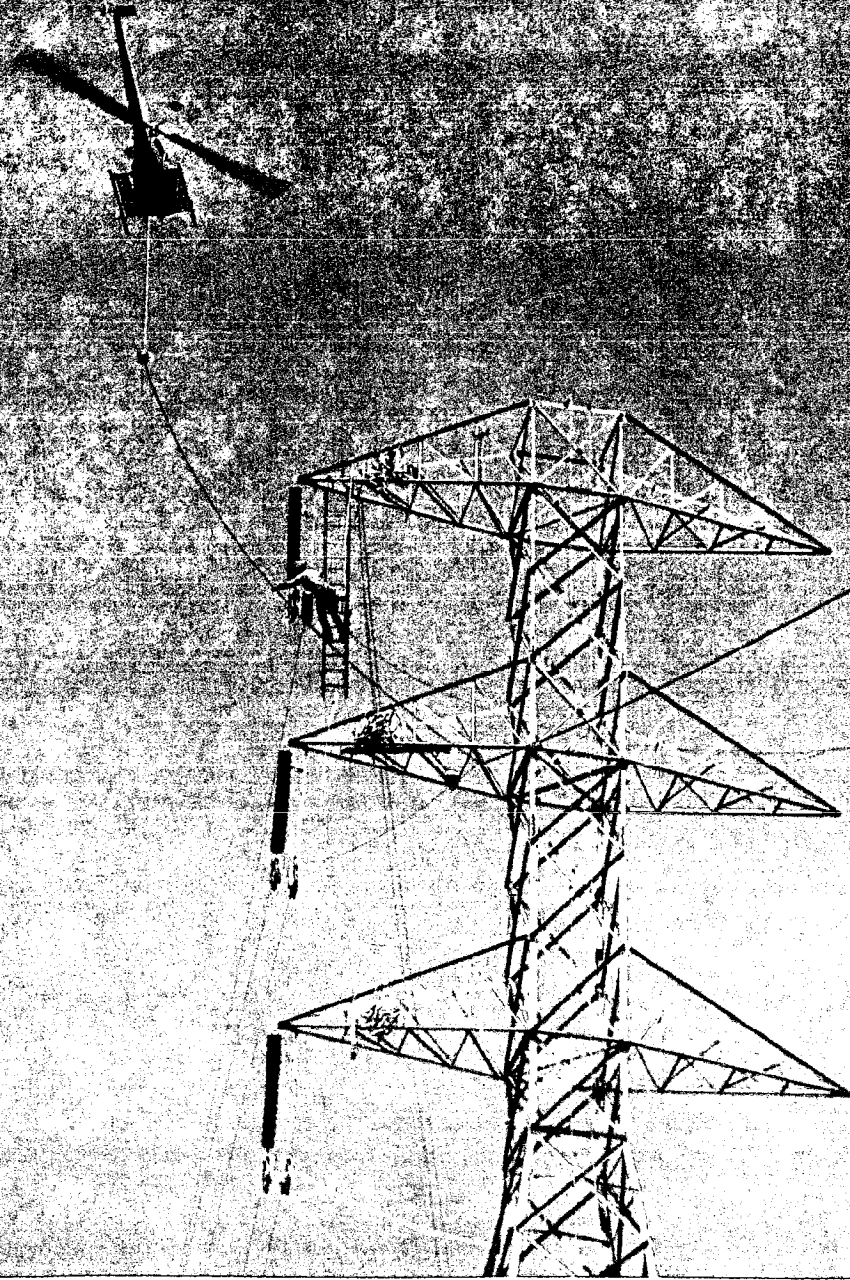


# 1963 Annual Report

**PACIFIC GAS AND ELECTRIC COMPANY**



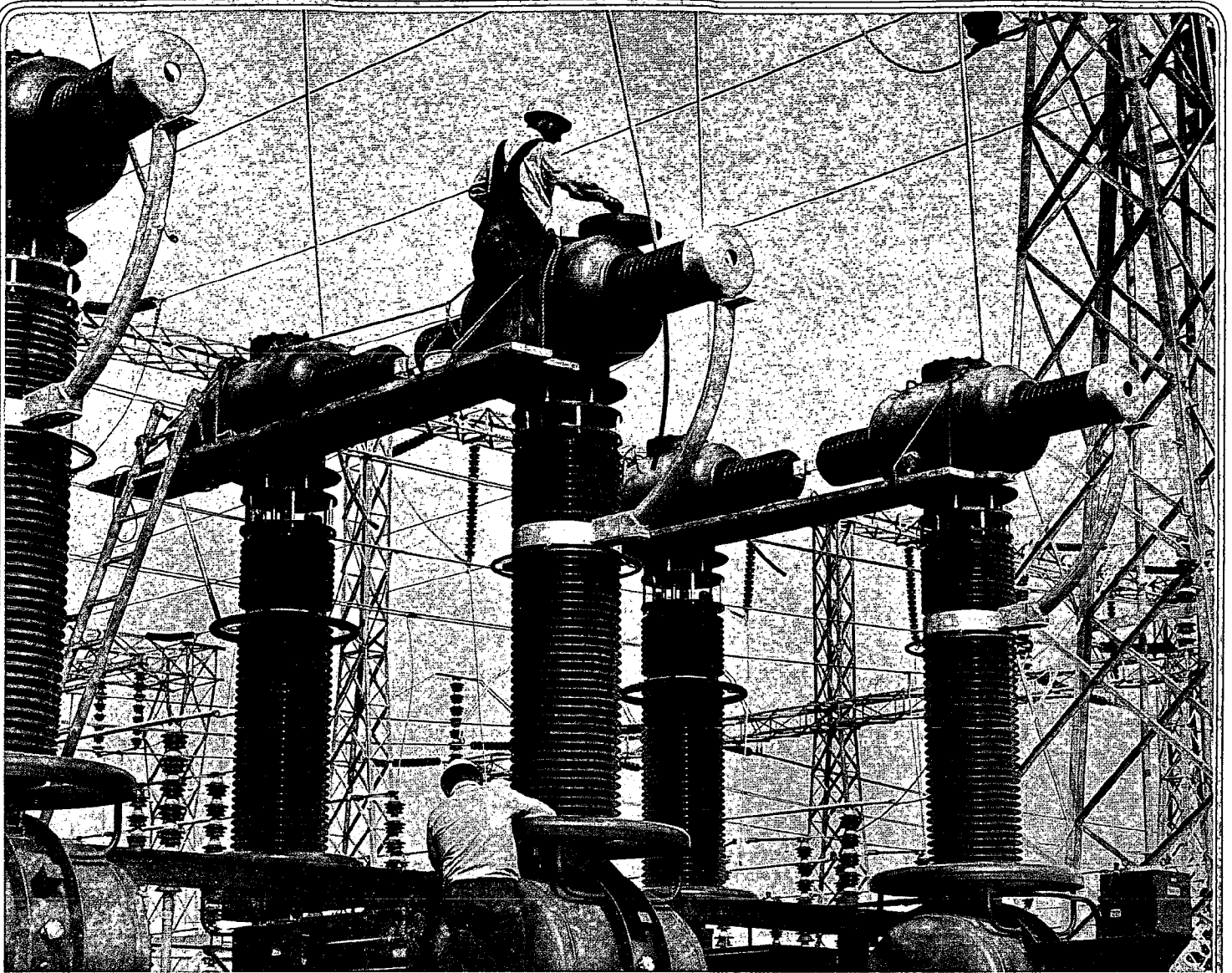


NORMAN RAYMOND SUTHERLAND 1898-1963

On September 1, 1963, death closed the career of Norman Raymond Sutherland. His service to the Company spanned more than half a century, during which he had risen to President and then Chairman of the Board of Pacific Gas and Electric Company. In the pioneering of atomic-powered generating plants and in the

unprecedented post-war expansion of the Company, his leadership, foresight and energies were invaluable. His civic contributions were numerous, his good humor and talents inexhaustible. He will be missed by both the community and our corporate family and to his memory this 1963 Annual Report to Stockholders is dedicated.

COVER: A helicopter aids linemen in the stringing of twin-cable "bundled conductor" for a new high voltage power line across the bay to San Francisco and the Peninsula.



## HIGHLIGHTS OF OPERATION

	1963	1962
Operating Revenues and Other Income . . . .	\$ 764,238,000	\$ 731,672,000
Natural Gas Purchased . . . . .	\$ 203,568,000	\$ 196,145,000
Taxes and Franchise Payments . . . . .	\$ 155,730,000	\$ 161,469,000
Operating Payroll . . . . .	\$ 93,451,000	\$ 88,489,000
Other Expenses and Charges . . . . .	\$ 197,387,000	\$ 174,877,000
Net Income . . . . .	\$ 114,102,000	\$ 110,692,000
Earned Per Common Share . . . . .	\$1.70	\$1.64
