

PACIFIC GAS & ELECTRIC CO

Form 424B5

November 16, 2010

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CALCULATION OF REGISTRATION FEE

	Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Debt Securities		500,000,000	\$35,650.00

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

**Filed pursuant to Rule 424(b)(5)
SEC File No. 333-149361**

**PROSPECTUS SUPPLEMENT
(To Prospectus dated November 10, 2009)**

\$500,000,000

**\$250,000,000 3.50% Senior Notes due October 1, 2020
\$250,000,000 5.40% Senior Notes due January 15, 2040**

We are offering \$250,000,000 principal amount of our 3.50% Senior Notes due October 1, 2020, which we refer to in this prospectus supplement as our 2020 notes, and \$250,000,000 principal amount of our 5.40% Senior Notes due January 15, 2040, which we refer to in this prospectus supplement as our 2040 Notes. We collectively refer to both series of notes as our senior notes.

We will pay interest on our 2020 notes on each April 1 and October 1, commencing April 1, 2011, and pay interest on our 2040 notes on each January 15 and July 15, beginning on January 15, 2011. The senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000.

The terms of the 2020 notes, other than their issue date and public offering price, will be identical to the terms of the \$550,000,000 principal amount of 3.50% Senior Notes due October 1, 2020 offered and sold by our prospectus supplement dated September 8, 2010 and the accompanying prospectus. The 2020 notes offered by this prospectus supplement and the accompanying prospectus will have the same CUSIP number as the other notes of the corresponding series and will trade interchangeably with notes of the same series immediately upon settlement. Upon consummation of this offering, the aggregate principal amount of our 3.50% Senior Notes due October 1, 2020, including the 2020 notes offered hereby, will be \$800,000,000.

The terms of the 2040 notes, other than their issue date and public offering price, will be identical to the terms of the \$550,000,000 principal amount of 5.40% Senior Notes due January 15, 2040 offered and sold by our prospectus supplement dated November 10, 2009 and the accompanying prospectus. The 2040 notes offered by this prospectus

supplement and the accompanying prospectus will have the same CUSIP number as the other notes of the corresponding series and will trade interchangeably with notes of the same series immediately upon settlement. Upon consummation of this offering, the aggregate principal amount of our 5.40% Senior Notes due January 15, 2040, including the 2040 notes offered hereby, will be \$800,000,000.

We may redeem the senior notes in whole or in part at any time at the respective 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 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.

	Per 2020		Per 2040	
	Note	Total	Note	Total
Public Offering Price ⁽¹⁾	97.264%	\$ 243,160,000	97.499%	\$ 243,747,500
Underwriting Discount	0.650%	\$ 1,625,000	0.875%	\$ 2,187,500
Proceeds to Pacific Gas and Electric Company (before expenses) ⁽¹⁾	96.614%	\$ 241,535,000	96.624%	\$ 241,560,000

⁽¹⁾ Plus accrued interest, (i) with respect to the 2020 notes, from and including September 15, 2010 to but excluding the delivery date (totaling \$1,531,250), and, (ii) with respect to the 2040 notes, from and including July 15, 2010 to but excluding the delivery date (totaling \$4,612,500). Accrued interest must be paid by the purchasers of the 2020 notes and the purchasers of the 2040 notes.

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 18, 2010 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

BofA Merrill Lynch

RBS

UBS Investment Bank

Wells Fargo Securities

Co-Managers

BBVA Securities

Mizuho Securities USA Inc.

RBC Capital Markets

The Williams Capital Group, L.P.

November 15, 2010

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.

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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; estimated environmental remediation, tax, and other liabilities; estimates and assumptions used in our critical accounting policies; the anticipated outcome of various regulatory and legal proceedings; 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, ta anticipate, aim, may, might, should, would, could, goal, potential and similar expressions. We are not considering all the factors that may affect future results. See 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.

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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 the fiscal year ended December 31, 2009 and our quarterly report on Form 10-Q for the three months ended September 30, 2010, 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.

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, 2010, we served approximately 5.2 million electricity distribution customers and approximately 4.3 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, 2010.

