

PACIFIC GAS AND ELECTRIC COMPANY 1962 ANNUAL REPORT



REPORT TO STOCKHOLDERS PACIFIC GAS AND ELECTRIC COMPANY 245 MARKET ST SAN FRANCISCO

COVER: Site of Butt Valley Powerhouse, elevation 4,168 feet, Plumas County, California



HIGHLIGHTS OF OPERATIONS

1962

1961

Operating Revenues and Other Income.....	\$ 731,672,000	\$ 697,402,000
Taxes and Franchise Payments.....	\$ 161,469,000	\$ 159,253,000
Natural Gas Purchased.....	\$ 196,145,000	\$ 185,776,000
Operating Payroll.....	\$ 88,489,000	\$ 83,244,000
Other Expenses and Charges.....	\$ 174,877,000	\$ 166,888,000
Net Income.....	\$ 110,692,000	\$ 102,241,000
Earned Per Common Share.....	\$1.64	\$1.49
Total Assets.....	\$2,809,136,000	\$2,644,467,000
Construction Expenditures.....	\$ 209,725,000	\$ 228,086,000
Sales of Electricity to Customers (KWH).....	26,331,210,000	25,767,858,000
Sales of Gas to Customers (MCF).....	415,590,000	387,491,000
Total Customers.....	3,920,868	3,809,950
Number of Employees.....	19,039	18,383
Number of Stockholders.....	246,720	231,545

1



BOARD OF DIRECTORS

JAMES B. BLACK*	San Francisco
<i>Chairman of the Board</i>	
RANSOM M. COOK	San Francisco
JAMES F. CRAFTS*	San Francisco
W. W. CROCKER*	San Francisco
PAUL L. DAVIES	San Jose
ROBERT H. GERDES	San Francisco
RUSSELL GIFFEN	Fresno
WALTER A. HAAS*	San Francisco
ELLIOTT MCALISTER	San Francisco
HENRY D. NICHOLS*	San Francisco
DAVID PACKARD	Palo Alto
PORTER SESNON	San Francisco
S. L. SIBLEY**	San Francisco
N. R. SUTHERLAND*	San Francisco
CARL F. WENTE	San Francisco

*Member Executive Committee

**Elected February 20, 1963 to succeed
Silas H. Palmer, deceased

EXECUTIVE OFFICERS

N. R. SUTHERLAND	President
ROBERT H. GERDES	Executive Vice-President
S. L. SIBLEY	Vice-President and General Manager
L. HAROLD ANDERSON	Vice-President and Assistant General Manager
J. S. MOULTON	Vice-President and Executive Engineer
A. J. SWANK†	Vice-President - Electric Operations
E. H. FISHER	Vice-President - Gas Operations
H. W. HABERKORN	Vice-President - General Construction
JOHN F. BONNER	Vice-President - Engineering
R. W. JOYCE	Vice-President - Commercial Operations
K. C. CHRISTENSEN	Vice-President - Finance
ROBERT R. GROS	Vice-President
L. W. COUGHLAN	Comptroller
RICHARD H. PETERSON	General Counsel
F. T. SEARLS	General Attorney
E. E. MANHARD	Secretary
DONALD L. BELL	Treasurer
* * *	
H. C. NELSON†	Assistant Treasurer and Assistant Secretary
V. D. VINCENT	Assistant Treasurer
J. F. TAYLOR	Assistant Secretary
A. H. CATHERALL	Assistant Secretary

†Retired December 31, 1962



N. R. SUTHERLAND, *President* • JAMES B. BLACK, *Chairman of the Board*

REPORT OF THE DIRECTORS OF PACIFIC GAS AND ELECTRIC COMPANY TO OUR STOCKHOLDERS: *San Francisco, California, February 28, 1963*

The continued increase in population and industry in Northern and Central California was reflected in another year of progress for the Company in 1962.

The year's results provide further confirmation of the strong underlying growth trend that has characterized the Company's operations throughout the postwar period. We have every reason to believe that this trend will continue, and we are formulating our plans accordingly.

Net earnings for the common stock amounted to \$1.64 a share based on the 56,477,326 shares outstanding during the year. This compares with earnings of \$1.49 a share based on the same number of shares outstanding at the end of the previous year.

Construction expenditures totaled \$210 million for the year, falling somewhat below the budgeted amount principally because of a strike in the construction industry of about six weeks' duration. Construction expenditures for 1963 are presently estimated at about \$238 million.

Late in the year our principal gas supplier, El Paso Natural Gas Company, filed lower rate tariffs for natural gas delivered to us, pursuant to order of the Federal Power Commission. As a result, rate reductions aggregating \$4.1 million annually were placed in effect for our gas customers, effective January 31, 1963. The El Paso rate change also had the effect of reducing fuel costs in our electric generating plants. Principally because of these lower fuel costs, electric rate reductions totaling \$2.4 million annually were also placed in effect.

Development of nuclear energy as an economic source of power continues to engage our efforts. Fuel loading of uranium oxide is proceeding for the 60,000 kilowatt nuclear unit at our Humboldt Bay Power Plant near Eureka, and the reactor is expected to be operating under test shortly. Authority to proceed with the construction of a 330,000 kilowatt nuclear unit at Bodega Bay Atomic Park has been granted by the California Public Utilities Commission, and start of construction awaits the receipt of a construction permit from the Atomic Energy Commission.

In last year's annual report reference was made to plans for constructing extra high voltage (EHV) transmission lines between the Pacific Northwest and California. On January 11, 1963, the Company and three other electric utilities, comprising the California Power Pool, made an offer to construct EHV (500,000 volt) transmission lines between the Oregon-California border and Los Angeles. The estimated cost of the initial EHV line is \$100,000,000.

The offer was made in response to a request of the Bonneville Power Administrator for "the most feasible and economical plan" to build and operate Northwest-California interties. The Administrator is considering proposals made by public and private agencies. By constructing and operating the new EHV lines as an integral part of the existing electric systems in California, the usefulness and reliability of the lines will be greatly increased and the capital costs substantially reduced. Also, construction of the lines by the California utilities will make unnecessary the expenditure of large sums of taxpayers' money for a Federal EHV transmission system in California, and will increase substantially federal, state and local revenues. Most importantly, it will eliminate a major federal expense at a time when it is urgent that non-essential government spending be reduced.

An important part of our activity is planning the additions to our system that will be required in order to meet the future demands of



S. L. SIBLEY, *Vice-President and General Manager*
ROBERT H. GERDES, *Executive Vice-President*

our customers. Recently the Company announced, in addition to its current program, its plans for an electric construction program through 1980, which will more than treble the size of our existing electric system.

While the program is naturally flexible, it includes nine thermal type generating units of at least 660,000 kilowatts each, seven others of at least 1,000,000 kilowatts each, and more than 1,200 miles of EHV transmission lines of at least 500,000 volts. Construction of a part of the new EHV transmission system has already commenced. The first 660,000 kilowatt generating unit is scheduled for operation in 1966. If our nuclear unit at Bodega Bay proves to be as economically successful as we are confident it will be, many of the large generating units in this program will be nuclear.

With such a program, it is apparent that the task ahead is a formidable one and presents a real challenge to our organization.

A more detailed review of our operations for the year will be found on the pages following. Financial statements certified by our independent public accountants are set forth beginning on page 24 of this report.

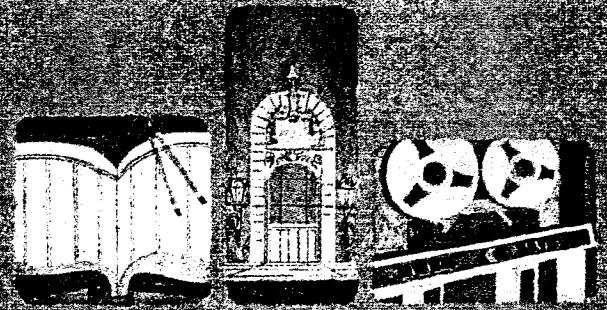
In closing this letter we acknowledge with gratitude and pride the outstanding performance of our employees during the past year.

