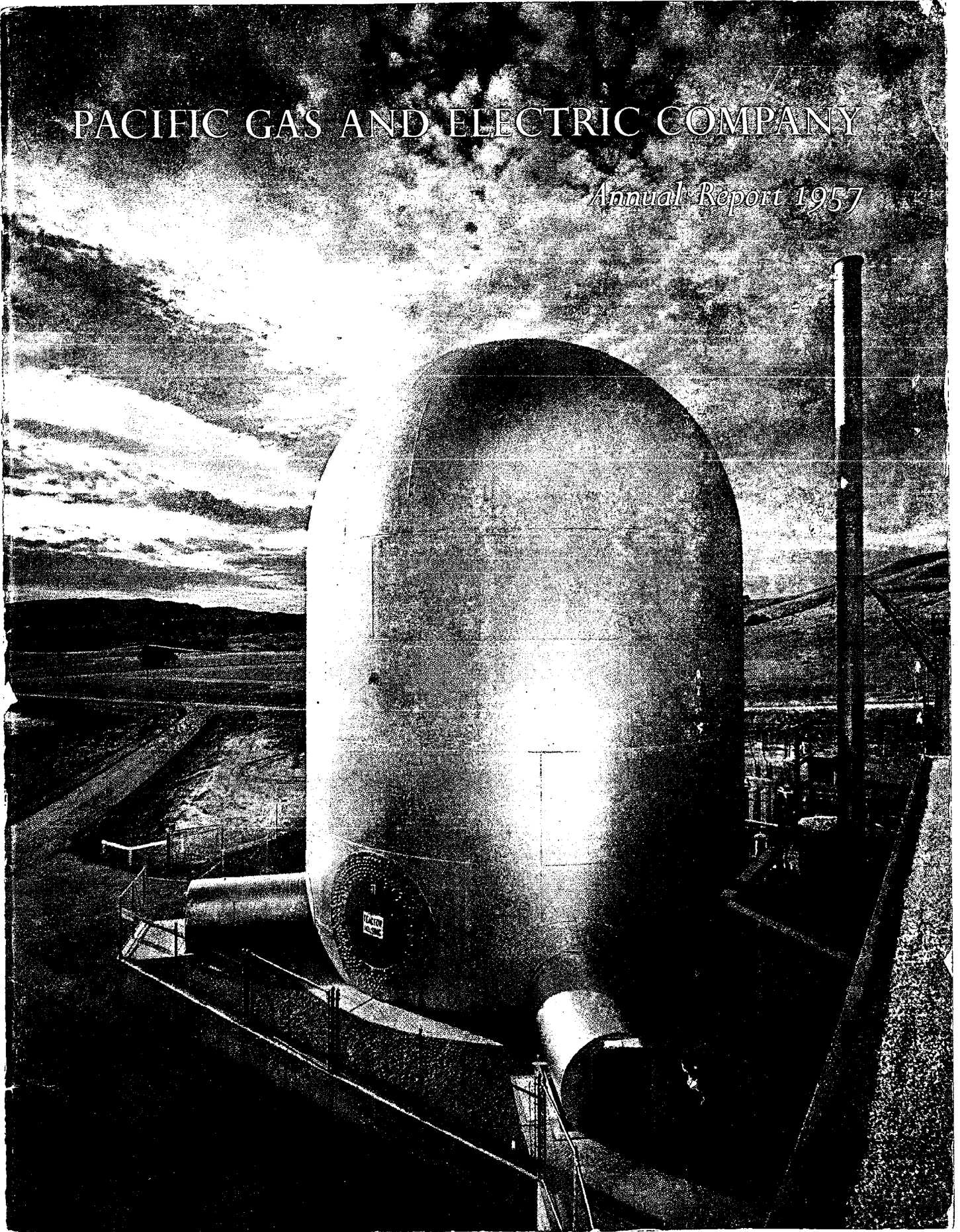


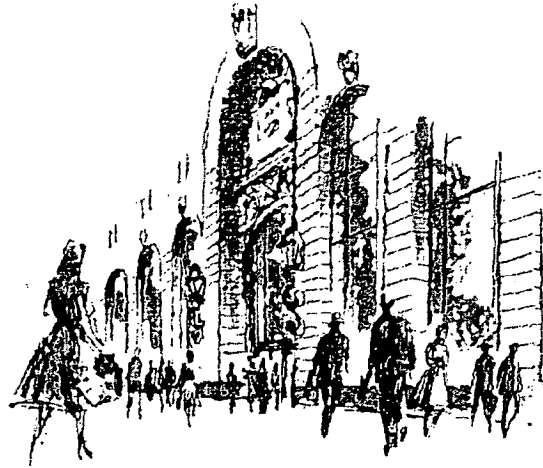
# PACIFIC GAS AND ELECTRIC COMPANY

*Annual Report 1957*





PACIFIC



GAS AND ELECTRIC

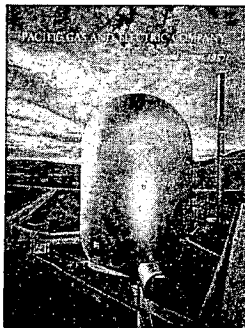
COMPANY

FIFTY-SECOND ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1957



View of boiler  
installation, Hunters  
Point Power Plant.



Cover—Vallecitos Atomic  
Power Plant which became  
operative in October 1957.

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PACIFIC GAS AND ELECTRIC COMPANY, 245 Market Street, San Francisco 6, California

BOARD OF DIRECTORS

JAMES B. BLACK San Francisco  
*Chairman of the Board*

ALLEN L. CHICKERING\* San Francisco  
JAMES F. CRAFTS San Francisco  
WILLIAM W. CROCKER San Francisco  
PAUL L. DAVIES San Jose  
ROBERT H. GERDES San Francisco  
WALTER A. HAAS San Francisco  
JAMES K. LOCHHEAD Piedmont  
ELLIOTT McALLISTER San Francisco  
HENRY D. NICHOLS San Francisco  
SILAS H. PALMER San Francisco  
PORTER SESNON San Francisco  
WALTER H. SULLIVAN San Francisco  
N. R. SUTHERLAND San Francisco  
CARL F. WENTE San Francisco

\*Died January 6, 1958; succeeded  
by Russell Giffen, Fresno, January 21, 1958.

EXECUTIVE COMMITTEE

JAMES B. BLACK  
ALLEN L. CHICKERING\*  
WILLIAM W. CROCKER  
HENRY D. NICHOLS  
SILAS H. PALMER  
N. R. SUTHERLAND

\*Died January 6, 1958; succeeded by  
Walter H. Sullivan, February 19, 1958.

EXECUTIVE OFFICERS

N. R. SUTHERLAND *President and General Manager*  
ROBERT H. GERDES *Executive Vice-President*  
L. HAROLD ANDERSON *Vice-President and Assistant General Manager*  
S. L. SIBLEY *Vice-President and Assistant General Manager*  
WALTER DREYER *Vice-President and Chief Engineer*  
J. S. MOULTON *Vice-President and Executive Engineer*  
O. R. DOERR *Vice-President in Charge of Sales*  
G. A. PEERS *Vice-President in Charge of Electric Operations*  
P. E. BECKMAN *Vice-President in Charge of Gas Operations*  
A. J. SWANK *Vice-President in Charge of General Construction*  
J. K. HORTON *Vice-President*  
ROBERT R. GROS *Vice-President*  
K. C. CHRISTENSEN *Treasurer*  
E. E. MANHARD *Secretary*  
L. W. COUGHLAN *Comptroller*  
RICHARD H. PETERSON *General Counsel*

\* \* \*

H. C. NELSON *Assistant Treasurer and Assistant Secretary*  
V. D. VINCENT *Assistant Treasurer*  
D. L. BELL *Assistant Treasurer*  
J. F. TAYLOR *Assistant Secretary*  
A. H. CATHERALL *Assistant Secretary*

STOCK TRANSFER AGENCIES

OFFICE OF THE COMPANY (E. F. Hall, Transfer Agent),  
San Francisco; BANKERS TRUST COMPANY, New York.

REGISTRARS OF STOCK

AMERICAN TRUST COMPANY, San Francisco;  
THE NEW YORK TRUST COMPANY, New York.



*San Francisco, California, February 20, 1958*

**TO OUR STOCKHOLDERS:**

In 1957 your Company faced many new and challenging problems in providing for the needs of its present and prospective customers. In retrospect, it was a year marked by a number of developments which hold considerable promise for the future.

Sales of both gas and electricity were substantially above those of the previous year, and gross revenues passed the half billion dollar mark for the first time. These gains were achieved despite a decline in housing starts in our service area and warmer than normal temperatures which depressed sales for gas heating.

Net earnings available for the common stock amounted to \$58,284,000, or \$702,000 more than in the previous year. Because of the greater average number of shares of common stock outstanding during the year, however, per share earnings on this basis declined from \$3.46 in 1956 to \$3.41 in 1957. Based on the number of shares outstanding at the end of each year, per share earnings increased to \$3.41 in 1957 from \$3.37 in the previous year.

In view of the fact that the Company was required to absorb substantial increases in costs without rate relief during most of the year, it is believed that we did quite well to hold earnings close to those of the previous year. Some increases in gas and electric rates were authorized late in the year and, with an application pending for a further increase in gas rates, we are very hopeful that a better level of earnings can be realized in 1958.

Our construction activities were greatly expanded during the year. At the year-end we had 685,500 kilowatts of electric generating capacity under construction, most of which will be completed before the end of 1958. A large part of this additional capacity will be in hydro-electric plants. Several large additions were also made to our natural gas transmission system.

A major project to be started in 1958 will be the first of two 325,000 kilowatt steam-electric generating units to be added to our Pittsburg Power Plant. These units will be twice the size of any now in service on the system. The first is planned for completion in 1960 and the second in the following year.

Expenditures for construction in the postwar period will pass the two billion dollar mark late in 1958. The continuing need for large amounts of capital for our construction program makes it essential that we have a level of earnings that will enable us to compete successfully in the capital markets.

Perhaps the most significant development of the year was the announcement that the Company planned to take the lead in organizing a project to transport natural gas from the Province of Alberta in Canada directly to the California market. This decision reflected our desire to have an independently controlled supplemental source of gas from outside the state, with the objective of

bringing the gas directly from the producer to the consumer at the lowest possible cost. More details on this project are included later in this report under the section on Gas Supply.

Another event of great importance was the completion, in association with the General Electric Company, of the Vallecitos Atomic Power Plant. While our turbine-generator installation at the plant is only 5,000 kilowatts, we believe it is of considerable significance that, through our interconnected electric network, our customers are now receiving atomic power from the world's first all-privately financed nuclear-electric plant.

On February 18, 1958 the Company made a proposal to the Atomic Energy Commission to install and operate a 60,000 kilowatt atomic power unit, to be located at its existing Humboldt Bay Power Plant near Eureka. Because of advances in the design and technology of the boiling-water reactor, based on knowledge gained in the successful operation of the General Electric-P G & E Vallecitos Atomic Power Plant, it is believed that the cost of power to be produced will approximate that from a conventional plant at the site selected. Eureka is a relatively high cost fuel area and there are other factors which make atomic power economically feasible there ahead of other areas in the Company's service territory.

The attention of stockholders has been directed from time to time to the heavy burden of taxation

borne by the investor-owned utilities and their customers. Taxes are the largest single element of cost in providing service to our customers. In view of the developments in the international field, it does not appear reasonable to expect any reduction in taxes in the near future. What can and should be done, however, is to extend the tax laws to reach large segments of property and income which now escape taxation. One particularly flagrant example is the government-owned utilities which now are accorded virtually complete exemption from taxation. No possible justification exists for continuing this subsidy, which is in effect being paid out of the pockets of other taxpayers.

A more detailed review of our operations for the year will be found on the pages that follow. Certified financial statements and accompanying footnotes appear beginning on page 28 of the report.

We wish on behalf of the Board of Directors to acknowledge with sincere appreciation the splendid performance of our employees during the year. The initiative, resourcefulness, and high caliber of our employees in all ranks provide excellent assurance that the problems of the future will be dealt with effectively.

This fifty-second annual report of the Company will be submitted at the annual meeting of stockholders to be held at the office of the Company, 245 Market Street, San Francisco, California, Tuesday, April 8, 1958.