Nine Months Ended September 30, 2010	2009	2008	2007	2006	2005
3.32x	3.12x	2.96x	2.79x	2.98x	3.56x

For the purpose of computing our ratios 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 expense), 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 majority-owned trust. Fixed charges exclude interest on tax liabilities.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$488.5 million (including accrued interest), 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 our outstanding commercial paper and for general corporate purposes. At November 12, 2010, the outstanding amount of our commercial paper was approximately \$435.7 million, the weighted average yield on our outstanding commercial paper was approximately 0.57% per annum and the average maturity on our outstanding commercial paper was 51.57 days.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization as of September 30, 2010, and as adjusted to give effect to (i) the issuance and sale of the senior notes, (ii) the issuance and sale on October 12, 2010 of \$250,000,000 aggregate principal amount of our Floating Rate Senior Notes due October 11, 2011 and (iii) the use of proceeds from this offering as set forth under Use of Proceeds above and the use of proceeds from the issuance and sale on October 12, 2010 of \$250,000,000 aggregate principal amount of our Floating Rate Senior Notes due October 11, 2011 to repay a portion of our outstanding commercial paper. 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, 2010, 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, 2010	
	Actual	As Adjusted
	(in millions)	
Current Liabilities:		
Short-term borrowings(1)	\$ 986	\$ 496
Long-term debt, classified as current:		
Current portion of long-term debt	500	500
Current portion of energy recovery bonds(2)	399	399
Total long-term debt, classified as current	\$ 899	\$ 899
Capitalization:		
Long-term debt(3)	\$ 10,378	\$ 10,865
Energy recovery bonds(2)	528	528
Shareholders' equity(4)	11,616	11,616
Total capitalization	\$ 22,522	\$ 23,009

- (1) Actual short-term borrowings consisted of commercial paper and bank loans and as adjusted short-term borrowings gives effect to the issuance and sale on October 12, 2010 of \$250,000,000 aggregate principal amount of our Floating Rate Senior Notes due October 11, 2011 and the use of proceeds of this offering and our October 12, 2010 offering of \$250,000,000 aggregate principal amount of our Floating Rate Senior Notes due October 11, 2011 to repay a portion of our outstanding commercial paper.
- (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 \$1,517,000,000 of pollution control bonds and \$8,861,000,000 of senior notes and as adjusted long-term debt also includes the senior notes offered hereby, in each case, net of any discounts

and premiums.

(4) Includes \$258,000,000 of preferred stock without mandatory redemption provisions.

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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 2020 notes are being offered in the aggregate principal amount of \$250,000,000 and will mature on October 1, 2020. The 2040 notes are being offered in the aggregate principal amount of \$250,000,000 and will mature on January 15, 2040.

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.

The 2020 notes form a part of the series of our 3.50% Senior Notes due October 1, 2020 and will have the same terms as the other notes of this series other than their issue date and the public offering price at which the 2020 notes are sold by this prospectus supplement and the accompanying prospectus. We first issued our 3.50% Senior Notes due October 1, 2020 on September 15, 2010. The 2020 notes offered by this prospectus supplement and the accompanying prospectus will have the same CUSIP number as the other notes of the corresponding series and will trade interchangeably with notes of the same series immediately upon settlement. Upon the consummation of this offering, the aggregate principal amount of our 3.50% Senior Notes due October 1, 2020, including the 2020 notes offered hereby, will be \$800,000,000.

The 2040 notes form a part of the series of our 5.40% Senior Notes due January 15, 2040 and will have the same terms as the other notes of this series other than their issue date and the public offering price at which the 2040 notes are sold by this prospectus supplement and the accompanying prospectus. We first issued our 5.40% Senior Notes due January 15, 2040 on November 18, 2009. The 2040 notes offered by this prospectus supplement and the accompanying prospectus will have the same CUSIP number as the other notes of the corresponding series and will trade interchangeably with notes of the same series immediately upon settlement. Upon the consummation of this offering, the aggregate principal amount of our 5.40% Senior Notes due January 15, 2040, including the 2040 notes offered hereby, will be \$800,000,000.

For each series of senior notes, we may without consent of the holders of that series issue additional senior notes of that series under the indenture, as we are doing in this offering, having the same terms in all respects to the senior

notes of that series (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 of that series.

The 2020 notes will bear interest from September 15, 2010 at 3.50% per annum, payable semiannually on each April 1 and October 1, commencing on April 1, 2011, to holders of record on the 15th day prior to the interest payment date.

The 2040 notes will bear interest from July 15, 2010 at 5.40% per annum, payable semiannually on each January 15 and July 15, beginning on January 15, 2011, to holders of record on the 15th day prior to the interest payment date.