For the Board of Directors

Chairman of the Board

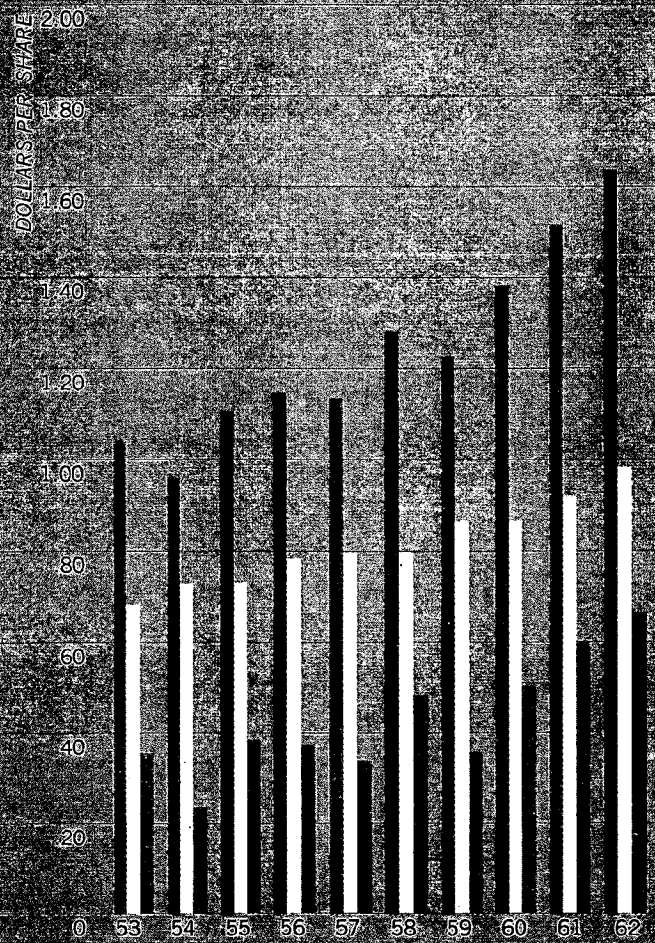
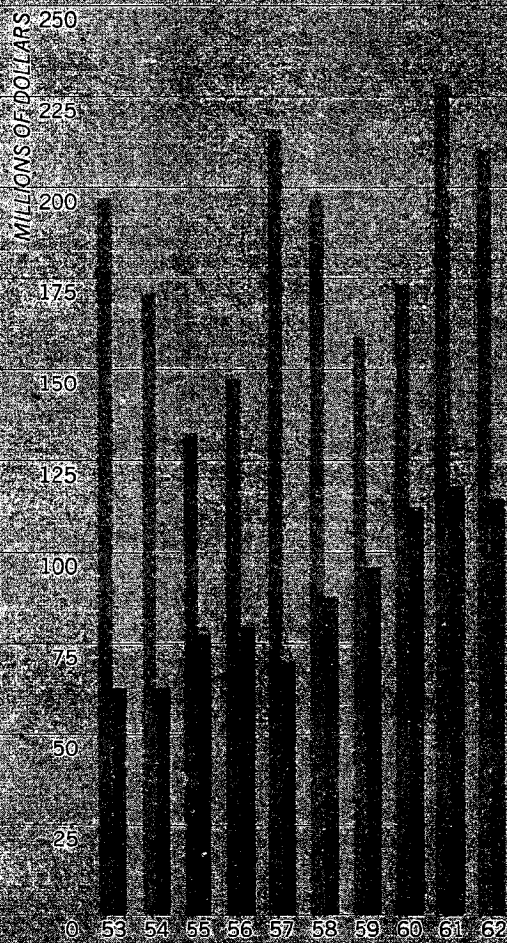
President

The Management will solicit proxies for the annual meeting to be held at the office of the Company, 245 Market Street, San Francisco, California, on Tuesday, April 23, 1963. In connection with such solicitation, it is expected that the proxy statement and form of proxy will be mailed to stockholders on or about March 20, 1963.



CAPITAL EXPENDITURES
INTERNAL FUNDS APPLIED

EARNINGS
DIVIDENDS PAID
REINVESTED EARNINGS





DONALD L. BELL, *Treasurer*
K. C. CHRISTENSEN, *Vice-President - Finance*
L. W. COUGHLAN, *Comptroller*

THE 1962 FINANCIAL STORY

REVENUES A significant milestone in the Company's history was passed in 1962 when for the first time our operating revenues exceeded those of any other gas and electric utility in the United States.

Revenues from all sources reached \$729,425,000, an increase of \$33,717,000 over the previous year. The Electric Department contributed 63.5% of the total revenues, the Gas Department 36.1%, the small remaining balance being obtained from the sales of water and steam.

The table on page 23 shows a breakdown of revenues and unit sales by major classes of service.

The only major class of electric service which did not show a gain was agricultural power. This is due to the fact that in 1962 there was an ample supply of gravity water for irrigation in certain areas, which reduced sales of electricity for agricultural pumping. The previous year, on the other hand, was relatively dry, which stimulated sales for pumping.

Revenues from sales of gas are, of course, very sensitive to temperature conditions. In the early months of the year temperatures were generally below normal, whereas in the fall of the year they were above normal. The net result was about an average year for revenues in our Gas Department.

In addition to its operating revenues, the



F. T. SEARLS, *General Attorney*
RICHARD H. PETERSON, *General Counsel*
E. E. MANHARD, *Secretary*

Company also had other income amounting to \$2,247,000, the major portion of which represented interest and dividends received from its subsidiary companies associated in the Alberta-California gas pipeline project.

EXPENSES Operating expenses, exclusive of taxes and depreciation, amounted to \$350,132,000, compared with \$335,448,000 in the previous year.

Natural gas purchased for sale to our customers and for use as fuel in our steam-electric generating plants accounted for 56% of our operating expenses. With our expanding volume of business we naturally require greater quantities of gas each year for these purposes. Until recently we experienced an uninterrupted rise in the unit prices we paid for gas. Fortunately, this upward trend now appears to have been arrested. As outlined elsewhere in this report, our principal supplier, El Paso Natural Gas Company, has filed lower rate tariffs for gas delivered by it to the Company at the Arizona-California border. Moreover, looking farther ahead, we can confidently expect lower delivered costs for gas from Canada when we begin to realize the economies that can be obtained by transmission of larger volumes.

In last year's annual report reference was made to important savings that were being made by converting many of our facilities from

manual to automatic operation, simplifying and mechanizing our procedures, and expanding the use of electronic computers. These programs are continuing to produce good results.

TAXES Taxes of all kinds paid or accrued for future payment amounted to \$169,178,000 in 1962, equivalent to more than 23% of our revenues from all sources.

A table showing taxes by classes and a comparison with the previous year appears on page 12 of this report.

The provision for Federal taxes on income for the year 1962 does not reflect the use of the new guideline lives for depreciation (see "Guidelines Depreciation" under Note 4 to the Financial Statements). Since January 1, 1963, the Company has been accruing Federal income taxes on the basis of the new depreciation guidelines, which will result in a substantial reduction in its liability for Federal income taxes. The provision for book depreciation concurrently is being accrued at a higher rate than formerly so that the adoption of the guideline lives will not have any major effect on our net earnings.

The 3% investment tax credit made available under the Revenue Act of 1962 resulted in a reduction in Federal income taxes of about \$2.5 million. Pending determination of permanent accounting disposition of the investment tax credit, the Federal Power Commission has or-

dered that the reduction in tax expense be offset by a charge to Other Income Deductions. Under this interim accounting treatment, the investment tax credit does not result in any change in reported net income.

Property taxes continued their upward trend due in part to additional property added to local tax rolls as a result of our construction program, but principally because of higher ad valorem tax rates. In several counties, particularly where we have large hydro installations, our property taxes now exceed 25% of the total taxes paid in such counties. Of the almost \$76 million paid by the Company for property taxes in 1962, about one-half was used to support the public schools in its service area.

With all the talk of tax reform, it is regrettable that our legislators have not yet turned their attention to one of the most glaring inequities in our tax structure, which is the almost complete tax exemption accorded government-owned utilities. When government engages in a commercial enterprise, such as the operation of an electric utility system, it is in direct competition with its own citizens. Such enterprises should assume their fair share of the tax burden rather than be permitted to operate in a tax sheltered position. It is hoped that this situation will soon receive the attention it deserves and that corrective measures will be taken.

EARNINGS AND DIVIDENDS Net income for the year amounted to \$110,692,000, an increase of \$8,451,000 over 1961. After payment of \$18,336,000 in dividends to preferred stockholders there remained \$92,356,000 for the common stock, equivalent to \$1.64 a share.

On March 14, 1962, the Board of Directors increased the quarterly dividend on the common stock to 25 cents a share applicable to the first quarter of the year. The first dividend at the new rate was paid on April 16, 1962, to stockholders of record on March 23, 1962. The new dividend was equivalent to 75 cents on each share outstanding before the 3-for-1 split which became effective on December 29, 1961. The quarterly dividend prior to the split was 70 cents per share. Total dividends declared on the common stock for the year amounted to \$56,477,000, representing a dividend payout ratio of about 61%. The balance of the earnings was reinvested in the business, thereby strengthening the common stockholders' equity.

On January 22, 1963, a letter was sent to all common stockholders advising them that 30.9% of all common dividend payments in 1962 were excludable from their taxable income in computing their Federal income tax. This is an estimated percentage subject to review by the

Internal Revenue Service. If such review should eventually result in a substantial change from the Company's estimate, common stockholders will be so informed.

FINANCING All of the Company's new money requirements in 1962 were obtained from the sale of bonds. In March we sold \$65 million of our First and Refunding Mortgage Bonds, Series HH 4 $\frac{3}{8}$ %, due 1994, and in November a similar amount was sold, designated as Series II 4 $\frac{1}{4}$ %, due 1995.

The proceeds from the sale of these bonds was more than sufficient, by design, to finance our construction program for the year, the result being that we closed the year with \$25 million of temporary cash investments over and above our normal cash balance. These temporary cash investments will be liquidated as required to apply on our 1963 construction program.

Additional financing will, of course, have to be undertaken in 1963, although the timing and nature thereof have not yet been determined.

At the year-end the Company's total capitalization, or invested capital, amounted to \$2,528 million, consisting of 51.5% bonds, 13.9% preferred stock, and 34.6% common stock equity.