*For the Board of Directors*



*Chairman of the Board*



*President and General Manager*

*The management will solicit proxies for the annual meeting. In connection with such solicitation, it is expected that the proxy statement and a form of proxy will be mailed to stockholders on or about March 12, 1958.*



## HIGHLIGHTS OF OPERATIONS

	1957	1956
Operating Revenues and Other Income . . . . .	\$ 502,748,000	\$ 471,931,000
Taxes and Franchise Payments . . . . .	\$ 123,551,000	\$ 121,988,000
Natural Gas Purchased . . . . .	\$ 114,227,000	\$ 98,808,000
Operating Payroll . . . . .	\$ 61,766,000	\$ 57,146,000
Other Expenses and Charges . . . . .	\$ 126,584,000	\$ 118,215,000
Net Income . . . . .	\$ 76,620,000	\$ 75,774,000
Earned Per Common Share (on average shares) . . . . .	\$3.41	\$3.46
Total Assets . . . . .	\$2,146,271,000	\$1,978,581,000
Construction Expenditures . . . . .	\$ 215,285,000	\$ 147,657,000
Electricity Generated and Received (kwh) . . . . .	22,930,632,000	22,189,009,000
Sales of Electricity to Customers (kwh) . . . . .	18,513,127,000	17,194,709,000
Electricity Delivered for Account of Others (kwh) . . . . .	603,793,000	1,188,506,000
Sales of Gas to Customers (MCF) . . . . .	322,481,000	303,586,000
Total Customers . . . . .	3,344,570	3,247,929
Number of Employees . . . . .	18,077	18,370
Number of Stockholders . . . . .	225,487	221,328



**REVENUES AND SALES—Electric and Gas Departments by Classes of Service**

ELECTRIC DEPARTMENT		1957	1956	Increase	
				Amount	Per Cent
<b>ELECTRIC REVENUES</b>					
Residential or Domestic Sales	\$	111,870,135	\$ 103,393,858	\$ 8,476,277	8.2%
Small Light and Power Sales		61,652,948	59,185,703	2,467,245	4.2
Large Light and Power Sales		88,924,854	80,281,261	8,643,593	10.8
Agricultural Power Sales		39,902,460	36,912,761	2,989,699	8.1
Public Street and Highway Lighting		4,798,148	4,359,662	438,486	10.1
Sales to Railroads and Railways		245,997	289,746	* 43,749	*15.1
Sales to Other Electric Utilities		12,913,559	13,845,766	* 932,207	* 6.7
Company Use (Construction)		243,436	208,215	35,221	16.9
Other Miscellaneous Revenue		7,758,211	7,377,612	380,599	5.2
<b>TOTALS</b>	\$	328,309,748	\$ 305,854,584	\$ 22,455,164	7.3%
<b>ELECTRIC SALES—Kilowatt-Hours</b>					
Residential or Domestic Sales		4,230,287,040	3,836,376,061	393,910,979	10.3%
Small Light and Power Sales		1,998,629,449	1,929,311,851	69,317,598	3.6
Large Light and Power Sales		7,401,808,685	6,785,393,112	616,415,573	9.1
Agricultural Power Sales		3,116,277,006	2,826,509,164	289,767,842	10.3
Public Street and Highway Lighting		132,066,819	119,117,255	12,949,564	10.9
Sales to Railroads and Railways		16,505,328	19,834,757	* 3,329,429	*16.8
Sales to Other Electric Utilities		1,605,431,499	1,668,044,640	* 62,613,141	* 3.8
Company Use (Construction)		12,120,998	10,122,410	1,998,588	19.7
Total Sales to Customers		18,513,126,824	17,194,709,250	1,318,417,574	7.7
Delivered for the account of others		603,792,524	1,188,505,543	* 584,713,019	*49.2
<b>TOTALS</b>		19,116,919,348	18,383,214,793	733,704,555	4.0%
<b>GAS DEPARTMENT</b>					
		1957	1956	Increase	
				Amount	Per Cent
<b>GAS REVENUES</b>					
Residential or Domestic Sales	\$	92,015,679	\$ 89,579,470	\$ 2,436,209	2.7%
Commercial Sales		22,698,758	22,619,592	79,166	0.3
Industrial Sales		53,807,201	48,612,154	5,195,047	10.7
Sales to Other Gas Utilities		1,615,469	1,483,828	131,641	8.9
Company Use (Construction)		112,746	43,063	69,683	161.8
Other Miscellaneous Revenue		319,588	221,956	97,632	44.0
<b>TOTALS</b>	\$	170,569,441	\$ 162,560,063	\$ 8,009,378	4.9%
<b>GAS SALES—Thousands of Cubic Feet</b>					
Residential or Domestic Sales		132,115,774	128,996,060	3,119,714	2.4%
Commercial Sales		39,545,654	39,497,149	48,505	0.1
Industrial Sales		146,476,296	131,198,241	15,278,055	11.6
Sales to Other Gas Utilities		4,072,421	3,803,246	269,175	7.1
Company Use (Construction)		271,156	90,851	180,305	198.5
Total Sales to Customers		322,481,301	303,585,547	18,895,754	6.2
Company Use (Steam-electric plants, etc.)		87,578,124	58,881,119	28,697,005	48.7
<b>TOTALS</b>		410,059,425	362,466,666	47,592,759	13.1%
*Denotes decrease					



## THE YEAR IN REVIEW



### *Revenues and Sales*

Gross operating revenues reached \$501,244,000 in 1957, exceeding those of the previous year by \$30,500,000, or 6.5%. Miscellaneous income, largely dividends from subsidiary companies, amounted to \$1,504,000.

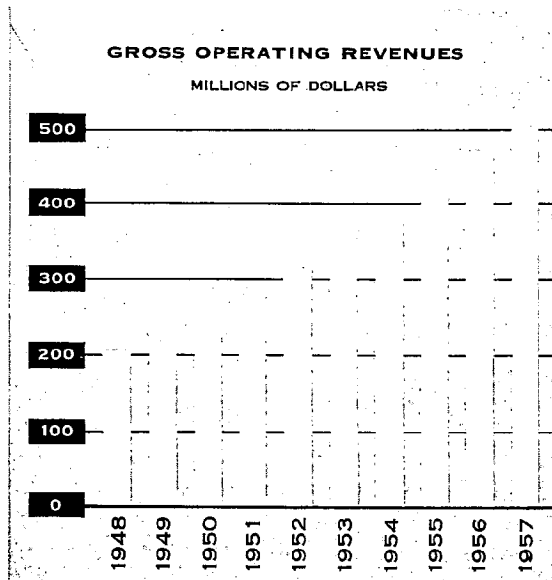
The Company's gross operating revenues first passed the \$100 million mark as recently as 1937. The five-fold increase in revenues since that time, while in part due to rate increases made necessary to offset higher operating costs and taxes, is indicative of the growth and development of the Company's service area in the intervening years.

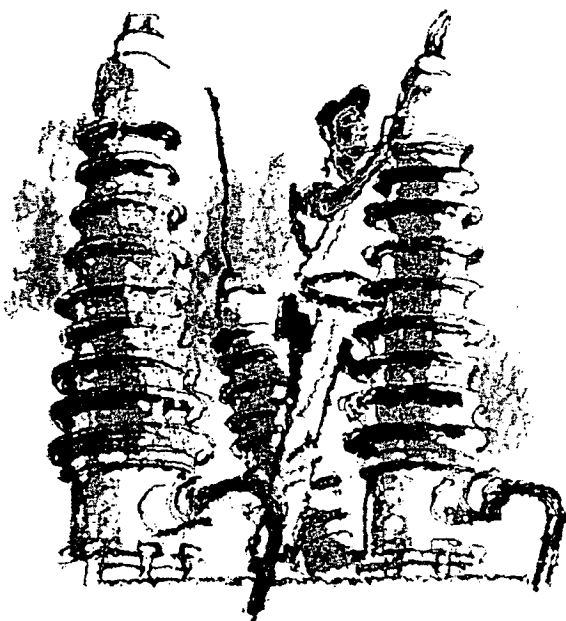
Climatic conditions have an important effect on the comparative level of sales and related revenues from year to year for many important classes of service. Because of this the sales gains reported for electric residential service and electric and gas

industrial service most nearly reflect the true rate of growth, since they are not materially affected by variations in climatic conditions. As shown in the table on the opposite page, these three categories of service registered very gratifying gains for the year.

Agricultural power sales, on the other hand, are influenced materially by the amount of annual rainfall and temperatures prevailing during the irrigation pumping season. Because of the exceptionally heavy rainfall in the previous winter, which made more gravity water available for irrigation and reduced the need for irrigation pumping, the percentage gain recorded for this class of service in 1957 reflected a greater than normal rate of growth.

It is in the domestic and commercial gas sales categories, however, where the Company experiences its greatest variations in revenues and sales because of climatic conditions, gas space heating being particularly sensitive to temperature variations. Abnormally warm weather prevailed throughout most of 1957, which accounts for the relatively poor showing for these two classes of service. Had normal temperatures been experienced it is estimated that an additional eight billion cubic feet of natural gas would have been sold to these two





classes of customers for space heating.

The rate increases which became effective late in the year for most classes of electric service and for gas industrial service, described in the section on Rate Matters, did not materially affect the Company's gross operating revenues for the year. These rate increases, however, will be fully reflected in our 1958 operations.

### *Operating Expenses*

For the second successive year prices for fuel oil used in our steam-electric generating plants and for natural gas purchased from California fields increased substantially. Since the prices we pay for most gas purchased from California fields are tied to the posted price of fuel oil, these gas prices moved up proportionately with the increases in fuel oil prices. During 1956 the posted price of fuel oil increased 27% to \$2.60 per barrel by the end of that year. During 1957 three additional increases were imposed in January, April and June, finally reaching \$2.95 per barrel, and remaining at

that price for the balance of the year. Shortly after the close of the year, however, the posted price of fuel oil was reduced to \$2.75 per barrel.

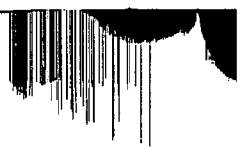
The cumulative effect of these price increases for natural gas and fuel oil was too great for the Company to absorb, and steps were taken, as discussed in the section on Rate Matters, to obtain upward adjustments in both our gas and electric rates.

Wages and salaries paid to employees engaged in operations were \$61,766,000 for the year, an increase of \$4,620,000 over the prior year. Mid-year wage and salary adjustments accounted for most of the increase. Under our labor contracts another upward adjustment is scheduled to become effective July 1, 1958.

As a further step in its continuing effort to reduce operating costs, the Company took delivery of an IBM 705 electronic data processing system in November 1957, for which it has been programming for almost two years. In January 1958 the first customer bills were produced by this system, and it is expected that our present billing system will be almost entirely converted to computer operations by mid-1960. Savings in operating expenses of approximately one million dollars annually are anticipated when the billing and related accounting required for handling the Company's more than three million customers are completely converted to computer operation. Plans are also under study to effect additional reductions in operating expenses by extending computer operations to include payroll, stores and plant accounting, and certain technical applications. Not the least of the benefits to be derived will be the transference of routine repetitive clerical chores from our employees to the machine, which will permit them to be reassigned to more interesting and productive work.

### *Taxes*

Taxes and franchise payments, paid or accrued, during 1957 totaled \$128,888,000, an increase of \$2,978,000 over 1956. Of this amount \$123,551,000 was charged against income and the balance was



charged against capital and other accounts.

A table showing taxes by classes, and a comparison with the previous year, is set forth on page 12.

Ad valorem taxes showed an increase of \$5,106,000 for the year. This was due principally to additional property added to the local tax rolls as a result of

the Company's construction program, and also to higher tax rates required to support the public schools and other services performed by local governmental units.

Because of lower pre-tax earnings, the amount accrued for Federal corporate income tax was below that of the previous year.

**SUMMARY SHOWING SOURCES AND DISPOSITION OF INCOME—Years 1953-1957 Inclusive**

	1957	1956	1955	1954	1953
<b>SOURCES OF INCOME:</b>					
Electric Department revenues	\$328,310,000	\$305,855,000	\$289,710,000	\$265,419,000	\$252,664,000
Gas Department revenues	170,569,000	162,560,000	151,508,000	118,846,000	109,732,000
Revenues from other operating departments	2,365,000	2,329,000	2,282,000	1,979,000	1,709,000
Miscellaneous income	1,504,000	1,187,000	804,000	1,035,000	208,000
<b>Totals</b>	<b>\$502,748,000</b>	<b>\$471,931,000</b>	<b>\$444,304,000</b>	<b>\$387,279,000</b>	<b>\$364,313,000</b>
<b>DISPOSITION OF INCOME:</b>					
Wages and salaries of operating employees	\$ 61,766,000	\$ 57,146,000	\$ 53,612,000	\$ 50,994,000	\$ 49,066,000
Power purchased from wholesale producers	5,684,000	6,190,000	2,917,000	6,377,000	7,011,000
Natural gas purchased	114,227,000	98,808,000	94,947,000	73,980,000	65,503,000
Oil and other fuel purchased	19,517,000	15,309,000	12,222,000	8,442,000	10,968,000
Material and supplies, services from others, etc.	21,328,000	22,165,000	19,143,000	20,345,000	22,179,000
Provision for pensions, insurance, etc.	8,779,000	7,516,000	9,114,000	7,776,000	5,629,000
Provision for depreciation and amortization	48,025,000	44,964,000	43,372,000	39,090,000	35,172,000
Taxes, including provision for federal taxes on income	110,765,000	110,526,000	108,264,000	93,186,000	91,309,000
Special charges in lieu of and for deferred federal and state taxes on income	10,020,000	8,746,000	6,284,000	4,504,000	—
Bond interest and other income deductions	26,017,000	24,787,000	23,394,000	19,546,000	17,783,000
Dividends declared on preferred stock	18,336,000	18,192,000	17,102,000	16,266,000	15,722,000
Dividends declared on common stock	40,981,000	39,989,000	35,763,000	35,553,000	29,689,000
Balance retained in the business	17,303,000	17,593,000	18,170,000	11,220,000	14,282,000
<b>Totals</b>	<b>\$502,748,000</b>	<b>\$471,931,000</b>	<b>\$444,304,000</b>	<b>\$387,279,000</b>	<b>\$364,313,000</b>
<b>NUMBER OF SHARES OF COMMON STOCK</b>					
<b>OUTSTANDING:</b>					
Average for the year	17,074,941	16,662,129	16,255,733	16,160,533	14,114,427
End of year	17,075,524	17,068,524	16,255,733	16,255,733	15,574,549
<b>EARNINGS PER SHARE OF COMMON STOCK:</b>					
On average shares outstanding	\$3.41	\$3.46	\$3.32	\$2.89	\$3.12
On end-of-year shares outstanding	3.41	3.37	3.32	2.88	2.82
<b>DIVIDENDS PER SHARE OF COMMON STOCK:</b>					
Declared basis	\$2.40	\$2.40	\$2.20	\$2.20	\$2.10
Paid basis	2.40	2.35	2.20	2.20	2.05