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

Each series of senior notes will be redeemable at our option, in whole or in part, at any time as described under **Optional Redemption for 2020 Notes** and **Optional Redemption for 2040 Notes** below.

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.

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**.

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, 2010 and after giving effect to the \$250,000,000 aggregate principal amount of Floating Rate Senior Notes due October 11, 2011 we issued on October 12, 2010, we had approximately \$9.65 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.

As of September 30, 2010, we did not have any outstanding secured debt for borrowed money.

Optional Redemption for 2020 Notes

At any time prior to July 1, 2020, we may, at our option, redeem the 2020 notes in whole or in part at a redemption price equal to the greater of:

100% of the principal amount of the 2020 notes to be redeemed; or

as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the 2020 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 semiannual basis at the Adjusted Treasury Rate plus 15 basis points,

plus, in either case, accrued and unpaid interest to the redemption date.

At any time on or after July 1, 2020, we may redeem the 2020 notes, in whole or in part, at 100% of the principal amount of the 2020 notes being redeemed plus accrued and unpaid interest 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 2020 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 2020 notes or portions of the senior notes called for redemption.

As used in this section Optional Redemption for 2020 Notes, the following terms shall have the following meanings;

Adjusted Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual 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.

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Comparable Treasury Issue means the United States Treasury security selected by the applicable Quotation Agent as having a maturity comparable to the remaining term of the 2020 notes to be redeemed that would be used, at the time of 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 2020 notes to be redeemed.

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 for the 2020 notes.

Reference Treasury Dealer means (1) each of BNP Paribas Securities Corp., Goldman, Sachs & Co. and J.P. Morgan Securities LLC and their respective successors, unless any of them ceases to be a primary dealer in certain U.S. government securities (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 2020 notes, DTC's practice is to choose by lot the amount to be redeemed from the 2020 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 2020 notes to be redeemed 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 2020 notes to be redeemed to anyone other than the registered holders of the 2020 notes to be redeemed, which is currently DTC. If 2020 notes to be redeemed are no longer held through DTC and fewer than all the 2020 notes are to be redeemed, selection of 2020 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 2020 notes by tender, in the open market or by private agreement.

Optional Redemption for 2040 Notes

We may, at our option, redeem the 2040 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 2040 notes to be redeemed; or

as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the 2040 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 semiannual basis at the Adjusted

Treasury Rate plus 20 basis points,

plus, in either case, accrued and unpaid interest 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 2040 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 2040 notes or portions of the 2040 notes called for redemption.

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As used in this section Optional Redemption for 2040 Notes, the following terms shall have the following meanings:

Adjusted Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual 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 applicable Quotation Agent as having a maturity comparable to the remaining term of the 2040 notes to be redeemed that would be used, at the time of 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 2040 notes to be redeemed.

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 for the senior notes.

Reference Treasury Dealer means (1) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, as successor to Banc of America Securities LLC, Deutsche Bank Securities Inc. and RBS Securities Inc. and their respective successors, unless any of them ceases to be a primary dealer in certain U.S. government securities (**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 2040 notes, DTC's practice is to choose by lot the amount to be redeemed from the 2040 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 2040 notes to be redeemed 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 2040 notes to be redeemed to anyone other than the registered holders of the 2040 notes to be redeemed, which is currently DTC. If 2040 notes to be redeemed are no longer held through DTC and fewer than all the 2040 notes are to be redeemed, selection of 2040 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 2040 notes by tender, in the open market or by private agreement.

No Sinking Fund

There is no provision for a sinking fund for either the 2020 notes or the 2040 notes.

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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 of each series will initially be issued in the form of one or more global notes. Each series of 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 each of the 2020 notes and the 2040 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 either the 2020 notes or the 2040 notes exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount of such series and an additional certificate will be issued with respect to any remaining principal amount of such series. 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 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, 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 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 has Standard & Poor'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 and 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' 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.

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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 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 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 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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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

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, 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 original purchasers of the senior notes in this offering, 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 United States holders (as defined below) whose functional currency is not the United States dollar. **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.**

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.