FIVE YEARS IN BRIEF

PACIFIC GAS AND ELECTRIC COMPANY

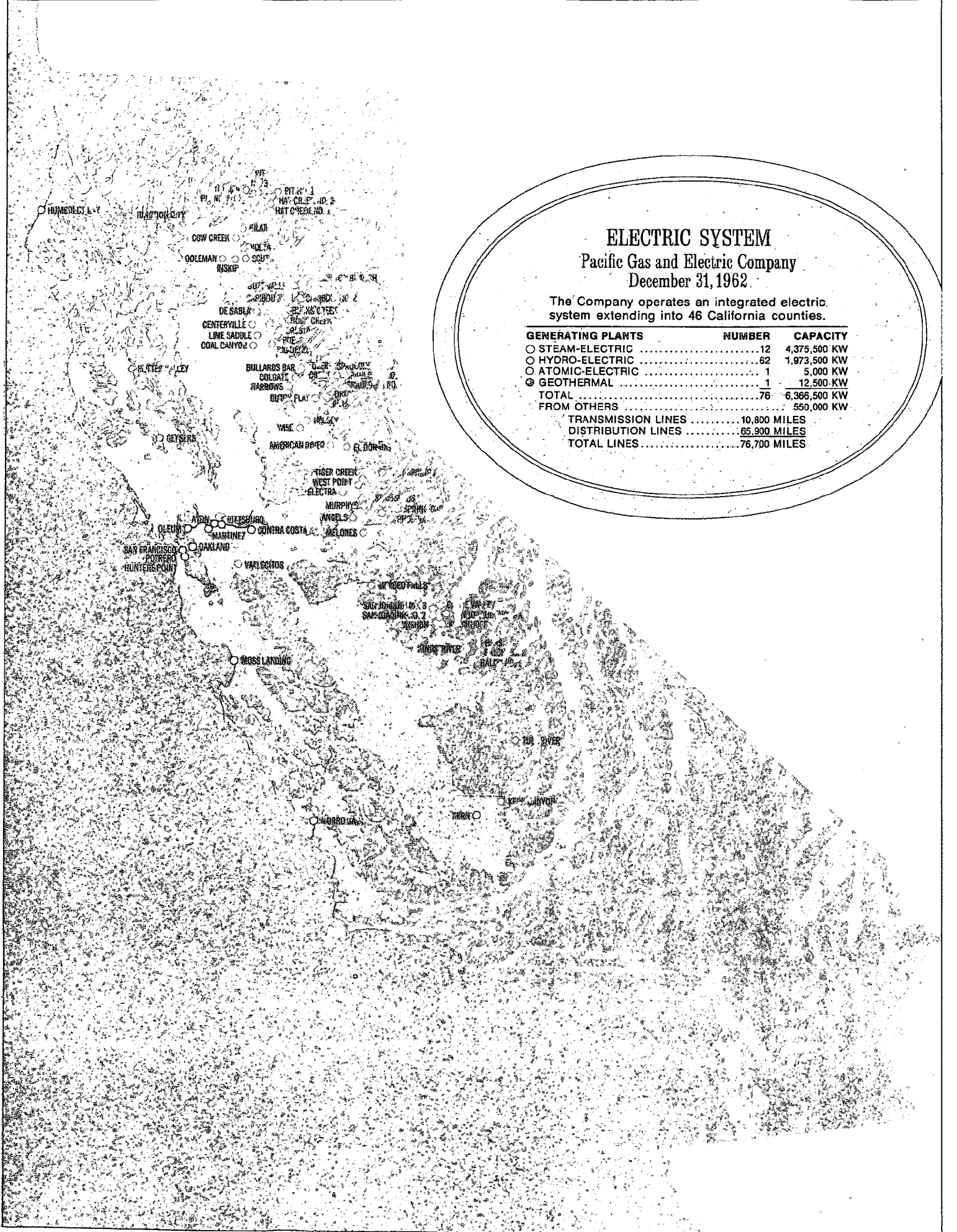
	1962	1961	1960	1959	1958
SOURCES OF INCOME:					
Electric revenues	\$463,405,000	\$446,154,000	\$416,569,000	\$384,450,000	\$351,284,000
Gas revenues	263,608,000	246,432,000	228,276,000	196,356,000	181,076,000
Other operating revenues	2,412,000	3,122,000	3,043,000	2,618,000	2,418,000
Miscellaneous income	2,247,000	1,694,000	902,000	1,455,000	866,000
Total	\$731,672,000	\$697,402,000	\$648,790,000	\$584,879,000	\$535,644,000
DISPOSITION OF INCOME:					
Wages and salaries	\$ 88,489,000	\$ 83,244,000	\$ 79,223,000	\$ 74,893,000	\$ 68,317,000
Power purchased	5,033,000	4,048,000	4,177,000	5,414,000	9,370,000
Natural gas purchased	196,145,000	185,776,000	164,919,000	135,933,000	114,590,000
Oil and other fuel	11,718,000	18,464,000	17,793,000	16,781,000	15,683,000
Other operating expenses	42,747,000	38,216,000	33,259,000	34,314,000	33,338,000
Insurance, injuries and damages, etc.	6,000,000	5,700,000	4,800,000	3,900,000	4,095,000
Depreciation and amortization	71,682,000	66,862,000	59,012,000	55,863,000	51,309,000
Taxes—current	152,225,000	148,587,000	148,453,000	125,096,000	118,501,000
Taxes—deferred	4,801,000	6,509,000	9,010,000	12,923,000	9,803,000
Bond interest and other income deductions ..	42,140,000	37,755,000	35,579,000	35,025,000	25,328,000
Dividends declared on preferred stock	18,336,000	18,336,000	18,336,000	18,336,000	18,336,000
Dividends declared on common stock	56,477,000	51,457,000	46,616,000	46,616,000	42,902,000
Balance retained in the business	35,879,000	32,448,000	27,613,000	19,785,000	24,072,000
Total	\$731,672,000	\$697,402,000	\$648,790,000	\$584,879,000	\$535,644,000
NUMBER OF SHARES OF COMMON STOCK OUTSTANDING:					
Average for the year	56,477,326	55,229,907	53,787,915	53,787,915	52,507,245
End of year	56,477,326	56,477,325	53,787,915	53,787,915	53,787,915
EARNINGS PER SHARE OF COMMON STOCK:					
On average shares outstanding	\$1.64	\$1.52	\$1.38	\$1.23	\$1.28
On end-of-year shares outstanding	1.64	1.49	1.38	1.23	1.25
DIVIDENDS PER SHARE OF COMMON STOCK:					
Declared basis	\$1.00	\$.93	\$.87	\$.87	\$.82
Paid basis98	.92	.87	.87	.80

TAXES AND FRANCHISE PAYMENTS

PACIFIC GAS AND ELECTRIC COMPANY

	1962	1961	<i>Increase</i>
LOCAL TAXES AND FRANCHISE PAYMENTS:			
Ad valorem property taxes	\$ 75,610,000	\$ 70,393,000	\$ 5,217,000
Franchise payments	4,443,000	4,157,000	286,000
Total	80,053,000	74,550,000	5,503,000
STATE TAXES:			
Corporation franchise	8,456,000	7,935,000	521,000
Deferred taxes on income	663,000	932,000	* 269,000
Unemployment insurance	2,096,000	742,000	1,354,000
Other	537,000	481,000	56,000
Total	11,752,000	10,090,000	1,662,000
CITY AND STATE TAXES:			
Sales and use	3,796,000	4,262,000	* 466,000
FEDERAL TAXES:			
Corporation income	65,770,000	68,400,000	*2,630,000
Deferred taxes on income	4,138,000	5,577,000	*1,439,000
Unemployment insurance	462,000	243,000	219,000
Insurance contributions	2,904,000	2,712,000	192,000
Other	269,000	152,000	117,000
Total	73,543,000	77,084,000	*3,541,000
CANADIAN TAXES	34,000	29,000	5,000
TOTAL TAXES AND FRANCHISE PAYMENTS	\$169,178,000	\$166,015,000	\$ 3,163,000
CHARGED TO:			
Income as taxes	\$157,026,000	\$155,096,000	\$ 1,930,000
Income as franchise payments	4,443,000	4,157,000	286,000
Capital and other accounts	7,709,000	6,762,000	947,000
TOTAL TAXES AND FRANCHISE PAYMENTS	\$169,178,000	\$166,015,000	\$ 3,163,000