PACIFIC GAS AND ELECTRIC COMPANY

TAXES AND FRANCHISE PAYMENTS

	1957	1956	Increase
<b>LOCAL TAXES AND FRANCHISE PAYMENTS:</b>			
Ad valorem property taxes . . . . .	\$ 51,380,000	\$ 46,274,000	\$5,106,000
Franchise payments . . . . .	2,766,000	2,716,000	50,000
Total local taxes and franchise payments . . . . .	54,146,000	48,990,000	5,156,000
<b>STATE TAXES:</b>			
Bank and corporation franchise . . . . .	4,807,000	4,829,000	* 22,000
Provision for state taxes on income payable following period of accelerated amortization . . . . .	655,000	480,000	175,000
Unemployment insurance . . . . .	172,000	282,000	* 110,000
Other . . . . .	453,000	397,000	56,000
Total state taxes . . . . .	6,087,000	5,988,000	99,000
<b>CITY AND STATE TAXES:</b>			
Sales and use . . . . .	3,377,000	2,530,000	847,000
<b>FEDERAL TAXES:</b>			
Corporation income . . . . .	53,845,000	58,408,000	*4,563,000
Provision for federal taxes on income payable following period of accelerated amortization . . . . .	9,365,000	8,266,000	1,099,000
Unemployment insurance . . . . .	175,000	171,000	4,000
Old age benefits . . . . .	1,788,000	1,498,000	290,000
Other . . . . .	105,000	59,000	46,000
Total federal taxes . . . . .	65,278,000	68,402,000	*3,124,000
<b>TOTAL TAXES AND FRANCHISE PAYMENTS</b> . . . . .	<b>\$128,888,000</b>	<b>\$125,910,000</b>	<b>\$2,978,000</b>
<b>CHARGED TO:</b>			
Income account as taxes . . . . .	\$120,785,000	\$119,272,000	\$1,513,000
Income account as franchise payments . . . . .	2,766,000	2,716,000	50,000
Capital and other accounts . . . . .	5,337,000	3,922,000	1,415,000
<b>TOTAL TAXES AND FRANCHISE PAYMENTS</b> . . . . .	<b>\$128,888,000</b>	<b>\$125,910,000</b>	<b>\$2,978,000</b>

\*Denotes decrease

In determining its Federal corporation income taxes for the years 1954, 1955 and 1956, the Company elected to adopt accelerated depreciation as permitted by the Internal Revenue Code of 1954, and expects to make a similar election for the taxable year 1957.

Stockholders were previously advised of an application filed with the California Public Utilities Commission for an order authorizing the Company to normalize Federal taxes on income in its accounts by charging expense with an amount equal to the amount of such taxes deferred as a result of adopt-

ing accelerated depreciation and concurrently crediting restricted surplus with a corresponding amount. This is the same accounting treatment previously authorized with respect to accelerated amortization of defense facilities. The Commission has not yet issued a decision on this application. Pending a decision on the matter, the Company has continued to state its income tax expense on the basis of straight-line depreciation, the difference in the amount of tax liability as stated and the amount paid being reflected in "Accrued Taxes" in the balance sheet.

### *Financing*

The Company's expanded construction program in 1957 was financed entirely by the sale of bonds and by temporary bank loans.

In view of the extraordinary demand for investment funds which prevailed throughout most of the year, the Company in common with other utilities was required to pay the highest cost for its bond money in more than thirty years. Financing by means of either preferred or common stocks would have been even more costly, particularly because of the different treatment accorded interest and dividends for corporate income tax purposes. Fortunately, the Company's conservative debt ratio with which it commenced the year permitted it to pursue the course that it did.

The Company started the year with \$25 million of short-term bank loans outstanding and closed the year with \$74 million of such loans. In the interim it sold two issues of First and Refunding Mortgage Bonds at competitive bidding. The first issue, Series AA, in the amount of \$35 million was sold in January and carried a coupon of  $4\frac{1}{2}\%$ . The second issue, Series BB, in the amount of \$60 million was sold in July and carried a coupon of  $5\%$ .

After giving effect to these transactions the Company's total capitalization at the year-end aggregated \$1,985 million, consisting of  $49.4\%$  bonds and short-term bank loans,  $17.6\%$  preferred stock, and  $33.0\%$  common stock equity.

In January 1958 an additional \$75 million of First and Refunding Mortgage Bonds, Series CC,

$3\frac{3}{4}\%$ , due December 1, 1978, were sold at competitive bidding and the proceeds applied to retire bank loans outstanding at the end of the year. The lower interest rate at which these bonds were marketed reflected a greater supply of funds available for investment in relation to demand.

### *Construction Program*

Construction expenditures reached a record \$215 million in 1957 compared with an average of about \$162 million in the preceding five years.

Aside from successive increases in labor and material costs, there were two principal reasons for the higher level of construction expenditures in 1957. The first was that the Company late in 1956 embarked on a major program of hydro-electric construction, aggregating almost 500,000 kilowatts, most of which will be completed by the close of 1958. The cost per kilowatt for hydro plants runs from two to three times that for steam-electric plants, but the higher capital cost is justified because hydro plants have no fuel costs associated



with their operations, and their labor and maintenance costs are lower. The second reason was that it became necessary to make larger than normal additions in 1957 to our natural gas transmission system.

To achieve national defense goals with respect to power supply by the end of 1958, five-year tax amortization certificates were granted covering a portion of the cost of the hydro-electric facilities referred to above.

This hydro-electric construction is concentrated on the Feather and Kings Rivers. On the Feather River construction is continuing on the Poe, Caribou 2 and Butt Valley Plants, with a combined capacity of 251,000 kilowatts. The Poe Plant of 106,000 kilowatts capacity is expected to be in operation by mid-1958, and the other two about the end of the year. Farther south, on the North Fork of the Kings River, good progress is being made on two large dams, enlargement of the existing Balch Powerhouse, and the building of the Haas Powerhouse. When the entire project is complete it will add 261,500 kilowatts to our system resources.

At the year-end construction was well advanced

on the 165,000 kilowatt addition to our Hunters Point Power Plant in San Francisco, and the 50,000 kilowatt addition to the Humboldt Bay Power Plant near Eureka. Both of these steam units will be completed in 1958.

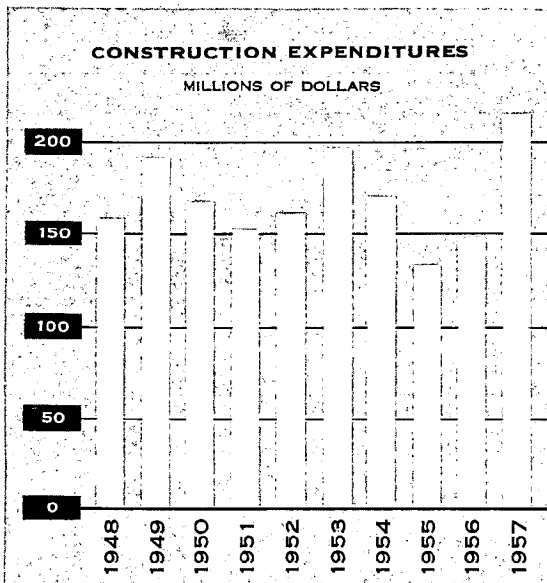
The major additions to our natural gas transmission system included facilities to take increased volumes of out-of-state gas for delivery to us at the California-Arizona border from El Paso Natural Gas Company, and new pipelines to connect new reserves of dry gas discovered in the Sacramento Valley in Northern California in the past several years. Increased deliveries of out-of-state gas were provided for by constructing 138 miles of pipeline which completes the paralleling of our Topock-Milpitas 34-inch transmission line along its 502-mile length. A pipeline extending some 83 miles from the newly discovered natural gas reserves in Northern California to the City of Sacramento was placed in operation in the fall of the year. Another line extending from this same general area northwesterly to Eureka, a distance of about 175 miles, was about 80% completed at the end of the year.

Apart from the major construction projects outlined above, the Company continuously carries on literally thousands of smaller construction jobs, such as electric substations and extensions to its electric and gas distribution systems, which aggregate many millions of dollars each year.

### *Nuclear Energy*

After an extensive test period the Vallecitos Atomic Power Plant, located about 40 miles southeast of San Francisco at General Electric Company's Vallecitos Atomic Laboratory, was first paralleled with our system in October 1957. Holding License No. 1 issued by the U. S. Atomic Energy Commission, it was formally dedicated by Admiral Strauss, Chairman of the Commission, on November 25, 1957.

P G & E and General Electric Company worked as partners in constructing this plant, which at the time it was placed in operation was the world's first all-privately financed nuclear electric generating plant. Our Company installed the turbine





generator unit of 5,000 kilowatts capacity which is operated with steam produced from the boiling water nuclear reactor constructed by General Electric Company.

The Company continued its activities as a member of the Nuclear Power Group, Inc. The seven companies making up this group are co-sponsoring a 180,000 kilowatt all-nuclear electric plant located near Chicago, planned for completion in 1960. The Vallecitos plant is being utilized to develop information which will be of value in the design and operation of the Chicago plant and the recently proposed Humboldt Bay plant referred to in the introductory section of this report.

Our capital expenditures in connection with the Vallecitos plant, our contribution to the research and development expenses of the Chicago plant, and other expenditures for nuclear research aggregated approximately \$1¼ million in 1957.

It is believed that our activities in connection with the Vallecitos, Chicago, and Humboldt Bay plants will contribute materially toward the development of nuclear power for commercial purposes. As nuclear plants become competitive with conventional plants, they will be integrated gradually with existing power sources.

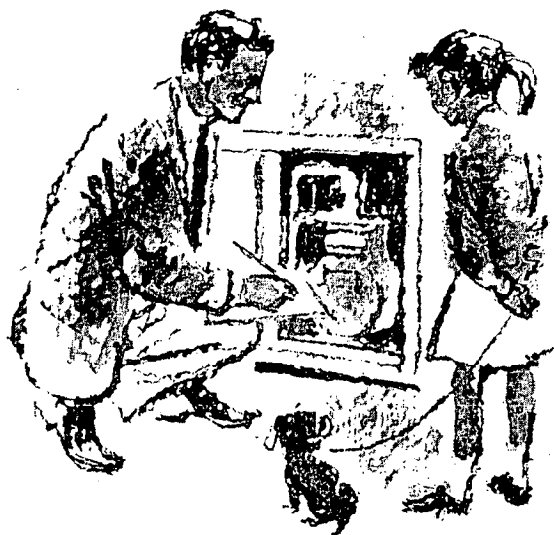
### *Business Development*

Our long-established industrial development program is designed to aid in the retention and expansion of existing industries, and to promote the location of new plants in our service area. The large gains in both electric and gas industrial sales recorded in 1957 undoubtedly reflect in part the cumulative effects of this program.

In connection with this program a study was made recently to determine the products purchased in our territory that were being obtained wholly or in large part from other states. Personalized letters setting forth the advantages of manufacturing a number of these products in Northern and Central California were sent to over 500 eastern firms. We were joined in this effort by banks, railroads, industrial realtors, chambers of commerce, and other groups interested in industrial develop-

ment. It is believed that this program was partly responsible for the large commitments for new plants and additions to existing plants made in our service area in 1957, totaling nearly \$300 million.

Our residential electric sales program was tied in with the national "Live Better—Electrically" and "Housepower" campaigns, and continued to stress the need for adequate wiring in both new and older homes. The success of this promotional



effort is evidenced by the fact that in 1957 about 47% of the new homes connected to our lines met our recommended wiring standards, as compared with only about 10% two years ago.

Through the Northern California Electrical Bureau we participated in a year-long series of appliance sales promotion campaigns, with exceptionally good results. Sales of electric ranges, electric water heaters and freezers in the Company's service area showed gains over 1956 ranging from 10% to 12%, whereas latest available national sales figures showed declines ranging from 7% to 15% for these same appliances.

Reflecting the greater use of electric appliances in the home, average annual residential consump-



tion rose to 2,923 kilowatt-hours in 1957. This represents a gain of 176 kilowatt-hours over the prior year, and was the highest annual increase in consumption recorded in the past five years.

### Operations

Gross system electric output reached a new peak of 22.9 billion kilowatt-hours in 1957, an increase of .7 billion over the previous year. Our hydro plants produced 8.5 billion of the total, our steam plants 12.1 billion, and the remaining 2.3 billion was obtained from other producers.

The output from our hydro plants was somewhat greater than normal, but was 1.5 billion kilowatt-hours below the record production in the previous year when we enjoyed one of the most favorable water years for hydro-electric generation in our history. The lower hydro output, together with the increase in sales volume, required us to produce about 3.1 billion more kilowatt-hours in our steam plants than in 1956.