We intend to treat each of the 2020 notes and the 2040 notes as being issued in a qualified reopening for United States federal income tax purposes. Consequently, we intend to treat the 2020 notes as part of the same issue for United States federal income tax purposes as the 3.50% Senior Notes due October 1, 2020 offered and sold by our prospectus supplement dated September 8, 2010 and the accompanying prospectus and treat the 2040 notes as part of the same issue as the 5.40% Senior Notes due January 15, 2040 offered and sold by our prospectus supplement dated November 10, 2009 and the accompanying prospectus. The aggregate price paid for the 2020 notes will include pre-issuance accrued interest from September 15, 2010, and the aggregate price paid for the 2040 notes will include pre-issuance accrued interest from July 15, 2010. Such pre-issuance accrued interest will be included in the interest payment that will be made on April 1, 2011 to the holders of the 2020 notes and on January 15, 2011 to the holders of the 2040 notes. We will exclude the pre-issuance accrued interest in determining the issue price of the senior notes and, in accordance with this treatment, holders of the senior notes will be required to treat a corresponding portion of the interest payable on the April 1, 2011 interest payment date in the case of the 2020 notes and on the January 15, 2011 interest payment date in the case of the 2040 notes as a non-taxable return of the excluded pre-issuance accrued interest, rather than as an amount payable on the senior notes.

United States Holders

This section describes the tax consequences to a United States holder. A United States holder is a beneficial owner of a senior note that is (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in the United States or any state (including the District of Columbia), (iii) an estate whose income is subject to United States federal income tax on a net income basis in respect of the senior note, or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust (or certain trusts that have made a valid election to be treated as a United States person).

If you are not a United States holder, this section does not apply to you. See [Non-United States Holders](#) below.

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Payment of Interest

The senior notes will not be issued with more than a *de minimis* amount of original issue discount for United States federal income tax purposes. Interest on a senior note will therefore be taxable to a United States holder as ordinary interest income at the time it accrues or is received, in accordance with the United States holder's method of accounting for United States federal income tax purposes.

Sale, Exchange or Retirement of Senior Notes

Upon the sale, exchange or retirement of a senior note, a United States holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other disposition (other than amounts attributable to accrued interest not previously included in income, which will be taxable as ordinary interest income) and the United States holder's adjusted tax basis in the senior note. A United States holder's adjusted tax basis in a senior note will generally equal the cost of the senior note to such holder (excluding amounts attributable to pre-issuance accrued interest) increased by the amount of any accrued but unpaid interest and accrued market discount previously included in income. Such gain or loss generally will be capital gain or loss, except to the extent of any accrued market discount on a 2020 note (see **Market Discount** below), and will be long-term capital gain or loss if the senior note has been held for more than one year. Capital losses are subject to certain limitations.

Market Discount

The 2020 notes have been issued with market discount, for United States federal income tax purposes, in an amount equal to the excess of the principal amount of the 2020 notes over the purchase price paid for the 2020 notes. Under the market discount rules, any gain recognized upon a sale or retirement of the 2020 notes will be treated as ordinary income to the extent that such market discount has accrued during the period that the United States holder has held his 2020 notes, and a deduction in respect of the interest expense incurred by the United States holder to carry the 2020 notes may be required to be deferred until the taxable year of such disposition. In the alternative, the United States holder may elect to include market discount in income on a current basis, in which case the interest expense deferral rule described immediately above would not apply, and such election would apply to all market discount obligations subsequently acquired by the United States holder.

Non-United States Holders

This section describes the tax consequences to a non-United States holder. You are a non-United States holder if you are the beneficial owner of a senior note (other than a partnership, including an entity treated as a partnership for United States federal income tax purposes) and are not a United States holder for United States federal income tax purposes.

Payment of Interest

A non-United States holder generally will not be subject to United States federal withholding tax with respect to payments of principal and interest on the senior notes, provided that (i) the non-United States holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock entitled to vote, (ii) the non-United States holder is not for United States federal income tax purposes a controlled foreign corporation related to us (directly or indirectly) through stock ownership, and (iii) the non-United States holder certifies to us or the fiscal and paying agent (on Internal Revenue Service Form W-8BEN or applicable form) under penalties of perjury as to its status as a non-United States holder and

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complies with applicable identification procedures. Special rules apply to partnerships, estates and trusts and, in certain circumstances, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Sale, Exchange or Retirement of Senior Notes

A non-United States holder of a senior note generally will not be subject to United States federal income tax on any gain realized upon the sale, exchange, retirement or other disposition of a senior note, unless the non-United States holder is an individual who is present in the United States for