*Denotes decrease



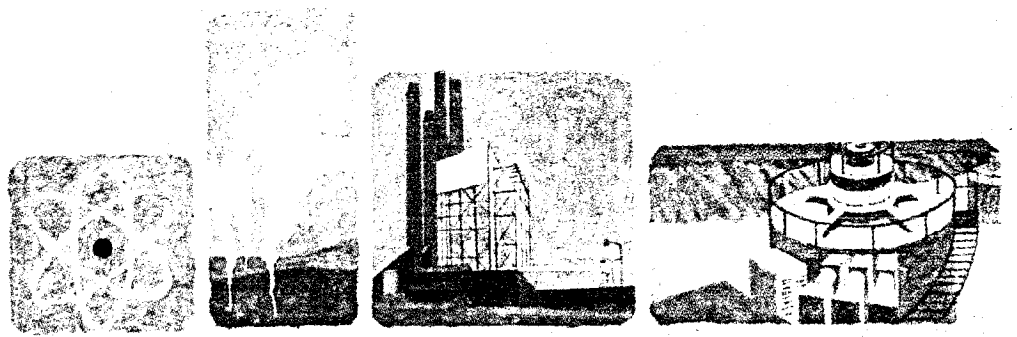
ELECTRIC SYSTEM

Pacific Gas and Electric Company

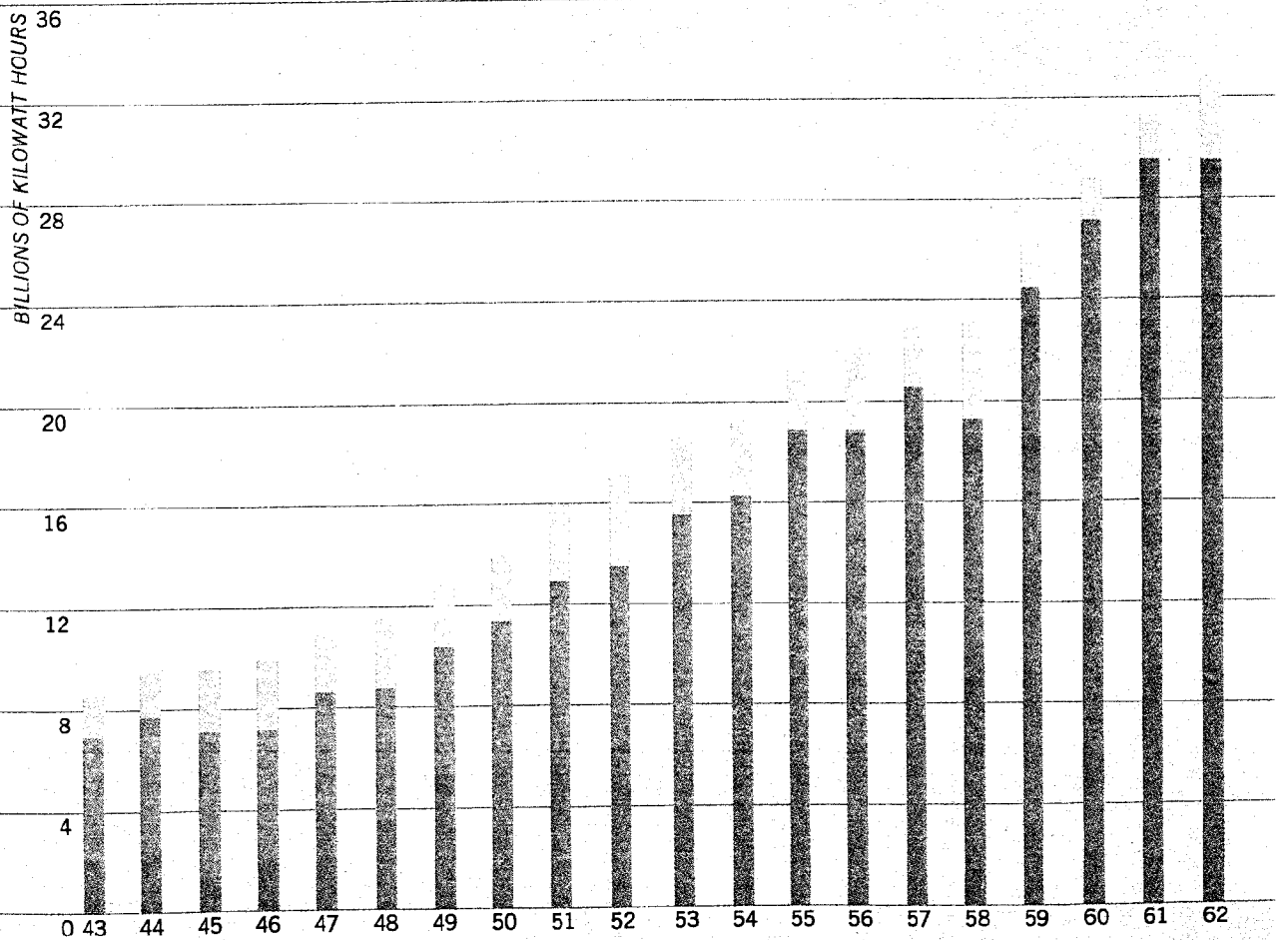
December 31, 1962

The Company operates an integrated electric system extending into 46 California counties.

GENERATING PLANTS	NUMBER	CAPACITY
○ STEAM-ELECTRIC	12	4,375,500 KW
○ HYDRO-ELECTRIC	62	1,973,500 KW
● ATOMIC-ELECTRIC	1	5,000 KW
⊙ GEOTHERMAL	1	12,500-KW
TOTAL	76	6,366,500 KW
FROM OTHERS		550,000 KW
TRANSMISSION LINES	10,800 MILES	
DISTRIBUTION LINES	65,900 MILES	
TOTAL LINES	76,700 MILES	



ELECTRIC SYSTEM OUTPUT STEAM PLANTS ██████████ HYDRO PLANTS ██████████ RECEIVED FROM OTHERS ██████████





E. H. FISHER, *Vice-President - Gas Operations*
A. J. SWANK, *Vice-President - Electric Operations*

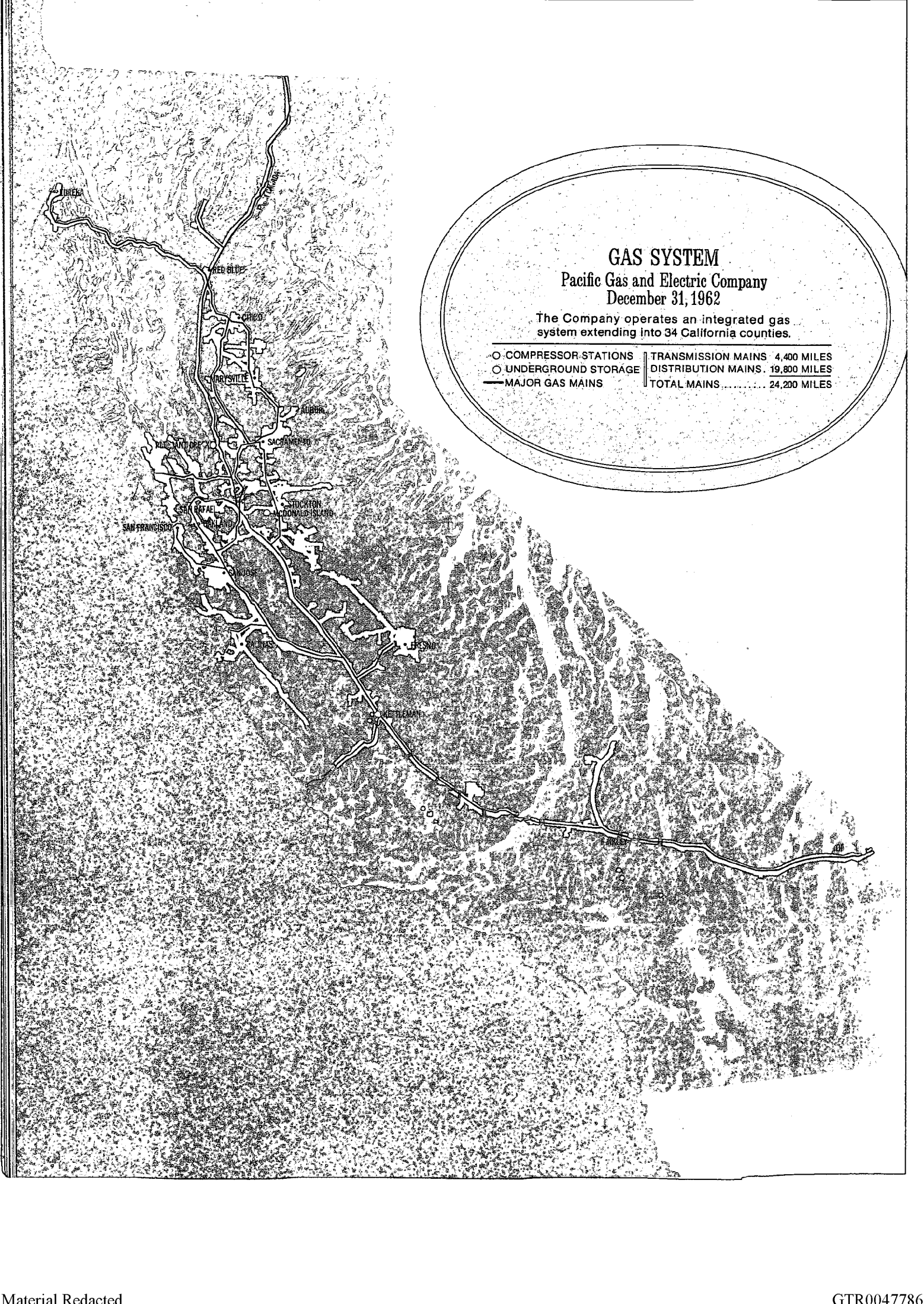
OPERATIONS AND ADMINISTRATION

ELECTRIC OPERATIONS Electric system output reached a new record of 32.3 billion kilowatt-hours in 1962, which was about twice our output only ten years ago. Of the total output, 18.7 billion kilowatt-hours (58%) was produced in our steam-electric generating plants, 10.9 billion kilowatt-hours (34%) in our hydro plants, and the balance, amounting to 2.7 billion kilowatt-hours (8%), was generated by other producers.

In contrast with the three preceding years, when sub-normal precipitation limited the output from our hydro plants, 1962 was a favorable year for hydro generation. As a result, a much larger proportion of our system output was produced from our hydro plants than was the case in the three previous years.

The peak demand on our electric system, which occurred on August 16, amounted to 5,538,500 kilowatts. Because of the reduction in our agricultural pumping load, previously referred to, the peak demand on our electric facilities in 1962 was somewhat less than the normal expectation.

During the year we connected 64,882 new electric customers to our lines and at the close of the year we were serving 2,103,569 electric customers. A breakdown of sales to customers by major classes of service is shown in the table on page 23.



GAS SYSTEM
Pacific Gas and Electric Company
December 31, 1962

The Company operates an integrated gas system extending into 34 California counties.

<ul style="list-style-type: none"> ○ COMPRESSOR STATIONS ○ UNDERGROUND STORAGE — MAJOR GAS MAINS 	<ul style="list-style-type: none"> TRANSMISSION MAINS 4,400 MILES DISTRIBUTION MAINS 19,800 MILES TOTAL MAINS 24,200 MILES
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In December, Unit No. 3 at our Morro Bay power plant was placed in commercial operation, adding 330,000 kilowatts to our electric generating resources.

The Company's program to augment its electric generating capacity, under construction or scheduled for completion before the end of 1967, is set forth below:

	<i>Estimated Capacity (KW)</i>
1963 Humboldt Bay No. 3 (nuclear)	60,000
Morro Bay No. 4 (conventional steam)	330,000
Geysers No. 2 (geothermal)	12,500
De Sabla (hydro)	18,500
Stanislaus (hydro)	82,000
1964 Contra Costa No. 6 (conventional steam)	330,000
Contra Costa No. 7 (conventional steam)	330,000
1965 Potrero No. 3 (conventional steam)	210,000
McCloud-Pit (hydro)	155,000
Pit No. 6 (hydro)	74,000
Pit No. 7 (hydro)	101,000
1966 Moss Landing No. 6 (conventional steam)	660,000
1967 Bodega Bay (nuclear)*	330,000
Total	<u>2,693,000</u>

*Scheduled for test in 1966.