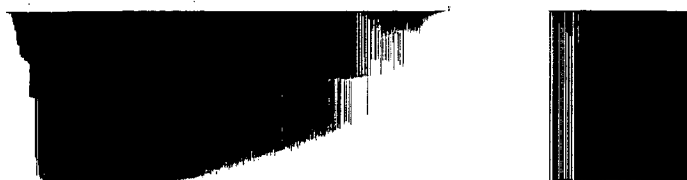
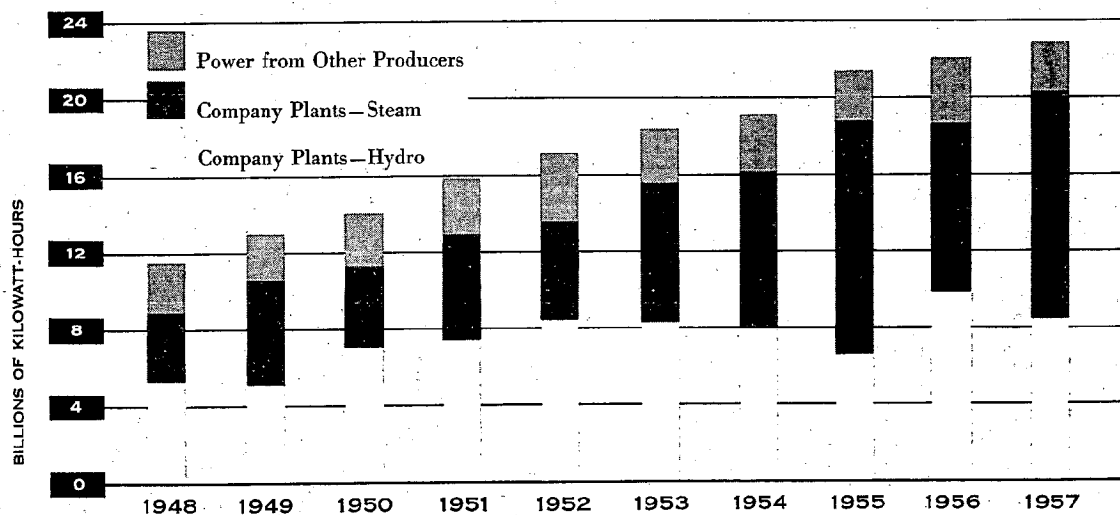
Because of greater than normal rainfall in the fall months of 1957 in most watersheds where our hydro plants are located, we were able to close the year with more kilowatt-hours in the form of stored water than we had programmed earlier in the year.

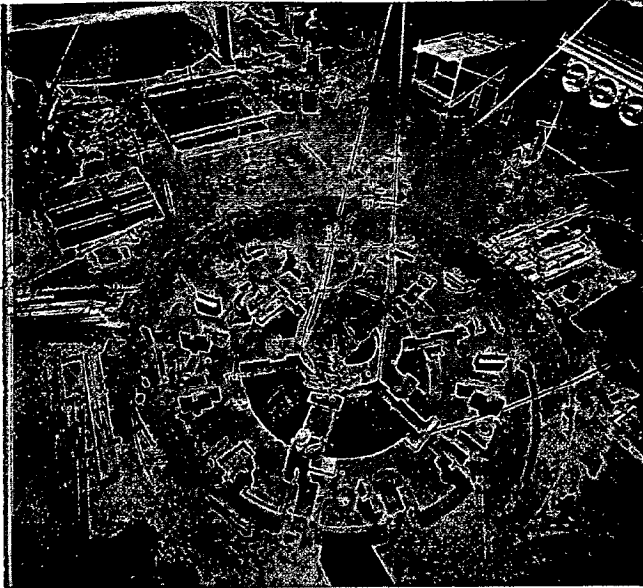
An all-time electric peak demand of 4,080,000 kilowatts was recorded on August 2. The load factor for the year was 64.2%, compared with 62.8% in the previous year.

Our natural gas transmission system continued to meet the demands upon it without any major outages which affected service to our customers. The maximum-day sendout of 1,728 million cubic feet was reached on December 11, an increase of 241 million over the peak sendout recorded in 1956. This increase shows clearly the need for the highest competency in planning to meet peak-day deliveries and the continuously growing demand for our service.

The Company's private communication system was further expanded during the year by installation of new microwave systems, additional mobile

ELECTRIC SYSTEM OUTPUT—KILOWATT-HOURS (BY SOURCES)



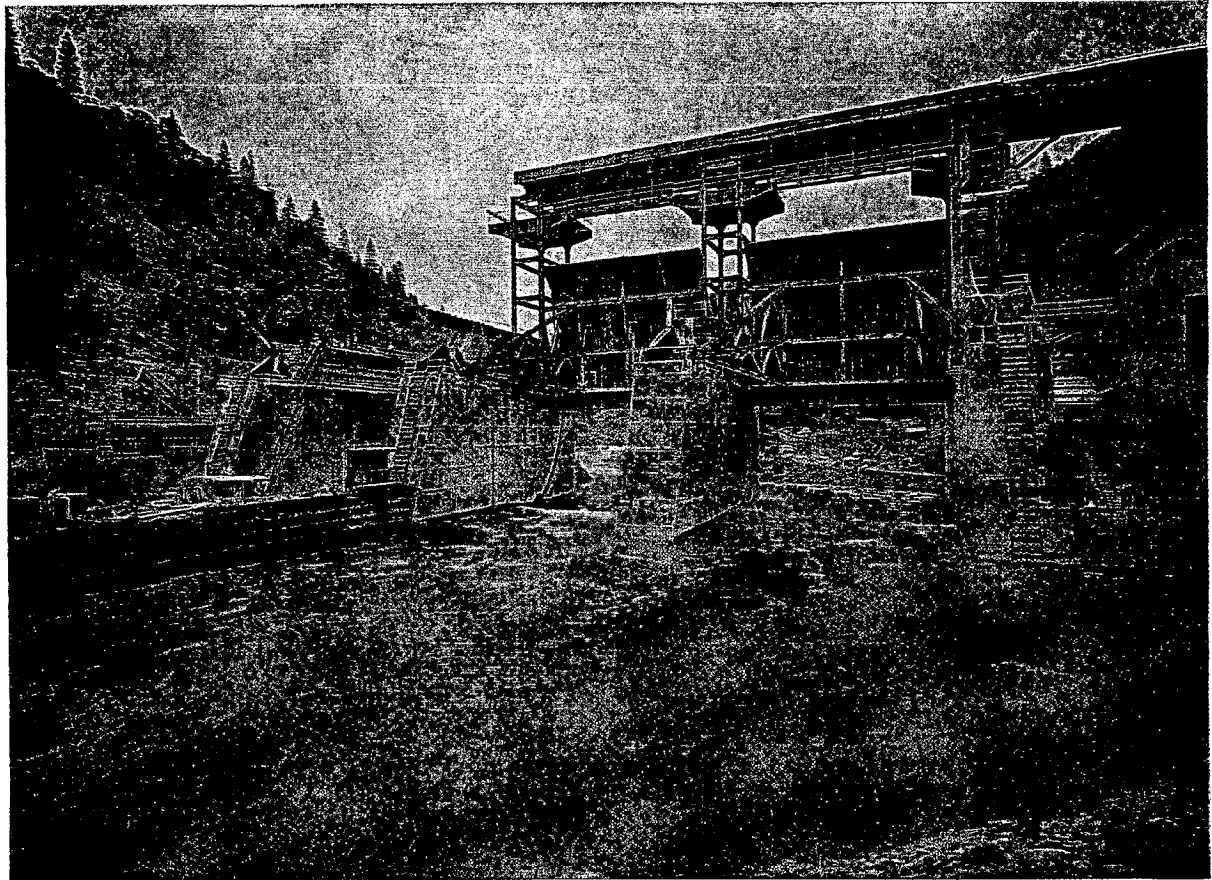


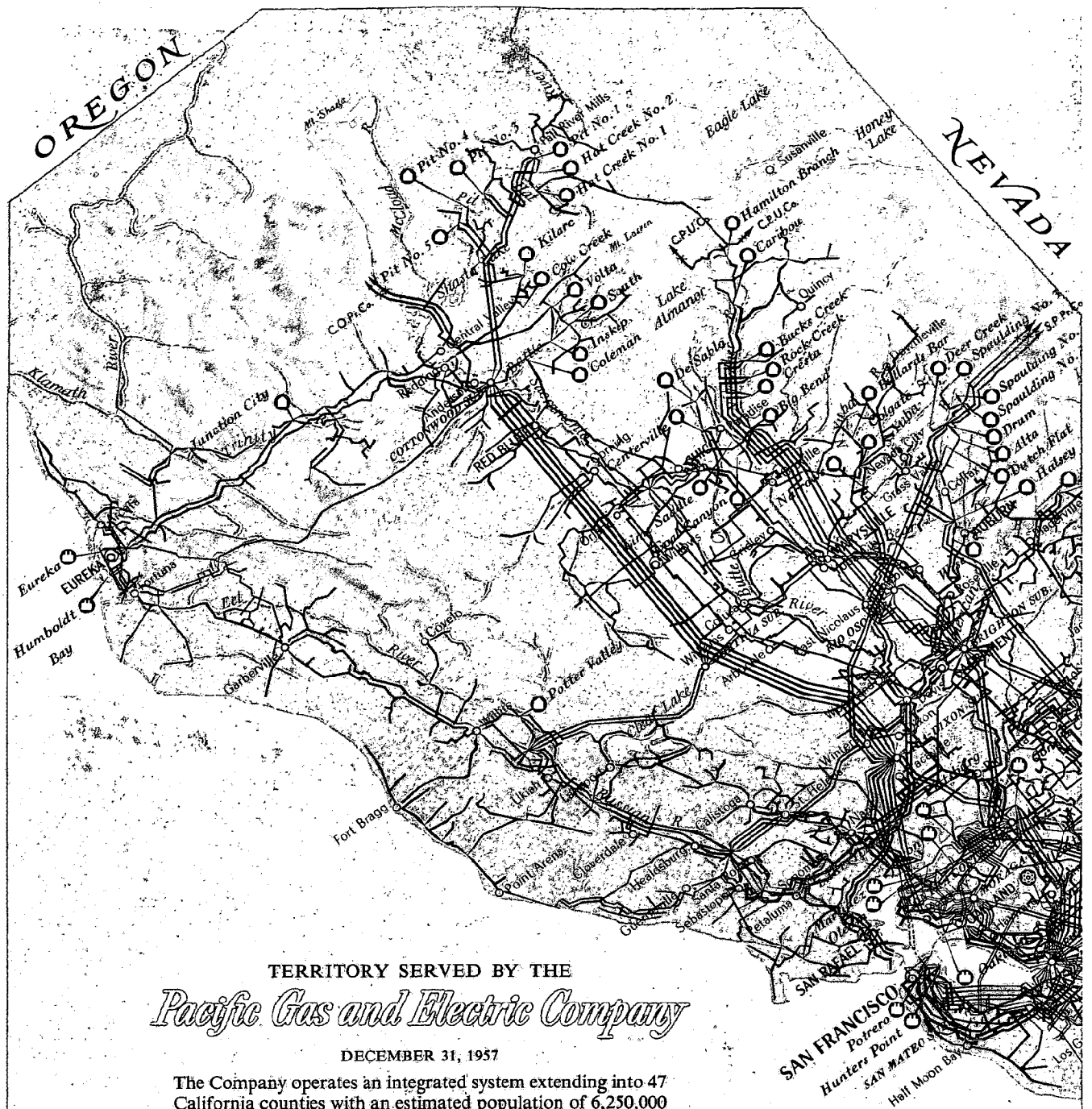
*Above:* Construction of Caribou 2 penstock.

*At left:* Installation of generating unit at Poe Powerhouse.

*Below:* Diversion dam for Poe Powerhouse.

