement violates California law, among other claims. CCSF requests the appellate court to hear and review the CPUC's decisions approving the settlement agreement and Aglet requests that the CPUC's decisions be overturned. We and the Utility believe the petitions are without merit and should be denied. The Utility filed its answer in opposition to the petitions for review on May 19, 2004.

Under applicable federal precedent, once the plan of reorganization has been substantially consummated, any pending appeals of the confirmation order should be dismissed. If, notwithstanding this federal precedent, the bankruptcy court's confirmation order or the settlement agreement is subsequently overturned or modified, our and the Utility's financial condition and results of operations could be materially adversely affected and our and the Utility's ability to make payments on our respective debt could be materially adversely affected.

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Summary of the Terms of the Exchange Offer

On July 2, 2003, we completed the private placement of \$600 million in aggregate principal amount of our 6 7/8% senior secured notes due 2008, which we refer to in this prospectus as the original notes. These original notes were not registered under the Securities Act of 1933, as amended, or the Securities Act. Therefore, the original notes are subject to significant restrictions on resale. Accordingly, when we sold these original notes, we entered into a registration rights agreement with the initial purchasers that requires us to deliver to you this prospectus and to permit you to exchange your original notes for notes, which we refer to in this prospectus as the exchange notes, that are registered under the Securities Act. The original notes and the exchange notes are collectively referred to in this prospectus as the notes. The terms of the exchange notes will be substantially identical to the terms of the original notes, except that the exchange notes will not contain transfer restrictions and will not have the registration rights that apply to the original notes or entitle their holders to additional interest for our failure to comply with these registration rights. The exchange notes will be issued under the same indenture under which the original notes were issued and, as a holder of the exchange notes, you will be entitled to the same rights under the indenture that you had as a holder of original notes. The original notes and the exchange notes will be treated as a single series of notes under the indenture.

Set forth below is a summary description of the terms of the exchange offer.

Exchange Offer	We are offering to exchange up to \$600 million in aggregate principal amount of exchange notes for a like aggregate principal amount of original notes. Original notes may be tendered only in denominations of \$1,000 and multiples thereof.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2004, unless we extend it. We do not currently intend to extend the exchange offer.
Treatment of Accrued Interest	Any interest that has accrued on the original notes before their acceptance or exchange in this exchange offer will be included in the interest paid on the exchange notes on the first interest payment date after the conclusion of the exchange offer.
Conditions to the Exchange Offer	The exchange offer is subject to the conditions that: <ul style="list-style-type: none"> it shall be permissible under applicable law and Securities and Exchange Commission, or SEC, policy; and there is no action or proceeding, pending or threatened, that would impair our ability to proceed with the exchange offer.
Procedure for Exchanging Original Notes	<p>If the original notes you wish to exchange are in book-entry form and registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact the registered holder and instruct it to promptly tender your original notes for exchange on your behalf. You must comply with procedures of The Depository Trust Company, or DTC, for tender and delivery of book-entry securities in order to validly tender your original notes for exchange.</p> <p>If the original notes you wish to exchange are registered in your name, you must complete, sign and date the letter of transmittal, and mail or otherwise deliver it, together with any other required documentation, to J.P. Morgan Trust Company, National Association, as exchange agent, at the address specified under the heading The Exchange Offer Exchange Agent.</p>

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Questions regarding the exchange of original notes or the exchange offer generally should be directed to the exchange agent at one of its addresses specified under the heading The Exchange Offer Exchange Agent.

Guaranteed Delivery Procedures

If you wish to exchange your original notes and you cannot get the required documents to the exchange agent by _____, 2004 or you cannot tender and deliver your original notes in accordance with DTC's procedures by _____, 2004, you may tender your original notes according to the guaranteed delivery procedures described under the heading The Exchange Offer Guaranteed Delivery Procedures.

Withdrawal Rights

You may withdraw the tender of your original notes at any time before 5:00 p.m., New York City time, on _____, 2004.

Acceptance of Original Notes and Delivery of Exchange Notes

We will accept for exchange any and all original notes that are properly tendered in the exchange offer before 5:00 p.m., New York City time, on _____, 2004, as long as all of the terms and conditions of the exchange offer are met. We will deliver the exchange notes promptly following the expiration date.

Resale of Exchange Notes

Based on interpretations by the staff of the SEC, as detailed in a series of no-action letters issued by the SEC to third parties, we believe that you may offer for resale, resell or otherwise transfer the exchange notes without complying with the registration and prospectus delivery requirements of the Securities Act if you are:

acquiring the exchange notes and acquired the original notes being exchanged in the ordinary course of your business;

not a broker-dealer tendering original notes acquired directly from us;

not participating, do not intend to participate and have no arrangements or understandings with any person to participate in a distribution (within the meaning of the Securities Act) of the exchange notes; and

not our affiliate, within the meaning of Rule 405 under the Securities Act.

Each broker or dealer that receives exchange notes in exchange for original notes that were acquired for its own account as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those exchange notes. Furthermore, any broker-dealer that acquired any of its original notes directly from us must be named as a selling noteholder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

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Consequences of Failure to Exchange	<p>If you do not exchange your original notes for exchange notes, you will not be able to offer, sell or otherwise transfer the original notes except:</p> <p>in compliance with the registration and prospectus delivery requirements of the Securities Act and any other applicable securities laws;</p> <p>under an exemption from the registration requirements of securities laws; or</p> <p>in a transaction not subject to the securities laws.</p> <p>Original notes that remain outstanding after completion of the exchange offer will continue to bear a legend reflecting these restrictions on transfer. In addition, upon completion of the exchange offer, you will not be entitled to any rights to have the resale of original notes registered under the Securities Act (subject to limited exceptions applicable only to certain qualified institutional buyers). Unless otherwise required to do so by the terms of the registration rights agreement, we do not intend to register under the Securities Act the resale of any original notes that remain outstanding after completion of the exchange offer.</p>
Certain Tax Considerations	<p>We believe that the exchange of original notes for exchange notes will not be a taxable event for United States federal income tax purposes.</p>
Exchange Agent	<p>J.P. Morgan Trust Company, National Association is serving as exchange agent for the exchange offer.</p>

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Summary Description of the Exchange Notes

The summary below describes the principal terms of the exchange notes. Some of t