GAS OPERATIONS Sales of gas to our customers reached 416 billion cubic feet in 1962, exceeding those of the previous year by 7.3%. In addition, about 154 billion cubic feet were used as fuel in our steam-electric generating plants. At the year-end we were providing gas service to 1,803,989 customers, an increase of 58,959 for the year.

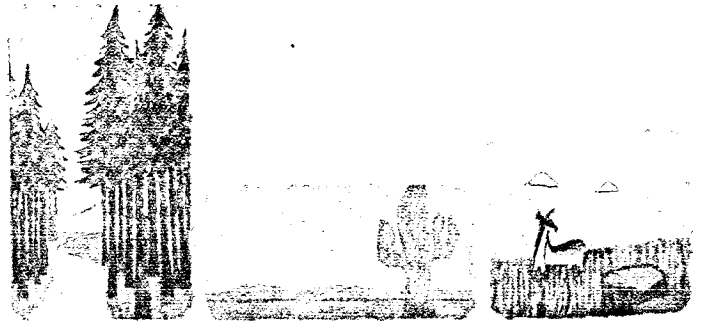
For many years one of our basic objectives has been to obtain an assured long-range source of gas supply and adequate capacity to meet peak demands. A major step in reaching these goals was the long-term contract entered into with El Paso Natural Gas Company in 1948, which committed large quantities of mid-continent gas reserves for supply to the Company. Presently, our contract demand from this source is over one billion cubic feet daily.

Late in 1961, our 1,400-mile Alberta-California pipeline project was completed, tapping the vast gas reserves of the Province of Alberta in Canada. This source of gas now represents approximately 20% of our total supply, the purchase contract calling for an average of 415 million cubic feet a day. The line is designed, with the installation of additional compressor facilities, to transport over 900 million cubic feet a day into our service area.

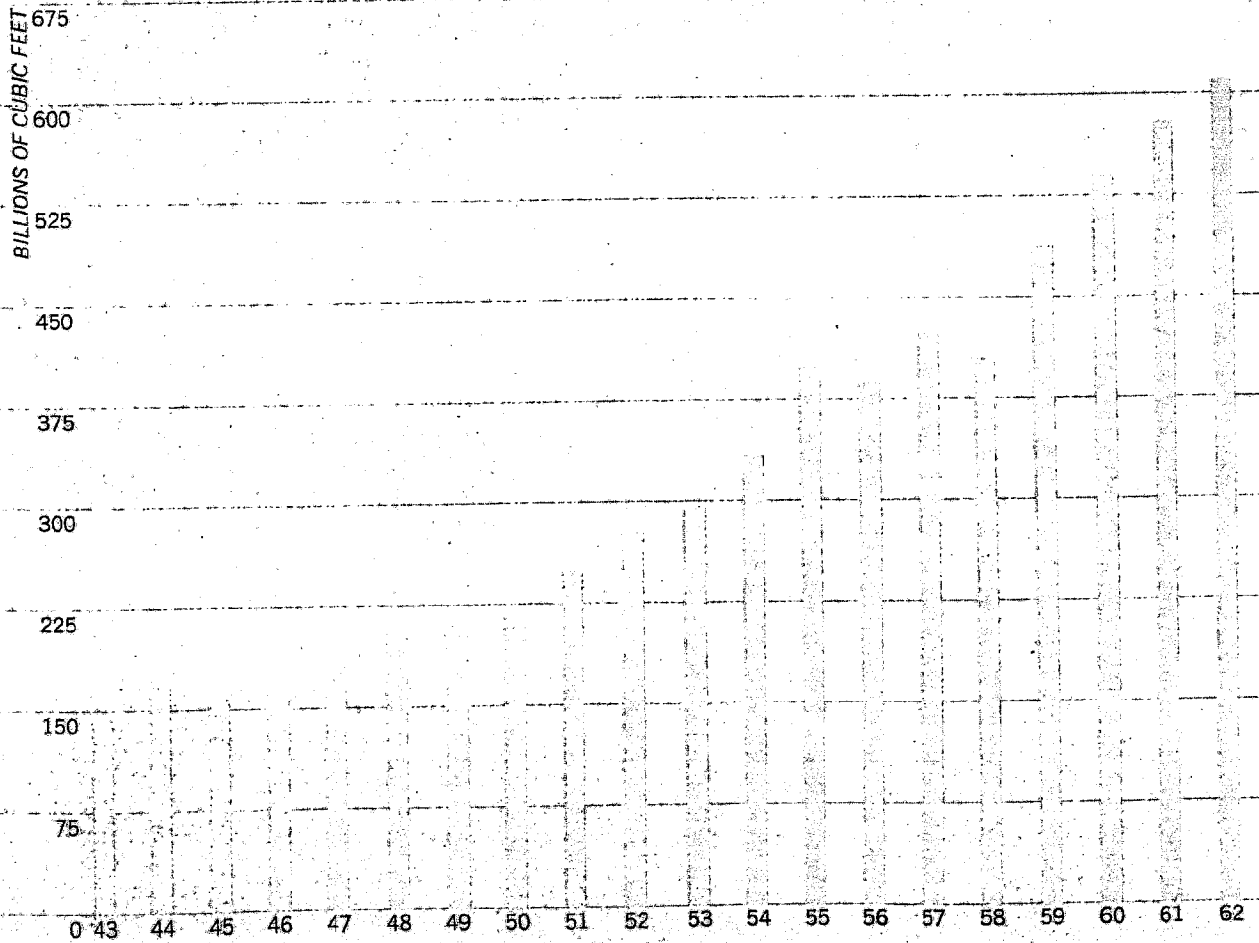
The third source of gas for our customers is the production from California fields. After a long period of declining reserves, this trend has been reversed in the past several years by reason of some fairly significant discoveries in the Sacramento and San Joaquin valleys.

Our McDonald Island storage reservoir became operative in 1962. When gas injection is completed and additional wells drilled it will provide us with a working storage of 47 billion cubic feet, with a peak-day deliverability of 400 million cubic feet.

In summary, we now have a gas system with excellent operating flexibility, backed by extensive reserves in California, in the mid-con-



NATURAL GAS PURCHASED BY SOURCES CALIFORNIA EL PASO CANADIAN



continent of the United States, and in western Canada.

BUSINESS DEVELOPMENT A well designed and aggressive sales program is an important factor in maintaining a high level of new business connections and increasing customer usage.

With the assistance of our sales and advertising campaigns, dealers and manufacturers sold more than two million major gas and electric household appliances in our service area in 1962. This represents an increase of about 6.5% over 1961. After making allowance for replacements, the new appliances are estimated to produce annual revenues of approximately \$18,000,000.

For the past three years the Company has co-sponsored a Light for Living Model Home program to stimulate better home lighting. More than 400,000 people have visited these model homes.

As one measure of the success of our promotional efforts, the average annual use of electricity by our residential customers reached 3,828 kilowatt-hours in 1962, an increase of 164 kilowatt-hours over the previous year.

On the gas side of our business, one of the most promising developments has been the perfection of gas absorption air conditioning equipment for commercial applications. We are now supplying gas for cooling to a number of large commercial buildings. These installations have the advantage of quiet, vibration-free operation, low maintenance and year around use of

boiler capacity. Gas air conditioning is ideally suited to balance the loading on our system since it adds demand when the gas heating load is low, and eliminates demand on our electric system when the summer peak traditionally occurs.



L. HAROLD ANDERSON, *Vice-President and Assistant General Manager*
R. W. JOYCE, *Vice-President - Commercial Operations*
ROBERT R. GROS, *Vice-President*

Our market studies indicate that there is also a great potential for gas-fired air conditioning in homes. Last year we instituted a sales promotion and advertising campaign to increase residential customer knowledge and acceptance of gas for cooling, a program which we will accelerate this year.



J. S. MOULTON, *Vice-President and Executive Engineer*
H. W. HABERKORN, *Vice-President – General Construction*
JOHN F. BONNER, *Vice-President – Engineering*

CUSTOMERS			Increase during 1962
	1962	1961	
Electric Department	2,103,569	2,038,687	64,882
Gas Department . . .	1,803,989	1,745,030	58,959
Water Department . .	12,745	25,633	*12,888 (a)
Steam Department . .	565	600	* 35
Total	3,920,868	3,809,950	110,918

* Denotes decrease.

(a) Water properties with 13,207 customers sold on Feb. 28, 1962.

There has been no cessation in our efforts to attract new industries into our service area. This is done through our area development department, in co-operation with other private and public agencies. The progress of industrial development in our service area has been very encouraging, resulting in a more diversified and stable economy.

RATE MATTERS In April 1955 and on three occasions thereafter in 1958, 1959 and 1960 El Paso Natural Gas Company increased the price of gas sold to the Company. After hearings in each instance, the California Public Utilities Commission authorized the Company to place four gas rate increases in effect to offset in part the higher cost of gas.

Following extensive hearings in 1961 and 1962 the Federal Power Commission ordered El Paso to reduce its current rates by an amount which the Company estimates will reduce its total cost of gas purchased from El Paso in 1963 by approximately \$6 million. Although the order is the subject of review proceedings in the United States Court of Appeals which are not expected to be completed for some months, it

has not been stayed and the reduction was made effective as of December 1, 1962. As a consequence the Company reduced rates to its gas customers effective for meter readings on and after January 31, 1963 by approximately \$4.1 million annually. Simultaneously the Company reduced the interdepartmental charges for gas consumed by its Electric Department by \$2.4 million annually. A rate reduction in the same amount was thereupon made to residential and general service electric customers, effective February 26, 1963.