### Hydro-electric construction on the Feather River





TERRITORY SERVED BY THE  
*Pacific Gas and Electric Company*

DECEMBER 31, 1957

The Company operates an integrated system extending into 47 California counties with an estimated population of 6,250,000

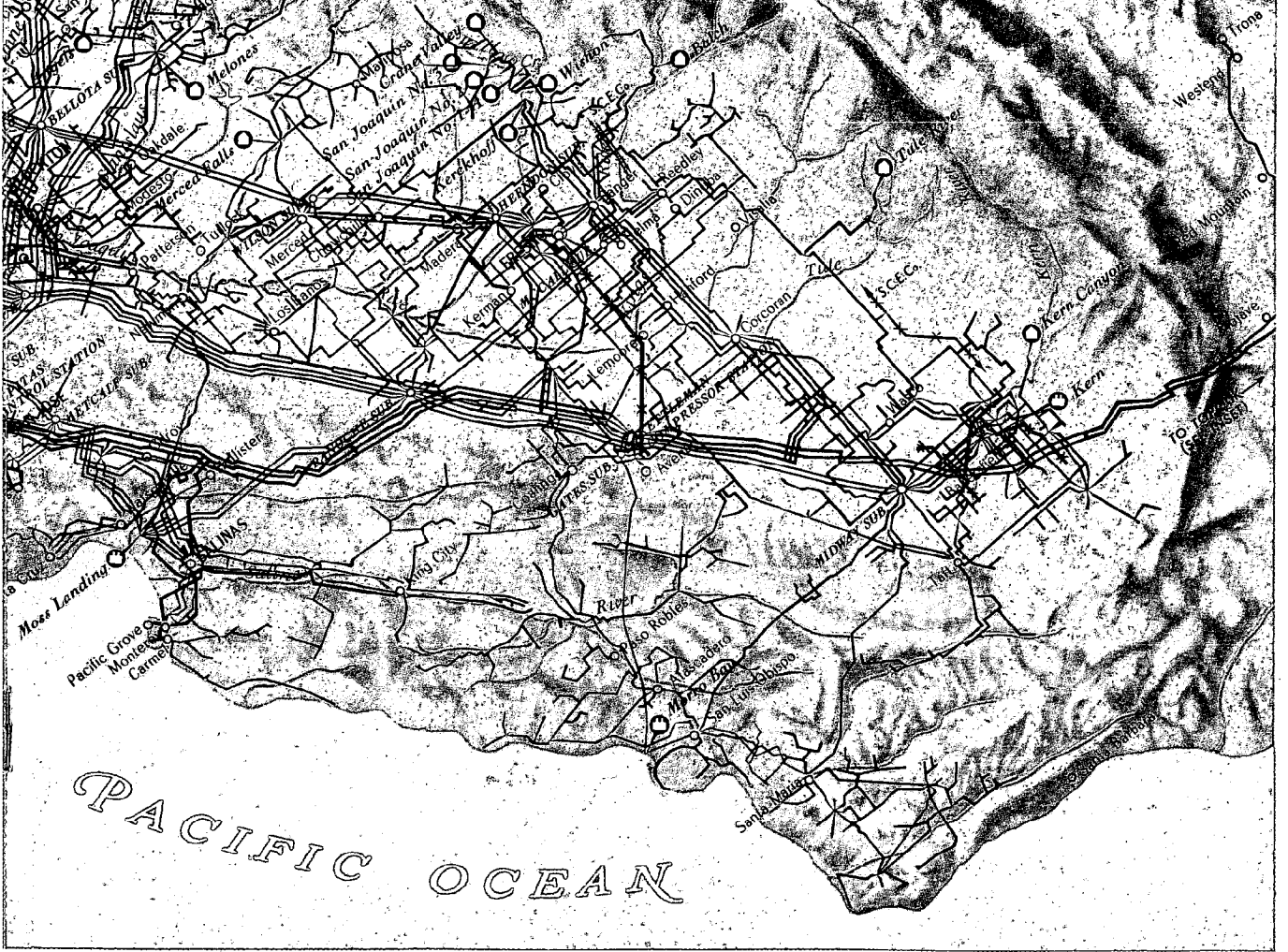
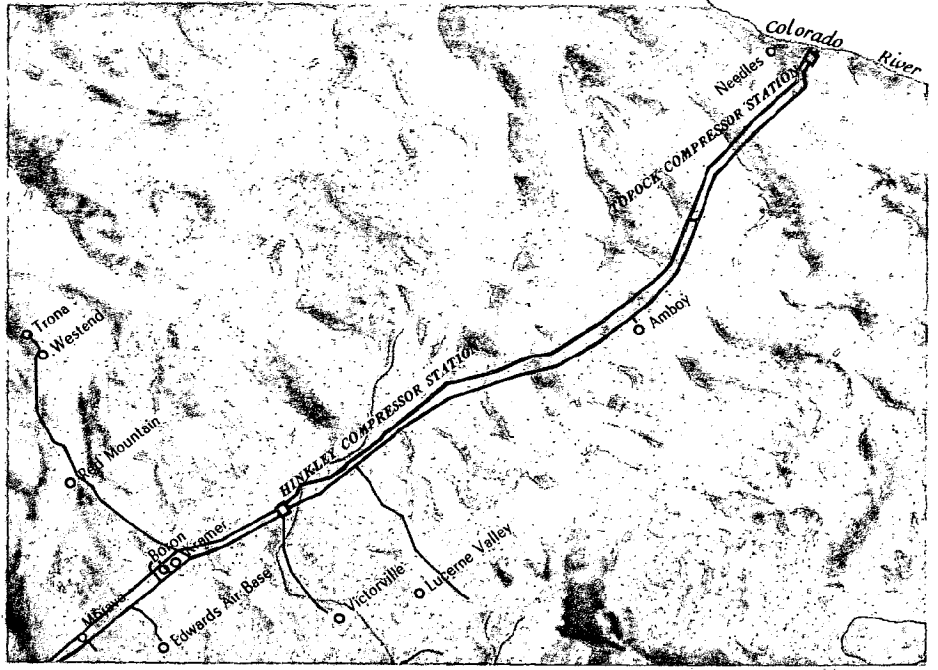
- |                                     |                                   |
|-------------------------------------|-----------------------------------|
| <b>ELECTRIC SYSTEM</b>              | <b>GAS SYSTEM</b>                 |
| ○ Generating Plants—Steam-electric  | □ Compressor Stations             |
| ○ Generating Plants—Hydro-electric  | ○ Generating Plants               |
| ⊙ Generating Plants—Atomic-electric | — Major Gas Lines                 |
| — Major Electric Lines              | — Connecting Companies            |
| — Connecting Companies              | — Standard Pacific Gas Line, Inc. |

58 Hydro Plants . . . . .	1,452,000 Kw.	3,500 miles gas transmission lines
14 Steam & Atomic Plants . . . . .	3,081,500 Kw.	16,700 miles gas distribution lines
72 Plants Capacity . . . . .	4,533,500 Kw.	20,200 miles of gas pipe lines
Capacity from others . . . . .	400,000 Kw.	
69,800 miles of electric power lines		

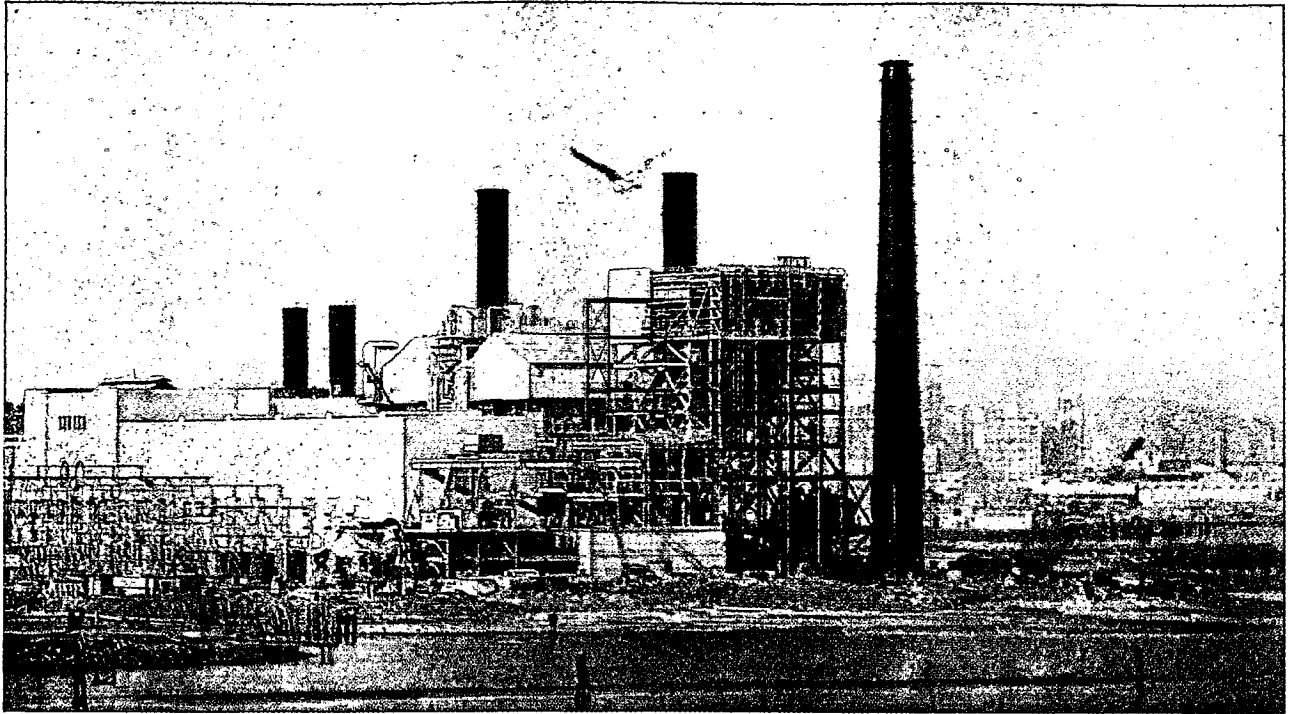


NEVADA

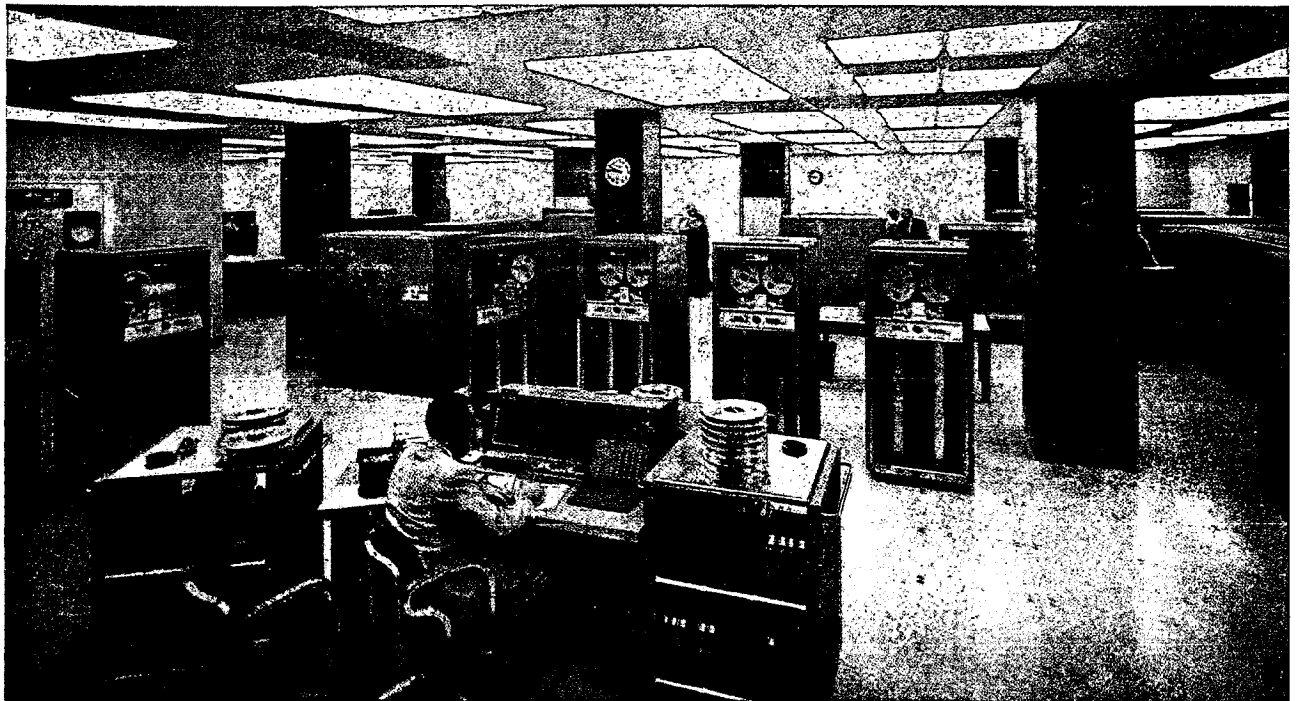
ARIZ.



PACIFIC OCEAN



Addition of a 165,000 kilowatt steam unit at Hunters Point Powerhouse in San Francisco will increase the capacity of the plant to 427,000 kilowatts by the middle of 1958.



View of the Company's newly installed electronic data processing system. Located in San Francisco, customer billing for the entire system will eventually be handled on this computer.

radio units and nine new channels of telephone line carriers. These latter additions bring our total private system circuit mileage now in operation, including microwave and carrier, to over 25,000 miles.

### Customers

At the year-end P G & E was supplying service to 3,344,570 customers in all branches of its operations, a gain of 96,641 for the year.

The gain in customers in 1957 fell about 22% below that recorded in the previous year. The smaller number of customers added was due principally to the decline in new housing starts in our service area, commencing in the fall of 1956. In 1958, however, we are forecasting a moderate gain in housing starts with a commensurate gain in customers.

The table at the bottom of the page shows the departmental breakdown of customers served at the year-end and a comparison with the previous year.

### Gas Supply

Natural gas imported from out-of-state, principally from fields in Texas and New Mexico, continues to be our major source of supply. Deliveries at the California-Arizona border through the facilities of the El Paso Natural Gas Company provided about 70% of our total requirements in 1957.

Our present contract with the El Paso Company

provides for deliveries up to 950 million cubic feet of gas per day. An agreement covering delivery of an additional 75 million cubic feet per day has been reached between the Company and El Paso. Subject to the necessary regulatory approvals, it is anticipated that this gas will be available late in 1958. Installation of additional compressor capacity on our Topock-Milpitas transmission line will be necessary to handle this increased amount of gas.

In our last annual report we mentioned that Natural Gas Corporation of California, a wholly owned subsidiary, had completed two successful gas wells in the Northern Sacramento Valley in partnership with other operators. Eight additional commercially productive wells have been completed since that time, and it is planned to drill more wells on adjacent leaseholds.