The Federal Power Commission's order at the conclusion of the hearings above mentioned also directed El Paso to refund to the Company a portion of the increase in effect from April 1955 to December 1, 1962, but permitted El Paso to defer that portion of the refund relating to the period subsequent to January 1, 1958 until other issues which are still pending have been finally determined by the Federal Power Commission. El Paso has attacked the refund order in the court proceedings above mentioned, but the order has not been stayed. El Paso has filed with the Federal Power Commission a calculation showing a refund to the Company of approximately \$14,400,000 for the period April 1955 to the end of 1957 inclusive of interest. As of February 28, 1963 the Federal Power Commission had not yet passed upon the El Paso calculations. When the amount of this refund has been fixed and payment has been made, the Company will make refunds to its customers in an amount and manner to be determined by the California Public Utilities Commission.

EMPLOYEES One of the most valuable assets a company can have is the quality, competence and experience of its employees. We are particularly fortunate in this respect as our work-force, numbering 19,039 at the year-end, possesses these qualities to a high degree.

Good recruiting practices, training and management development programs, and organizational realignments to make the most effective use of our manpower and to improve service to our customers, continued to receive our closest attention during the year.

Wages and salaries amounted to \$141,514,000, of which \$88,489,000 was paid to operating employees and charged against income. The balance was paid to employees engaged in construction activities and charged to capital accounts.

Increases in wages and other benefits aggregating approximately \$6,575,000 annually became effective July 1 and August 1, 1962 following negotiations with the International Brotherhood of Electrical Workers (IBEW) and the Engineers and Scientists of California (ESC). Wage adjustments were also made for employees not represented by a union.

Late in the year the Company took the first steps to establish a full scale non-partisan political action training course. The program is designed to train and encourage employees to take a more active part as citizens. In January 1963 two five-day training sessions were conducted for 50 discussion leaders to prepare them for conducting courses in their respective departments and divisions. The orientation and training sessions were conducted by a firm with ex-

tensive experience in this field whose work has been endorsed by labor and business for its objectivity, non-partisan character and practical approach to political action. Known as the Applied Citizenship Training Program, it will be open to employees on a purely voluntary basis.

STOCK OWNERSHIP Stockholders will recall that the Board of Directors recommended late in 1961 that the common stock be split on a 3-for-1 basis in the expectation that the reduction in market price would result in a broadened public interest in the stock and an increase in the number of stockholders. That these expectations are being realized is evidenced by the fact that by the end of 1962 we had 165,350 common stockholders of record, an increase of 16,988 over the previous year. There was a slight loss in the number of preferred stockholders, leaving 81,370 at the year-end. Combined, the total number of those participating in our ownership at the close of 1962 was 246,720, representing a net gain of 15,175 for the year.

The Company continues to enjoy the distinction of being the most widely owned electric and gas utility in the nation, and ranks eighth in number of stockholders among all corporations in the country.

Through the Employees' Savings Fund Plan, which was established in April 1959, over 800,000 shares of common stock have been purchased by the Trustee for the account of nearly 12,000 employees. Under the Plan members may withdraw their own and Company contributions and the dividends earned thereon when they vest at the end of the third year. The first

opportunity to make such withdrawals occurred at the end of 1962, but over 94% of those eligible to withdraw elected to leave their holdings with the Trustee.

A breakdown of our stock ownership by class of investor appears in the table below. The table shows that, while the majority of our outstanding stock is held by individuals and joint tenancies, most of the balance is held by institutional investors such as insurance companies, investment companies and pension funds. Through these holdings, literally millions of people have an indirect ownership interest in the Company.

DISTRIBUTION OF STOCK OWNERSHIP

BY CLASS OF INVESTOR, DECEMBER 31, 1962

	<i>Number of Stockholders</i>	<i>Number of Shares Owned</i>
Women stockholders	96,280	17,998,829
Joint and other tenancies	69,334	11,042,055
Men stockholders	53,896	10,939,963
Trustees, guardians and other fiduciaries	18,156	3,599,690
Nominees	2,687	13,686,167
Corporations, partnerships and proprietorships	2,253	2,340,463
Charitable and fraternal organizations and foundations	1,360	521,259
Banks, investment companies and security dealers	1,089	4,249,295
Insurance companies	666	5,464,294
Religious institutions	554	165,432
Educational institutions	414	461,435
Labor organizations	31	18,434
Total	<u>246,720</u>	<u>70,487,316</u>

DIRECTORS AND OFFICERS It is with deep regret that we record the death on Feb-

ruary 8, 1963 of Mr. Silas H. Palmer, a member of the Company's Board of Directors for more than twenty-six years, and of its Executive Committee for twenty-four years. A distinguished engineer and civic leader, Mr. Palmer gave unstintedly of his time and talent to the growth and development of the Company.

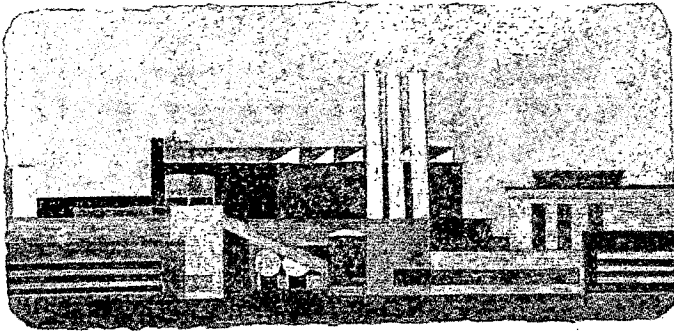
Toward the close of 1962, for reasons of health, Mr. Palmer resigned from the Executive Committee and was replaced by Mr. James F. Crafts.

On February 20, 1963, Mr. S. L. Sibley, Vice-President and General Manager of the Company, was elected to the Board of Directors to fill the vacancy left by the death of Mr. Palmer. Mr. Sibley began his career with the Company in 1936, and has held his present position since 1958.

Effective October 1, 1962, Mr. K. C. Christensen was appointed to the newly-created position of Vice-President—Finance. Mr. Christensen was Vice-President and Treasurer of the Company at the time of his appointment, a position he had held since August 1958, and had served as Treasurer since January 1952.

Mr. Donald L. Bell, an Assistant Treasurer since 1956, was appointed Treasurer of the Company effective October 1, 1962.

Mr. A. J. Swank, Vice-President—Electric Operations, retired on December 31, 1962, after 43 years of loyal and valuable service to the Company. Mr. Howard P. Braun, Assistant to the Vice-President—Electric Operations, was appointed to succeed Mr. Swank, effective January 1, 1963.



REVENUES AND SALES

ELECTRIC AND GAS DEPARTMENTS BY CLASSES OF SERVICE

ELECTRIC DEPARTMENT	1962	1961	Increase	
			Amount	Per Cent
REVENUES				
Residential	\$ 163,022,753	\$ 153,581,465	\$ 9,441,288	6.1%
Small Light and Power	78,971,111	75,614,479	3,356,632	4.4
Large Light and Power	142,182,460	132,510,526	9,671,934	7.3
Agricultural Power	48,701,645	52,752,447	*4,050,802	*7.7
Public Street and Highway Lighting	7,498,081	7,048,848	449,233	6.4
Other Electric Utilities	15,603,140	17,675,026	*2,071,886	*11.7
Miscellaneous	7,425,667	6,971,091	454,576	6.5
TOTAL	\$ 463,404,857	\$ 446,153,882	\$ 17,250,975	3.9%
SALES—Kilowatt Hours				
Residential	6,551,342,342	6,061,015,931	490,326,411	8.1%
Small Light and Power	2,453,158,301	2,344,502,510	108,655,791	4.6
Large Light and Power	11,323,869,541	10,582,805,027	741,064,514	7.0
Agricultural Power	3,517,055,309	4,016,131,802	*499,076,493	*12.4
Public Street and Highway Lighting	216,039,548	200,810,872	15,228,676	7.6
Other Electric Utilities	2,269,745,343	2,562,591,708	*292,846,365	*11.4
Total Sales to Customers	26,331,210,384	25,767,857,850	563,352,534	2.2
Delivered for the Account of Others	1,271,649,310	615,587,572	656,061,738	106.6
TOTAL	27,602,859,694	26,383,445,422	1,219,414,272	4.6%
GAS DEPARTMENT				
REVENUES				
Residential	\$ 145,629,045	\$ 135,407,029	\$ 10,222,016	7.5%
Commercial	35,882,888	33,504,964	2,377,924	7.1
Industrial	78,805,223	74,454,750	4,350,473	5.8
Other Gas Utilities	2,759,180	2,584,862	174,318	6.7
Miscellaneous	531,932	480,521	51,411	10.7
TOTAL	\$ 263,608,268	\$ 246,432,126	\$ 17,176,142	7.0%
SALES—Thousands of Cubic Feet				
Residential	177,250,142	164,994,923	12,255,219	7.4%
Commercial	53,067,795	49,349,103	3,718,692	7.5
Industrial	179,989,007	168,137,418	11,851,589	7.0
Other Gas Utilities	5,283,534	5,009,327	274,207	5.5
Total Sales to Customers	415,590,478	387,490,771	28,099,707	7.3
Company Use (Steam-electric plants, etc.)	154,655,807	169,831,307	*15,175,500	*8.9
TOTAL	570,246,285	557,322,078	12,924,207	2.3%

*Denotes decrease

STATEMENT OF EARNED SURPLUS

PACIFIC GAS AND ELECTRIC COMPANY
FOR THE YEARS ENDED DECEMBER 31, 1962 AND 1961

	1962	1961
BALANCE, JANUARY 1	\$146,772,698	\$207,005,817
NET INCOME	110,691,661	102,241,100
OTHER ADDITIONS:		
Net gain on exchanges and sales of properties	636,210	358,287
Purchase discount on bonds reacquired and unamortized net discount and expense applicable thereto	602,857	455,815
Other—net	15,835	6,486
Total	258,719,261	310,067,505
DEDUCTIONS:		
Transfer to capital stock account in connection with three-for-one stock split		93,502,048
Dividends declared—cash:		
First preferred—various series	18,335,635	18,335,647
Common	56,477,326	51,457,112
Total	74,812,961	69,792,759
Total	74,812,961	163,294,807
BALANCE, DECEMBER 31	\$183,906,300	\$146,772,698

The accompanying notes to financial statements are an integral part of this statement.

ACCOUNTANTS' OPINION

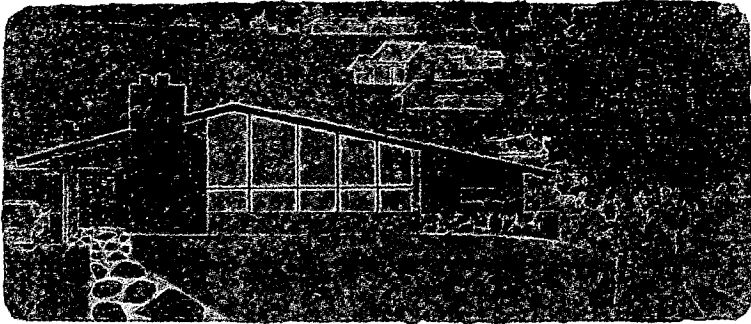
The Shareholders and Board of Directors of
Pacific Gas and Electric Company:

We have examined the financial statements and schedules of Pacific Gas and Electric Company for the year ended December 31, 1962. 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.

In our opinion, the accompanying balance sheet and schedules of capital stock and mortgage bonds, and the statements of income and earned surplus, with their notes, present fairly the financial position of the Company at December 31, 1962 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.

San Francisco,
February 15, 1963

Haskins & Sells



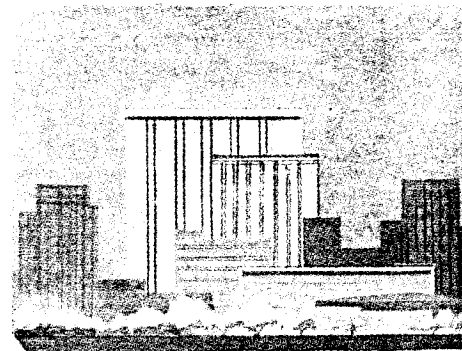
STATEMENT OF INCOME

PACIFIC GAS AND ELECTRIC COMPANY
FOR THE YEARS ENDED DECEMBER 31, 1962 AND 1961

	1962	1961
OPERATING REVENUES:		
Electric	\$463,404,857	\$446,153,882
Gas	263,608,268	246,432,126
Other	2,411,978	3,121,809
Total	<u>729,425,103</u>	<u>695,707,817</u>
OPERATING EXPENSES:		
Power purchased	5,033,060	4,048,044
Natural gas purchased	196,145,359	185,776,011
Oil and other fuel	11,718,098	18,464,154
Other production	11,772,484	10,440,493
Transmission	6,801,905	5,033,988
Distribution	28,574,197	26,249,521
Maintenance	30,836,641	27,728,685
Customer accounts	22,031,823	21,532,735
Sales promotion	6,488,320	6,175,508
Administrative and general	28,631,012	27,899,063
Uncollectible accounts	2,100,000	2,100,000
Depreciation and amortization (Note 2)	71,682,530	66,861,815
Taxes (Note 4):		
Federal income	69,720,087	73,914,289
Other	87,305,501	81,181,787
Total	<u>578,841,017</u>	<u>557,406,093</u>
OPERATING INCOME	150,584,086	138,301,724
OTHER INCOME	2,247,065	1,694,007
Total	<u>152,831,151</u>	<u>139,995,731</u>
INCOME DEDUCTIONS:		
Interest on bonds	44,233,919	40,246,012
Other—net	3,961,525	2,514,308
Interest charged to construction	6,055,954*	5,005,689*
Total	<u>42,139,490</u>	<u>37,754,631</u>
NET INCOME	<u>\$110,691,661</u>	<u>\$102,241,100</u>

*Denotes red figure.

The accompanying notes to financial statements are an integral part of this statement.

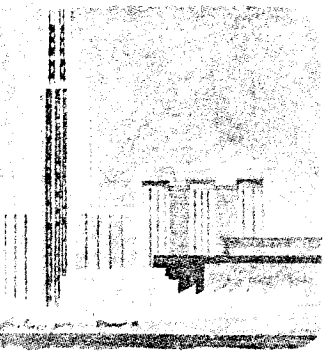


BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1962 AND 1961

ASSETS	1962	1961
UTILITY PLANT—At original cost	\$3,297,556,372	\$3,125,557,420
Less accumulated depreciation and amortization (Note 2)	714,470,807	667,766,026
Utility plant—net	<u>2,583,085,565</u>	<u>2,457,791,394</u>
INVESTMENTS AND NONCURRENT RECEIVABLES:		
Investments in subsidiaries—at cost (Notes 1 and 3)	26,308,594	26,530,068
Nonutility property—at cost	4,346,339	4,622,400
Other	2,438,526	2,822,158
Total investments and noncurrent receivables	<u>33,093,459</u>	<u>33,974,626</u>
CURRENT ASSETS:		
Cash	27,431,752	27,576,537
Temporary cash investments	24,875,677	
Accounts receivable (less allowance for uncollectible accounts: 1962, \$1,685,937; 1961, \$1,425,787)	55,911,342	60,317,233
Materials and supplies—at average cost	22,595,562	17,281,951
Gas stored underground—at average cost	5,353,573	231,619
Prepayments	46,555,796	37,514,883
Total current assets	<u>182,723,702</u>	<u>142,922,223</u>
DEFERRED DEBITS:		
Unamortized bond discount and expense (Note 3)	9,471,677	8,961,306
Other	761,735	817,250
Total deferred debits	<u>10,233,412</u>	<u>9,778,556</u>
TOTAL	<u>\$2,809,136,138</u>	<u>\$2,644,466,799</u>

The accompanying notes to financial statements are an integral part of this statement.



BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1962 AND 1961

LIABILITIES	1962	1961
CAPITALIZATION:		
Capital stock (Schedule 1)	\$1,042,073,303	\$1,042,270,589
Earned surplus	183,906,300	146,772,698
Total capital stock and surplus	1,225,979,603	1,189,043,287
Mortgage bonds (Schedule 2)	1,301,750,000	1,185,595,290
Total capitalization	2,527,729,603	2,374,638,577
CURRENT LIABILITIES:		
Bank loans		9,000,000
Accounts payable	46,066,553	38,106,024
Customer deposits	4,274,703	3,575,976
Taxes accrued (Note 4)	84,809,207	83,655,956
Interest accrued	3,948,479	3,526,664
Dividends payable	14,119,858	13,178,503
Current sinking-fund requirements (Note 3)	6,835,000	7,061,710
Total current liabilities	160,053,800	158,104,833
DEFERRED CREDITS	7,724,687	7,438,572
CUSTOMER ADVANCES FOR CONSTRUCTION	6,382,988	6,133,712
RESERVES FOR INSURANCE, CASUALTIES, AND OTHER	7,155,709	5,732,869
CONTRIBUTIONS IN AID OF CONSTRUCTION	28,732,923	25,862,341
ACCUMULATED DEFERRED TAXES ON INCOME (Note 4)	71,356,428	66,555,895
TOTAL	\$2,809,136,138	\$2,644,466,799

The accompanying notes to financial statements are an integral part of this statement.

CAPITAL STOCK SCHEDULE 1

DECEMBER 31, 1962

Description	Shares Authorized	Issued and Outstanding —Held by Public	
		Shares	Amount
FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE:			
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	<u>20,000,000</u>	<u>14,009,991</u>	<u>350,249,775</u>
COMMON, PAR VALUE \$10 PER SHARE	<u>75,000,000</u>	<u>56,477,559</u>	<u>564,775,590</u>
TOTAL			<u>915,025,365</u>
EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES			<u>127,047,938</u>
TOTAL CAPITAL STOCK			<u>\$1,042,073,303</u>

MORTGAGE BONDS SCHEDULE 2

DECEMBER 31, 1962

Title of Issue	Interest Rate %	Maturity	Amount Outstanding —Held by Public	Amount Held in Treasury
FIRST AND REFUNDING MORTGAGE (see Note) :				
Series I	3½	June 1, 1966	\$ 927,000	
Series J	3	Dec. 1, 1970	18,454,000	
Series K	3	June 1, 1971	23,789,000	
Series L	3	June 1, 1974	109,101,000	
Series M	3	Dec. 1, 1979	77,376,000	
Series N	3	Dec. 1, 1977	47,962,000	
Series O	3	Dec. 1, 1975	5,850,000	
Series P	2¾	June 1, 1981	23,128,000	\$ 211,000
Series Q	2⅞	Dec. 1, 1980	63,072,000	23,000
Series R	3⅞	June 1, 1982	68,770,000	110,000
Series S	3	June 1, 1983	71,435,000	497,000
Series T	2⅞	June 1, 1976	75,136,000	23,000
Series U	3⅞	Dec. 1, 1985	44,440,000	88,000
Series W	3⅞	Dec. 1, 1984	53,979,000	185,000
Series X	3⅞	June 1, 1984	59,459,000	
Series Y	3⅞	Dec. 1, 1987	42,972,000	35,000
Series Z	3⅞	Dec. 1, 1988	19,087,000	33,000
Series AA	4½	Dec. 1, 1986	30,969,000	
Series BB	5	June 1, 1989	58,000,000	
Series CC	3¾	Dec. 1, 1978	68,875,000	109,000
Series DD	4½	June 1, 1990	53,887,000	
Series EE	5	June 1, 1991	60,025,000	
Series FF	4⅝	June 1, 1992	54,135,000	
Series GG	4½	June 1, 1993	56,757,000	
Series HH	4⅝	June 1, 1994	61,000,000	
Series II	4¼	June 1, 1995	60,000,000	5,000,000
TOTAL			<u>1,308,585,000</u>	<u>\$6,314,000</u>
Less current sinking-fund requirements			6,835,000	
TOTAL MORTGAGE BONDS			<u>\$1,301,750,000</u>	

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

NOTES TO FINANCIAL STATEMENTS

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1962 AND 1961

NOTE 1—SUBSIDIARY COMPANIES:

The financial statements presented herein relate to the Company only, because the assets and revenues of the subsidiaries are not significant in relation to those of the Company.