Intensive exploration for natural gas has been carried on in the Sacramento Valley by many operators in recent years, and substantial new reserves have been discovered and connected to our system. As these are dry gas reserves they will be particularly helpful in meeting peak-day deliveries.

Stockholders were advised in our last annual report that the Company was giving its closest attention to the problem of its natural gas supply, and that while existing contractual obligations are adequate to meet the anticipated growth in demand for gas service for several years, we were attempting to secure additional supplies looking to the future.

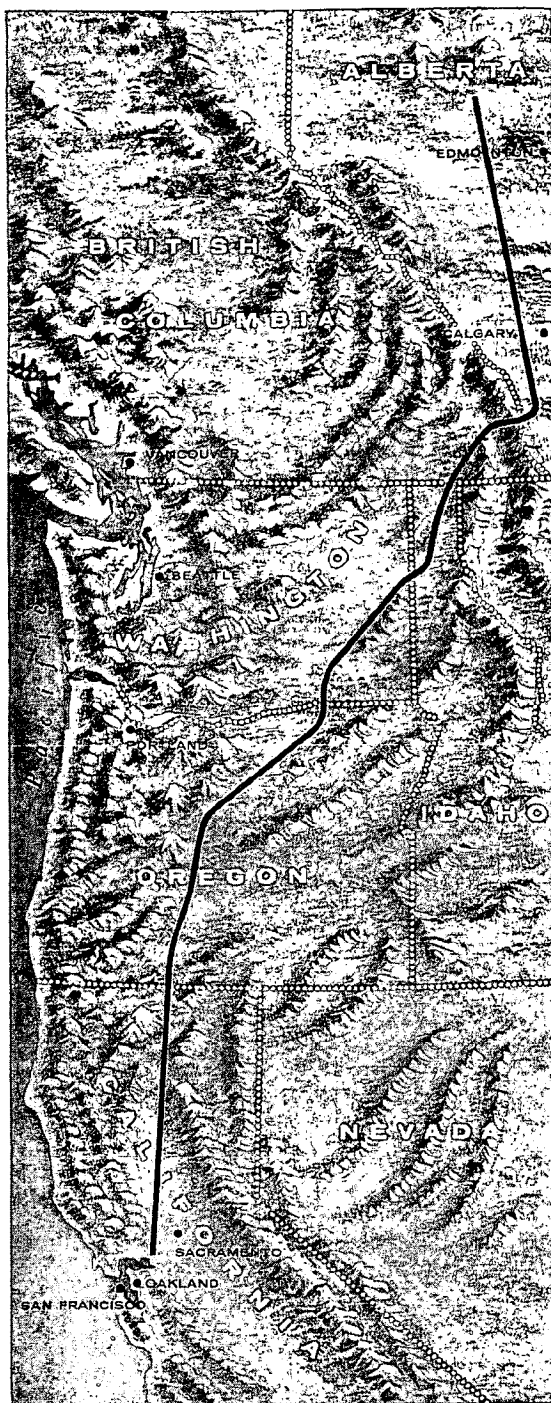
After intensive investigation, the conclusion

CUSTOMERS—BY DEPARTMENTS AND INCREASE DURING YEAR

	December 31		Increase during 1957
	1957	1956	
Electric Department . . . . .	1,801,479	1,753,278	48,201
Gas Department . . . . .	1,517,823	1,468,779	49,044
Water Department . . . . .	24,590	25,194	* 604
Steam Sales Department . . . . .	678	678	0
Totals . . . . .	<u>3,344,570</u>	<u>3,247,929</u>	<u>96,641</u>

\*Denotes decrease





was reached that the apparent existence in the Province of Alberta in Canada of large uncommitted reserves of natural gas appeared to be the most economical source to meet our future requirements. Accordingly, in July 1957 the Company announced plans for the construction of a 1,300-mile 36-inch gas transmission line from the province of Alberta to a terminus at Antioch near San Francisco.

The first major step in securing the necessary governmental approvals for this project was taken on October 22, 1957, with the filing of an application with the Oil and Gas Conservation Board of Alberta for a permit to export 450 million cubic feet of gas per day over a 25-year period. The applicant for the permit is Alberta and Southern Gas Company, Ltd., a wholly owned subsidiary. Initial hearings on this application are expected to be held within the next few months. If this permit is granted, additional approvals will be required from other regulatory bodies in Canada and the United States before construction can commence.

Under present plans it is expected that the facilities for transporting the gas within the Province of Alberta will be constructed by Alberta Gas Trunkline Company. Another Canadian corporation will construct the facilities to transport the gas through the portion of the line that will traverse the Province of British Columbia. From the international boundary to the California-Oregon boundary the gas will be transported through the facilities of Pacific Gas Transmission Company, a company recently organized under the laws of California for this purpose. Securities in substantial amount will be offered to Canadian and United States investors to finance these latter two companies. The balance of the line, extending from the California-Oregon border to its terminus in the San Francisco Bay Area, will be constructed by P G & E as an integral part of its natural gas transmission system in California.

The engineering for the line is well advanced and tentative plans have been prepared for financing the subsidiary companies. We are confident that the project is economically and financially sound,





and that it will also prove of great benefit to the Canadian economy. We are hopeful that the necessary governmental authorizations in both Canada and the United States will be obtained promptly so that the project can go forward.

### *Rate Matters*

We have previously reported the filing of applications for increased electric and gas rates. These requests were brought about by higher prices for fuel oil and for gas purchased, increased wages and other costs, and the need for a higher return on our investment devoted to utility service.

On October 22, 1957, after protracted hearings, the California Public Utilities Commission authorized the Company to increase its electric rates by about \$17 million annually, effective for service rendered on and after November 15, 1957.

By an interim order issued on September 24, 1957 the Commission authorized increases of about \$5,700,000 annually in gas rates charged to industrial customers served on an interruptible basis and for gas sold to our electric department for use in our steam generating plants. This amount was considerably less than that requested by the Company. The Commission recognized the need for a substantial increase in gas revenues, but indicated that this should be accomplished by a supplemental application for an increase covering all classes of service.

On November 13, 1957 the Company filed a supplemental application requesting a further increase in gas rates of about \$18 million annually. A number of hearings have been held on this application and it is hoped that a decision will be forthcoming shortly.

Stockholders have been advised from time to time of increased rates charged by El Paso Natural Gas Company for gas delivered to the Company from out-of-state sources. Hearings to review an El Paso increase which became effective April 15, 1955, were concluded before the Federal Power Commission in December of 1956, and briefs were submitted by the interested parties early in 1957. As of the date of this report the Commission had

not rendered its decision. Since May 1955, with the approval of the California Public Utilities Commission, the Company has included offset charges in its gas rates to recover most of this increase. If the offset charges collected exceed the increase in El Paso rates as finally determined by the Federal Power Commission, such excess will be refunded to our customers.



On June 28, 1957, El Paso filed an application with the Federal Power Commission for a further increase in rates, which became effective, subject to refund, on January 1, 1958. In anticipation of this increase we requested the California Public Utilities Commission on October 18, 1957, to permit the Company to increase its gas rates on January 1, 1958 to offset the El Paso increase amounting to about \$9 million annually. On December 17, 1957, the California Commission approved the offset increase, effective January 1, 1958. This increase is subject to refund to our customers in a manner similar to the previous offset increase.

### *Personnel*

Harmony and stability continue to characterize the Company's relationship with its employees.



This has been one of the most gratifying aspects of our operations over a period of many years.

The service of our employees often extends beyond that which is expected of them, and during

the year the Company presented awards to four employees who displayed exceptional courage and resourcefulness under emergencies occurring both within and without the line of duty.

At the year-end P G & E had 18,077 employees, a slightly smaller number than at the end of the previous year. Wages and salary payments amounted to \$105,469,000, of which \$61,766,000 was paid to operating employees and charged to income. The remainder represented payments to employees engaged in construction activities and was charged to capital accounts.

Our labor agreements with the International Brotherhood of Electrical Workers (A.F. of L.—C.I.O.) and with the Engineers and Scientists of California were amended and extended for a period of two years. The amended agreement with the Electrical Workers provided for a general wage increase of 5½% on July 1, 1957, an additional increase of 5% on July 1, 1958, liberalization of vacations, and certain changes in working conditions.

Our Employee Suggestion Plan is one of the oldest in the utility industry. Over 1,800 suggestions for improvements in our operation were submitted in 1957, about one-third of which were adopted with estimated annual savings in excess of \$140,000. Suitable cash awards were given for all suggestions adopted.

Pacific Service Employees' Association completed its fortieth successful year of operations. A voluntary organization, it operates an extensive program of educational, social and recreational activities for its 14,500 members. It also operates a Credit Union and several welfare programs for its members. Major medical coverage was added to its Hospitalization Plan at the beginning of the year, the Company defraying the entire cost of the added coverage.

### Central Valley Power

Early in 1957 a bill was introduced in Congress to authorize joint development of the Trinity River water power resources by the United States and the Company. Construction of the Trinity River



#### SUMMARY OF PAYROLLS And Other Employee Benefits, Year 1957

PAYROLLS:	
Operating employees . . . . .	\$ 61,766,000
Construction employees . . . . .	43,703,000
Sub-total . . . . .	<u>\$105,469,000</u>
OTHER EMPLOYEE BENEFITS PAID BY COMPANY:	
Contributions to Retirement Plan . . . . .	\$ 7,633,000
Pension payments made by Trustee . . . . .	861,000
State unemployment insurance tax . . . . .	172,000
Federal unemployment insurance tax . . . . .	175,000
Federal old-age insurance tax . . . . .	1,788,000
Contributions to Group Life Insurance Plan . . . . .	258,000
Contributions to employee association . . . . .	458,000
Sub-total . . . . .	<u>\$ 11,345,000</u>
TOTAL PAYROLLS AND OTHER EMPLOYEE BENEFITS . . . . .	<u><u>\$116,814,000</u></u>

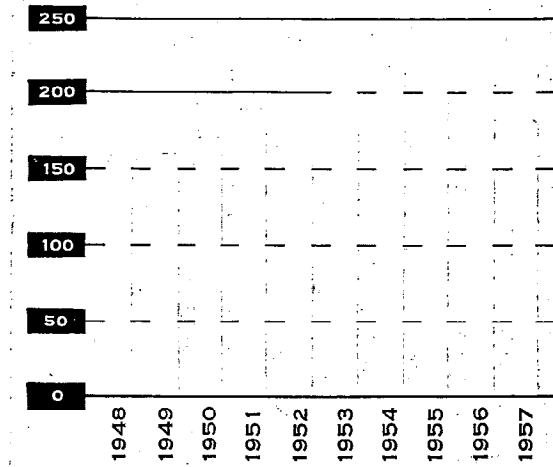
**DISTRIBUTION OF STOCK OWNERSHIP**

By Class of Investor, December 31, 1957

CLASS OF INVESTOR	Number of Stockholders	Number of Shares Owned
Women stockholders	87,697	7,145,662
Joint and other tenancies	64,231	4,862,136
Men stockholders	51,510	4,560,531
Trustees, guardians and other fiduciaries	14,192	1,877,244
Nominees	2,292	6,116,779
Corporations, partnerships and proprietorships	1,677	767,354
Charitable and fraternal organizations and foundations	1,336	278,090
Banks, investment companies and security dealers	916	1,378,310
Insurance companies	656	3,752,606
Religious institutions	497	91,968
Educational institutions	433	254,833
<b>TOTALS</b>	<b>225,487</b>	<b>31,085,513</b>

**NUMBER OF STOCKHOLDERS**

THOUSANDS OF STOCKHOLDERS



project was originally authorized by Congress as an addition to the Central Valley Project in 1955.

Under the plan for joint development, the Company would construct the power facilities and would pay the United States for use of the falling water made available by the government dams. A hearing on this bill was held by the House Committee on Interior and Insular Affairs commencing in the latter part of January, 1958. The Secretary of the Interior and representatives of the Company appeared before the Committee and showed that benefits of this joint development over the 50-year project repayment period would include the following: (1) the government would save almost \$56,000,000 in project capital costs; (2) the government would gain \$165,000,000 more net revenue than if the government were to build the power facilities; (3) \$83,000,000 in Federal tax revenues would be created; and (4) State and local governments would receive \$62,500,000 in taxes. None of these benefits would be available under Federal construction and operation.

Enactment of this proposed legislation would reduce Federal expenditures at a time when it is highly desirable to do so. It would make Trinity

power available without discrimination to the more than six million people served by the Company under rates regulated by the State of California.

It is hoped that the Committee will report favorably on this proposed legislation and that it will be enacted during the current session of Congress.

*Stock Ownership*

At the year-end, P G & E stock was owned by 225,487 individual and institutional investors, a gain of 4,159 for the year. It was the eighteenth consecutive year in which we have experienced a gain in the number of those participating in our ownership.

Of the total stockholders at the end of the year, 88,456 were preferred stockholders and 137,031 were common stockholders.

The Company has had a long-standing policy, dating from 1914, of encouraging individual local ownership of its stock. About 66% of our stockholders at the close of 1957 had California addresses and owned approximately 46% of the more than thirty million shares of outstanding stock.