NOTE 2—ACCUMULATED DEPRECIATION AND AMORTIZATION:

The policy of the Company with respect to provisions for depreciation and amortization for the years 1961 and 1962 has been to make such provisions on the straight-line remaining life basis. In determining the depreciation rates properly applicable to the various plant accounts, the Company has been guided by its experience and anticipated retirements. Extensive studies late in 1962 and consultations with the staff of the California Public Utilities Commission led to the formulation of appropriate changes in Electric Department rates which, based on 1962 plant accounts, would increase depreciation expense by approximately \$6,700,000. The Commission reviewed the Company's proposals in January 1963 and made no objection to the suggested rates. Accordingly, the Company is adopting the revised depreciation rates effective January 1, 1963.

NOTE 3—MORTGAGE BONDS:

Sinking-fund payments due under the terms of the first and refunding mortgage during the year ending December 31, 1963 are shown among the current liabilities net of treasury bonds held by the Company at December 31, 1962.

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. 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 properties of the Company are subject to the lien of the mortgage bonds. Substantially all of the securities representing the Company's investments in subsidiaries are on deposit and pledged with the California Trustee of the first and refunding mortgage.

NOTE 4—TAXES ON INCOME:

ACCELERATED AMORTIZATION—The cost of plant construction completed under Certificates of Necessity is being depreciated at normal rates for purposes of general accounting whereas for purposes of taxes on income such cost is being amortized on an accelerated five-year basis. The Company is normalizing the tax effect of the accelerated amortization, and at December 31, 1962 the resultant accumulated deferred taxes on income amounted to \$71,356,428.

LIBERALIZED DEPRECIATION—Since 1954 the Company has elected liberalized depreciation for Federal income tax purposes, and beginning in 1960 for California franchise tax purposes, for all property eligible therefor and not subject to accelerated amortization. In April 1960 the California Public Utilities Commission issued an order stating, in effect, that it would adopt the "flow-through" method with respect to liberalized depreciation (and accordingly not permit tax normalization) in determining allowable income tax expense in rate proceedings. Accordingly, since January 1, 1961 the Company has accrued taxes on income on the basis of liberalized depreciation and has taken the resulting tax reductions into income each year as they arise. Such reductions amounted to approximately \$12,200,000 for the year 1962 and \$10,800,000 for the year 1961.

GUIDELINES DEPRECIATION—Although the provision for Federal income tax for 1962 does not reflect the use of the new guideline lives for depreciation, a final decision on this matter has not yet been made. In the event the Company does use guideline lives in filing its tax return for 1962, the estimated tax liability for that year would be approximately \$6,700,000 less than the provision for Federal income tax in the Statement of Income, and an amount substantially equal thereto would be credited to accumulated depreciation and amor-

tization unless the California Public Utilities Commission directs otherwise.

INVESTMENT TAX CREDIT—The Company's investment tax credit for the year 1962 amounted to approximately \$2,580,000. In accordance with Order No. 261 of the Federal Power Commission prescribing interim accounting for the investment tax credit, the Company has deferred the entire amount of the credit with an offsetting charge to income deductions. As the result of this accounting treatment the recording of the investment credit had no effect on the reported net income of the Company for 1962. The Company has been advised that the California Public Utilities Commission will accept reports prepared in accordance with the interim accounting order of the Federal Power Commission. The Federal Power Commission accounting treatment was prescribed on an interim basis pending the disposition of the matter in a rule-making proceeding which it has initiated. Neither Commission has issued a ruling with respect to the treatment of the investment credit for rate-making purposes.

**NOTE 5—COMMITMENTS AND
CONTINGENT LIABILITIES:**

At December 31, 1962 the Company had firm commitments in the aggregate amount of about \$88,000,000 in connection with its plant construction program.

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, 1962 the unrecorded liabilities and accruals for expenses were more than offset by the unrecorded and unbilled revenues accrued at that date.

Except as to certain 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

ELECTRIC OPERATIONS

I. W. Collins, *Assistant to Vice-President – Electric Operations*

MANAGERS:

J. H. Martin, *Power Control*
Paul Matthew, *Steam Generation*
J. N. Spaulding, *Water Systems*
H. R. Daniels, *Hydro Generation*
R. F. Stuart, *Substations*
C. R. Machen, *Transmission and Distribution*
R. L. Brinton, *Communications*
F. D. Beardsley, *System Protection*

GAS OPERATIONS

MANAGERS:

R. D. Smith, *Gas System Design*
M. A. Richford, *Gas Utilization*
R. T. Peterson, *Gas Control*
K. B. Anderson, *Pipe Line Operations*
E. F. Sibley, *Gas Distribution*
S. A. Haavik, *Director Natural Gas Production*
J. J. Pugh, *Director Gas System Planning*

ENGINEERING

C. C. Whelchel, *Chief Mechanical Engineer*
J. D. Worthington, *Chief Civil Engineer*
W. R. Johnson, *Chief Electric Generation and Transmission Engineer*
Thomas A. Bettersworth, *Chief Electric Distribution Engineer*
E. V. Noe, *Chief Engineering Services*
William O. Cheney, *Chief Engineering Research*
W. M. Pickslay, *Chief Computer Application Engineer*

EXECUTIVE ENGINEER

MANAGERS:

Emil J. Lage, *Valuation Department*
S. B. Barton, *Land Department*
John F. Roberts, *Rate Department*
N. H. Neel, *Gas Purchase Department*

COMPTROLLER

T. R. Salm, *General Auditor*
John Brass, Jr., *Auditor of Division Accounts*

MANAGERS:

Richard B. Luce, *Plant Accounts*
F. P. Lallement, *Internal Auditing*
Dexter Stoner, *Accounting Methods and Procedures*

PERSONNEL DEPARTMENT

MANAGERS:

Harry M. McKnight, *Personnel Relations*
V. J. Thompson, *Industrial Relations*

DIVISION MANAGERS

COAST VALLEYS: Howard H. Weile,* *Salinas*
COLGATE: F. Y. Kraft, *Marysville*
DE SABLE: K. C. Porter, *Chico*
DRUM: Walter D. Skinner, *Auburn*
EAST BAY: Harold F. Carr, *Oakland*
HUMBOLDT: T. P. Jenkins, *Eureka*

*Retired December 31, 1962, succeeded by Leigh H. Smith.

GENERAL CONSTRUCTION

MANAGERS:

Joe Pirtz, Jr., *Civil and Hydro Construction*
C. H. Sedam, *Station Construction*
N. M. Scofield, *Line Construction*
M. H. Chandler, *Gas Construction*
R. B. Thompson, *Field Office Operations and Personnel*
V. Hugo Irons, *General Construction Services*

COMMERCIAL OPERATIONS

MANAGERS:

Walter D. Howell, *General Sales*
Albert B. Cook, *Commercial Department*
A. P. Stryker, *Residential Sales*
R. I. Mendes, *Market Research and Sales Control*
J. S. Walsh, *Area Development*
F. G. Rothganger, *Commercial, Industrial and Agricultural Sales*
Allen D. Owen, *Customer Services*

TAX DEPARTMENT

Francis J. Carr, *Manager*

LAW DEPARTMENT

SENIOR ATTORNEYS:

William B. Kuder
William E. Johns
Richard A. Raftery
Charles T. Van Deusen
Malcolm A. MacKillop

John C. Morrissey
Frederick W. Mielke, Jr.
Malcolm H. Furbush
John A. Sproul

CLAIMS AND SAFETY DEPARTMENT

R. W. White, *Manager*

CREDIT AND COLLECTIONS DEPARTMENT

F. U. Naylor, *Manager*

AUTOMOTIVE DEPARTMENT

C. R. Stanley, *Manager*

DIRECTOR OF INVESTIGATIONS

R. E. Lawrance

PURCHASING AND STORES DEPARTMENT

John G. Smith, *Manager*

ADVERTISING AND PUBLICITY DEPARTMENT

A. J. McCollum, *Manager*
W. A. Hynes, *Manager Public Activities*

DEPARTMENT ON PROCEDURES AND ORGANIZATION

J. R. Kleespies, *Manager*

NORTH BAY: E. S. Day, *San Rafael*
SACRAMENTO: R. L. Hayden, *Sacramento*
SAN FRANCISCO: H. A. Lee, *San Francisco*
SAN JOAQUIN: V. C. Redman, *Fresno*
SAN JOSE: L. J. Brundige, *San Jose*
SHASTA: Lee W. Brillhart, *Red Bluff*
STOCKTON: George L. Works, *Stockton*

STOCK TRANSFER AGENCIES
OFFICE OF THE COMPANY (E. F. Hall, Transfer Agent),
San Francisco

BANKERS TRUST COMPANY, New York

REGISTRARS OF STOCK

WELLS FARGO BANK, San Francisco

CHEMICAL BANK NEW YORK TRUST COMPANY, New York