The average holding is relatively modest. For individuals and joint tenancies, usually husband and wife, who as a group numbered 203,000, the average holding is only 81 shares. This is indicative of the trend toward wider ownership of American industry. Stock ownership has long since ceased to be concentrated in the hands of a few wealthy individuals; the number owning shares in corporations today is counted in the millions.

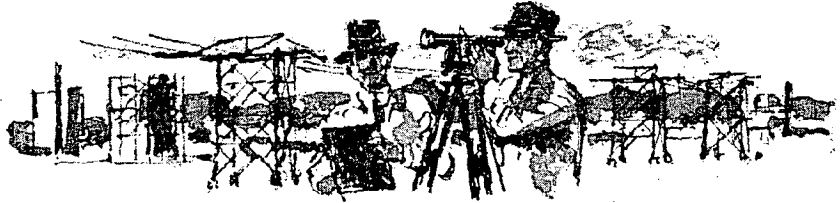
Concurrently with the trend toward wider ownership of American corporations by individual investors, institutional investors have been growing in significance as sources of equity capital for industry. Insurance companies, investment trusts, private pension funds, educational endowment funds and other similar types of investors are playing a more and more prominent role in the market for equity securities. The Company's stock is represented in the portfolios of a large number of institutional investors, and it seems likely that they will supply an increasing proportion of the

equity capital which the Company will require to finance its future growth.

### *Directors*

It is with deep regret that we record the death on January 6, 1958, of Mr. Allen L. Chickering, a member of the Company's Board of Directors since 1927 and of its Executive Committee since 1930. At the time of his death, Mr. Chickering was the oldest member of the Board of Directors in point of service. A distinguished attorney and civic leader, his wise counsel and devoted service to the Company will be greatly missed.

On January 21, 1958, Mr. Russell Giffen, of Fresno, was elected a member of the Board of Directors to fill the vacancy caused by the death of Mr. Chickering. A widely-known agriculturist and community leader, Mr. Giffen conducts extensive farming operations in the San Joaquin Valley of California and in Arizona.



**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

120 MONTGOMERY STREET  
SAN FRANCISCO 4

ACCOUNTANTS' CERTIFICATE

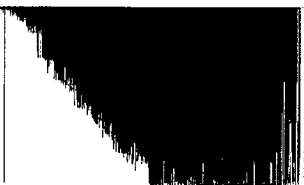
The Board of Directors of  
Pacific Gas and Electric Company:

We have examined the balance sheet of Pacific Gas and Electric Company as of December 31, 1957 and the related statements of net income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Previously we made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet and statements of net income and earned surplus present fairly the financial position of the Company at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Haskins & Sells*

February 19, 1958.



PACIFIC GAS AND ELECTRIC COMPANY

Statement of Net Income for the Years Ended December 31, 1957 and 1956

	1957	1956
<b>GROSS OPERATING REVENUES:</b>		
Electric department . . . . .	\$328,309,748	\$305,854,584
Gas department . . . . .	170,569,441	162,560,063
Other . . . . .	2,364,347	2,329,517
Total . . . . .	<u>\$501,243,536</u>	<u>\$470,744,164</u>
<b>OPERATING EXPENSES:</b>		
Maintenance and repairs . . . . .	\$ 15,484,026	\$ 15,180,661
Production expenses:		
Power purchased . . . . .	5,683,779	6,189,929
Natural gas purchased . . . . .	114,227,153	98,808,459
Oil and other fuel . . . . .	19,516,914	15,309,290
Other . . . . .	9,799,936	9,860,314
Transmission expenses . . . . .	3,672,932	4,227,342
Distribution expenses . . . . .	21,348,027	19,922,736
Customers' accounting and collecting expenses . . . . .	16,747,025	15,711,937
Sales promotion expenses . . . . .	4,214,653	3,572,165
Provision for depreciation and amortization . . . . .	48,025,298	44,963,968
Taxes:		
Provision for Federal income tax (Note 4) . . . . .	63,142,012	66,673,897
Other taxes . . . . .	57,643,024	52,597,731
Administrative and general expenses . . . . .	19,646,976	17,882,946
Provision for doubtful accounts . . . . .	960,000	960,000
Provision for casualty losses from storm damage (1956 credit represents excess of 1955 estimate over actual expenditures) . . . . .		*491,150
Total . . . . .	<u>\$400,111,755</u>	<u>\$371,370,225</u>
<b>NET OPERATING REVENUES . . . . .</b>	<u>\$101,131,781</u>	<u>\$ 99,373,939</u>
<b>MISCELLANEOUS INCOME:</b>		
Dividends from subsidiaries . . . . .	\$ 944,000	\$ 700,000
Other (net) . . . . .	560,379	487,151
Total . . . . .	<u>\$ 1,504,379</u>	<u>\$ 1,187,151</u>
Total . . . . .	<u>\$102,636,160</u>	<u>\$100,561,090</u>
<b>INCOME DEDUCTIONS:</b>		
Interest on funded debt . . . . .	\$ 27,760,054	\$ 25,149,505
Amortization of net bond discount and expense . . . . .	428,166	416,358
Miscellaneous interest . . . . .	1,374,255	835,111
Interest charged to construction . . . . .	*4,533,758	*2,661,395
Other . . . . .	987,903	1,047,246
Total . . . . .	<u>\$ 26,016,620</u>	<u>\$ 24,786,825</u>
<b>NET INCOME . . . . .</b>	<u>\$ 76,619,540</u>	<u>\$ 75,774,265</u>

\*Denotes red figure

The accompanying Notes to Financial Statements are an integral part of this statement.

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Earned Surplus for the Years Ended December 31, 1957 and 1956

	1957	1956
BALANCE, JANUARY 1 . . . . .	\$134,237,198	\$105,853,828
NET INCOME . . . . .	76,619,540	75,774,265
OTHER ADDITIONS:		
Additions to restricted surplus for income taxes payable following period of accelerated amortization (Note 4)	10,019,914	8,867,166
Credit arising from deferment of ad valorem tax expense (see contra) (Note 4)		9,455,025
Excess of sales price over net depreciated cost of electrical properties transferred to the United States Bureau of Reclamation pursuant to condemnation proceedings		932,685
Refund of excess cost of natural gas purchased in prior years (less related income tax expense, \$565,567)		483,334
Purchase discount (*premium) on bonds reacquired, and unamortized net discount and expense applicable thereto	253,065	363,677
Surplus adjustments from mergers of subsidiaries	*95,911	224,401
Miscellaneous—net (includes \$202,825 profit on sale of properties in 1957)	206,134	28,204
Total . . . . .	<u>\$221,239,940</u>	<u>\$201,982,585</u>
DEDUCTIONS:		
Dividends—Cash:		
First preferred—various series . . . . .	\$ 18,335,675	\$ 18,192,322
Common . . . . .	40,981,258	39,989,108
Write-off of plant acquisition adjustments (see contra) (Note 4)		9,455,025
Provision for contingent electric rate refund . . . . .		108,932
Total deductions . . . . .	<u>\$ 59,316,933</u>	<u>\$ 67,745,387</u>
BALANCE, DECEMBER 31 (restricted for income taxes payable following period of accelerated amortization: 1957, \$28,311,109; 1956, \$18,291,195—Note 4)	<u>\$161,923,007</u>	<u>\$134,237,198</u>

\*Denotes red figure

The accompanying Notes to Financial Statements are an integral part of this statement.

PACIFIC GAS AND ELECTRIC COMPANY  
Balance Sheet, December 31, 1957 and 1956

ASSETS	1957	1956
<b>UTILITY PLANT (Note 2):</b>		
Tangible plant . . . . .	\$2,467,697,661	\$2,277,395,844
Intangible plant . . . . .	1,353,640	1,341,089
Total utility plant . . . . .	\$2,469,051,301	\$2,278,736,933
Less reserves for depreciation . . . . .	470,403,481	438,780,844
Utility plant—net . . . . .	\$1,998,647,820	\$1,839,956,089
<b>INVESTMENTS AND NON-CURRENT RECEIVABLES:</b>		
Capital stock of subsidiaries—at cost (Notes 1 and 3) . . . . .	\$ 15,149,975	\$ 14,865,747
Investment in other physical property—at cost . . . . .	3,878,983	4,405,600
Other investments and non-current receivables . . . . .	4,132,212	1,758,558
Total investments and non-current receivables . . . . .	\$ 23,161,170	\$ 21,029,905
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 24,665,428	\$ 26,691,922
Accounts receivable (less reserves for doubtful accounts: 1957, \$2,264,653; 1956, \$2,172,135) . . . . .	42,145,680	37,774,717
Materials and supplies (for operations and construction)—at average cost . . . . .	18,503,794	16,354,101
Prepaid taxes and insurance (Note 4) . . . . .	27,338,016	25,411,640
Total current assets . . . . .	\$ 112,652,918	\$ 106,232,380
<b>DEFERRED CHARGES:</b>		
Unamortized bond discount and expense (Note 3) . . . . .	\$ 10,076,417	\$ 10,009,073
Other . . . . .	1,732,857	1,353,940
Total deferred charges . . . . .	\$ 11,809,274	\$ 11,363,013
<b>TOTAL . . . . .</b>	<b>\$2,146,271,182</b>	<b>\$1,978,581,387</b>

The accompanying Notes to Financial Statements are an integral part of this statement.



**PACIFIC GAS AND ELECTRIC COMPANY**  
*Balance Sheet, December 31, 1957 and 1956*

LIABILITIES	1957	1956
<b>CAPITALIZATION:</b>		
Capital stock and surplus:		
Capital stock (Schedule 1):		
First preferred . . . . .	\$ 350,249,775	\$ 350,249,775
Common . . . . .	426,890,050	426,715,050
Excess of premiums received over discount and expense on outstanding shares	64,653,994	64,489,173
Total capital stock . . . . .	\$ 841,793,819	\$ 841,453,998
Surplus:		
Capital surplus . . . . .	\$ 627,217	\$ 627,217
Earned surplus (including restricted surplus: 1957, \$28,311,109; 1956, \$18,291,195—Note 4)	161,923,007	134,237,198
Total surplus . . . . .	\$ 162,550,224	\$ 134,864,415
Total capital stock and surplus . . . . .	\$1,004,344,043	\$ 976,318,413
Mortgage bonds (less sinking-fund requirements) (Schedule 2) . . . . .	906,799,410	821,864,340
Total capitalization . . . . .	\$1,911,143,453	\$1,798,182,753
<b>CURRENT LIABILITIES:</b>		
Bank loans . . . . .	\$ 74,000,000	\$ 25,000,000
Accounts payable . . . . .	25,085,117	25,761,816
Drafts outstanding . . . . .	1,047,982	1,402,518
Dividends payable . . . . .	10,246,742	10,243,346
Current sinking-fund requirements (Note 3) . . . . .	6,661,590	4,594,660
Accrued interest . . . . .	2,738,991	2,394,082
Customers' deposits . . . . .	6,182,411	5,724,638
Accrued taxes . . . . .	78,486,745	78,420,751
Total current liabilities . . . . .	\$ 204,449,578	\$ 153,541,811
<b>DEFERRED CREDITS:</b>		
Unamortized ad valorem tax credits (Note 4) . . . . .	\$ 9,332,334	\$ 10,498,876
Unamortized premium on bonds . . . . .	1,644,641	1,733,361
Other . . . . .	539,815	239,129
Total deferred credits . . . . .	\$ 11,516,790	\$ 12,471,366
<b>RESERVES:</b>		
For insurance and casualties . . . . .	\$ 2,849,803	\$ 2,661,012
For contingent electric rate refund . . . . .	889,918	889,918
For adjustment of plant accounts . . . . .	475,600	926,577
Total reserves . . . . .	\$ 4,215,321	\$ 4,477,507
CONTRIBUTIONS IN AID OF CONSTRUCTION . . . . .	\$ 14,946,040	\$ 9,907,950
<b>TOTAL</b> . . . . .	<b>\$2,146,271,182</b>	<b>\$1,978,581,387</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

PACIFIC GAS AND ELECTRIC COMPANY

Capital Stock, December 31, 1957

SCHEDULE 1	Description	Shares Authorized	Issued and Outstanding —Held by Public	
			Shares	Amount
<b>FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE</b>				
	6%	4,211,662	4,211,662	\$105,291,550
	5½%	1,173,163	1,173,163	29,329,075
	5%	400,000	400,000	10,000,000
	5% redeemable	2,860,977	2,860,977	71,524,425
	5% redeemable—Series A	1,750,000	1,719,388	42,984,700
	4.80% redeemable	1,517,375	1,517,375	37,934,375
	4.50% redeemable	1,127,426	1,127,426	28,185,650
	4.36% redeemable	1,000,000	1,000,000	25,000,000
	Redeemable (unclassified in series)	5,959,397	—	—
	TOTAL	20,000,000	14,009,991	\$350,249,775
	COMMON, PAR VALUE \$25 PER SHARE	25,000,000	17,075,602	426,890,050
	TOTAL	45,000,000	31,085,593	\$777,139,825
EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES				64,653,994
	TOTAL			<u>\$841,793,819</u>

Mortgage Bonds, December 31, 1957

SCHEDULE 2	Title of Issue	Interest Rate %	Maturity	Amount	
				Outstanding —Held by Public	Held in Treasury
<b>FIRST AND REFUNDING MORTGAGE (See Note):</b>					
	Series I	3½	June 1, 1966	\$ 927,000	
	Series J	3	Dec. 1, 1970	18,669,000	
	Series K	3	June 1, 1971	23,789,000	
	Series L	3	June 1, 1974	109,276,000	
	Series M	3	Dec. 1, 1979	77,890,000	
	Series N	3	Dec. 1, 1977	48,147,000	
	Series O	3	Dec. 1, 1975	8,600,000	
	Series P	2¾	June 1, 1981	24,053,000	
	Series Q	2⅞	Dec. 1, 1980	65,812,000	
	Series R	3⅛	June 1, 1982	69,072,000	
	Series S	3	June 1, 1983	72,961,000	
	Series T	2⅞	June 1, 1976	77,190,000	\$ 1,000
	Series U	3⅞	Dec. 1, 1985	45,811,000	147,000
	Series W	3⅛	Dec. 1, 1984	55,492,000	
	Series X	3⅛	June 1, 1984	60,642,000	
	Series Y	3⅞	Dec. 1, 1987	44,035,000	
	Series Z	3⅞	Dec. 1, 1988	20,895,000	
	Series AA	4½	Dec. 1, 1986	32,200,000	2,350,000
	Series BB	5	June 1, 1989	58,000,000	
	TOTAL			\$913,461,000	\$2,498,000
	Less current sinking fund requirements			6,661,590	
	Mortgage Bonds			<u>\$906,799,410</u>	

NOTE: Additional amounts may be issued under the terms of the indentures relating to these bonds.

In January 1958 the Company sold \$75,000,000 face amount of first and refunding mortgage bonds.

PACIFIC GAS AND ELECTRIC COMPANY  
*Notes to Financial Statements, December 31, 1957*

**NOTE 1—Financial Statements;  
Subsidiary Companies:**

In this report the financial statements presented relate to the Company only, by reason of the fact that the net assets and earnings of the subsidiaries are relatively insignificant. As of December 31, 1957 and 1956 the Company's investment in subsidiaries (\$15,149,975 and \$14,865,747 at the respective dates) exceeded its equities in the net assets of the subsidiaries by \$12,058,301 and \$12,537,907 respectively. The excess represents principally the investment in Natural Gas Corporation of California. It is believed, based on engineering estimates, that the amount of earnings of this subsidiary being allocated to reduction of the investment account will be adequate to amortize the Company's investment over the life of the gas reserves.

**NOTE 2—Utility Plant:**

The major portion of the Company's utility plant consists of plant constructed by the Company and is recorded in the accounts at cost to the Company (such cost includes interest and taxes during construction, direct engineering and supervision expenses, and proportions of administrative and general expenses determined by the Company to be applicable to construction). The remainder of its utility plant, consisting of acquisitions of operating units or systems, is recorded at "original cost" (defined as cost to the person first devoting the property to public service). The principal accruals to the reserves for depreciation are computed on the sinking-fund method for purposes of book depreciation.

**NOTE 3—Mortgage Bonds:**

Under the terms of the first and refunding mortgage, the Company is required to make semi-annual sinking-fund payments based upon the aggregate bonded indebtedness outstanding; such sinking-fund payments due during the year ending December 31, 1958 are shown among the current liabilities net of the treasury bonds held by the Company at December 31, 1957.

In general, bond discount and expense, redemption premiums on refunded issues, and sale premiums are being written off over the lives of the various issues to which they pertain, or refunding issues, and such items applicable to bonds reacquired other than through refunding operations are cleared to earned surplus at time of reacquisition.

All fixed properties and certain personal property of the Company are subject to the lien of the mortgage

bonds. The capital stocks of subsidiaries are on deposit and pledged with the California trustee of the first and refunding mortgage.

**NOTE 4—Federal Income and other Taxes:**

The cost of plant construction completed as emergency facilities under Certificates of Necessity is being amortized on a five-year basis for income tax purposes whereas for general accounting purposes such cost is being depreciated at normal rates. Because the benefits produced by the deferral of taxes are temporary, the Company has offset the effect on income by recording in its accounts provisions for deferred income taxes and an earned surplus account restricted for income taxes payable following the period of accelerated amortization.

The Company has elected to use accelerated depreciation, as permitted by the Internal Revenue Code of 1954, in determining its taxable net income for the years 1954, 1955, and 1956, the significance of such election being that income taxes are lower during the earlier years and higher during the later years of average service lives of the properties than they would be if depreciation were computed on a straight-line basis. Through exercise of this election the Company's Federal income tax liability for the years 1954, 1955, and 1956 was less than it would otherwise have been by \$731,700, \$2,488,200, and \$4,425,700 respectively. In its accounts, however, Federal income taxes for the years 1954, 1955, and 1956 were accrued by deducting normal straight-line depreciation in lieu of accelerated depreciation as reported in the tax returns. The resulting excess accruals, in the amounts shown above, are being carried in the "Accrued Taxes" account pending decision of the the California Public Utilities Commission on the Company's application to establish appropriate accounting procedures. Such excess accruals are subject to revision, by amounts not presently determinable, because of accelerated depreciation rate adjustments being studied by the Internal Revenue Service. Election for the year 1957 will not be made for income tax purposes until tax returns are filed in 1958; pending such election, the Company has determined its provision for 1957 Federal income tax using a straight-line basis for depreciation. In October 1957 the California Public Utilities Commission authorized the Company to make electric rate increases effective November 15, 1957. In determining allowable expense for Federal and State Taxes on income, the Commission's decision permitted the Company to normalize with respect to accelerated amortization in a manner consistent with the Company's

accounting. With respect to property not subject to accelerated amortization but eligible for accelerated depreciation under Section 167 of the Internal Revenue Code, the Commission adopted tax expense calculations based on straight-line depreciation and held in abeyance its decision on normalization with respect to accelerated depreciation. In the event the Company should elect to use accelerated depreciation in determining its taxable income for any future year, the order requires the Company to report such election to the Commission for its consideration of appropriate rate adjustments.

Effective January 1, 1956, the Company was authorized by the Public Utilities Commission of the State of California to change its method of charging income for ad valorem taxes from a calendar to a fiscal year basis. On the revised basis ad valorem tax expense applying to the year 1958 is included in the prepaid tax account in the balance sheet as of December 31, 1957, and similarly the tax expense applying to 1957 is shown as prepaid in 1956. The related credit arising because of the change in method has been applied to write off the unamortized balance of Plant Acquisition Adjustments accounts and other items aggregating about \$10,400,000, leaving a deferred credit of about \$11,600,000 which is being amortized as a credit to ad valorem tax expense over a ten-year period.

**NOTE 5—Commitments and Contingent Liabilities:**

At December 31, 1957 the Company had firm commitments in the aggregate amount of about \$246,000,000 in connection with its plant construction program. This amount includes \$121,000,000 for 550,000 tons of steel pipe for the Company's proposed project to import natural gas from Canada. It is proposed to assign a sub-

stantial portion of this tonnage to a subsidiary company early in 1958.

The Company closes its accounts promptly as of the end of each month with the result that there are always unrecorded items of expense from month to month and year to year; at December 31, 1957 the unrecorded liabilities and accruals for expenses were more than offset by the unrecorded and unbilled revenues accrued at that date.

The Company, its wholly-owned subsidiary, Natural Gas Corporation of California, and various producers of gas at the Rio Vista Gas Field have been named as defendants in four lawsuits arising from the production and sale of gas from the Rio Vista Field. In two of these suits, in which damages totaling \$39,500,000 are sought, it is charged that the producers at the Rio Vista Field have wrongfully sold to the Company and others gas belonging to the plaintiffs. In the third suit, in which damages of approximately \$159,000,000 are sought, it is alleged that activities of the defendants with respect to the Rio Vista Field violate the California anti-trust laws. The fourth suit, in which damages of approximately \$243,000,000 were sought, is substantially similar to the third, except that additional defendants were named and violations of Federal anti-trust laws were alleged. This fourth suit was dismissed on January 20, 1958. In the opinion of counsel for the Company, none of these suits against the Company is meritorious.

Except as to the above mentioned litigation and certain other litigation which is considered routine to the Company's operations, and certain indemnities given in the normal course of business, there are no known contingent liabilities not provided for by reserves or insurance.

DEPARTMENTAL ORGANIZATION

DEPARTMENT OF ELECTRIC OPERATION

I. W. Collins, *Assistant to Vice-President in Charge of Electric Operations*

General Superintendents: J. H. Martin, *Power Control*; V. F. Estcourt, *Steam Generation*; J. N. Spaulding, *Water Systems*; H. R. Daniels, *Hydro Generation*; H. T. Sutcliffe, *Substations*; C. R. Machen, *Transmission and Distribution*; R. L. Brinton, *Communications*; Earl Whiteley, *System Protection*

DEPARTMENT OF GAS OPERATION

General Superintendents: R. D. Smith, *Transmission and Distribution*; M. A. Richford, *Production and Utilization*; R. T. Peterson, *Gas Control*; K. B. Anderson, *Technical Services*; E. H. Fisher, *Pipe Line Operations*

DEPARTMENT OF ENGINEERING

C. C. Whelchel, *Chief Mechanical Engineer*  
Carl W. Appleford, *Chief Civil Engineer*  
W. R. Johnson, *Chief Electric Generation and Transmission Engineer*  
C. E. Baugh, *Chief Electric Distribution Engineer*  
E. V. Noe, *Chief of Bureau of Specifications and Estimates*  
F. G. Rothganger, *Chief of Bureau of Tests and Inspections*  
John F. Bonner, *Assistant to Vice-President and Chief Engineer*

DEPARTMENT OF GENERAL CONSTRUCTION

H. W. Haberkorn, *Manager of Hydroelectric Construction*  
Charles H. Sedam, *Manager of Station Construction*  
H. D. Wright, *Manager of Line Construction*  
J. A. Love, *Manager of Gas Construction*  
George C. Grubb, *Superintendent of Office and Service Group Construction*

DEPARTMENT OF EXECUTIVE ENGINEER

Emil J. Lage, *Manager Valuation Department*  
S. B. Barton, *Manager Land Department*  
Rudolph Jenny, *Manager Rate Department*

ACCOUNTING AND TAX DEPARTMENTS

R. N. Dreiman, *Assistant Comptroller*  
T. R. Salm, *General Auditor*  
Harry McGann, *Auditor of Division Accounts*  
D. J. Beaudet, *Auditor of Plant Accounts*  
Francis J. Carr, *Manager Tax Department*

SALES AND COMMERCIAL DEPARTMENT

R. W. Joyce, *Manager Commercial Department*  
J. H. Gumz, *Manager Commercial and Industrial Sales*  
Walter D. Howell, *Manager Agricultural Sales*  
J. S. C. Ross, *Manager Residential Sales*  
R. I. Mendes, *Manager Market Research and Sales Control*

LAW DEPARTMENT

F. T. Searls, *General Attorney*  
R. W. White, *Manager Claims and Safety Department*

CREDIT AND COLLECTION DEPARTMENT

F. U. Naylor, *Manager*

PERSONNEL DEPARTMENT

H. F. Carr, *Manager*

AUTOMOTIVE DEPARTMENT

C. R. Stanley, *Manager*

PURCHASING AND STORES DEPARTMENT

F. E. Baxter, *Manager*

ADVERTISING AND PUBLICITY DEPARTMENT

A. J. McCollum, *Manager*

DEPARTMENT ON PROCEDURES AND ORGANIZATION

J. R. Kleespies, *Manager*

DIVISION MANAGERS

COAST VALLEYS: T. E. Ward, Salinas  
COLGATE: F. Y. Kraft, Marysville  
DE SABLE: K. C. Porter, Chico  
DRUM: R. A. Cayot, Auburn  
EAST BAY: W. F. Pape, Oakland  
HUMBOLDT: D. F. Villa,\* Eureka

\*Retired December 31, 1957

NORTH BAY: E. S. Day, San Rafael  
SACRAMENTO: R. L. Hayden, Sacramento  
SAN FRANCISCO: H. A. Lee, San Francisco  
SAN JOAQUIN: A. D. Church, Fresno  
SAN JOSE: L. J. Brundige, San Jose  
SHASTA: L. H. Smith, Red Bluff  
STOCKTON: George L. Works, Stockton

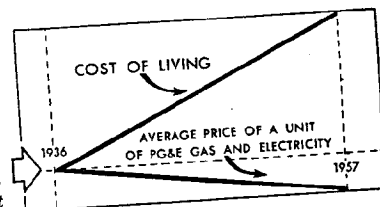


**"6 minutes on duty...cuts my wife's workday by hours"**

*San Francisco Mounted Policeman, Julius Long, earns enough in 6 minutes to run a houseful of appliances for 24 hours*

Heat, lights and running 28 appliances hardly makes a dent in the Long's family budget. Mr. Long figures it takes him just 6 minutes on duty to pay for all this gas and electricity. "At these low prices we can afford to give our appliances a real work-out, and have more time to enjoy things like T.V."

This is another way Californians live better. With gas and electricity so cheap, you can afford to let appliances do more of your housework. For even though the cost of living has doubled in the last 20 years, a unit of P. G. and E. gas and electricity costs you about  $\frac{1}{3}$  less than it did back in 1936.



*Live better—gas and electricity are cheap in California*

**P·G·and·E·**  
Pacific Gas and Electric Company

Shown above is an example of the Company's value-of-service series of newspaper advertisements in support of the appliance sales campaign.

Printed by Taylor & Taylor, San Francisco