Total Assets . . . . .	\$2,978,875,000	\$2,807,781,000
Construction Expenditures . . . . .	\$ 226,076,000	\$ 209,725,000
Sales of Electricity to Customers (KWH) . .	27,857,742,000	26,331,210,000
Sales of Gas to Customers (MCF) . . . . .	435,032,000	415,590,000
Total Customers . . . . .	4,065,823	3,920,868
Number of Employees . . . . .	19,603	19,039
Number of Stockholders . . . . .	248,331	246,720

## BOARD OF DIRECTORS

Chairman  
of the  
Board



JAMES B. BLACK\*  
San Francisco



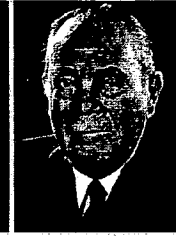
K. C. CHRISTENSEN†  
San Francisco



RANSOM M. COOK  
San Francisco



JAMES F. CRAFTS\*  
San Francisco



W. W. CROCKER\*  
San Francisco



PAUL L. DAVIES  
San Jose



CHARLES  
de BRETTEVILLE††  
San Francisco



ROBERT H. GERDES\*  
San Francisco



RUSSELL GIFFEN  
Fresno



WALTER A. HAAS\*  
San Francisco



ELLIOTT McALLISTER\*  
San Francisco



DAVID PACKARD  
Palo Alto



PORTER SESNON  
San Francisco



S. L. SIBLEY†††  
San Francisco



CARL F. WENTE  
San Francisco

\* Member Executive Committee

† Elected March 13, 1963 to succeed Henry D. Nichols, deceased

†† Elected December 18, 1963 to succeed N. R. Sutherland, deceased

††† Elected February 20, 1963 to succeed Silas W. Palmer, deceased

## EXECUTIVE OFFICERS

ROBERT H. GERDES	President
S. L. SIBLEY	Vice-President and General Manager
K. C. CHRISTENSEN	Vice-President—Finance
L. HAROLD ANDERSON	Vice-President and Assistant General Manager
JOHN F. BONNER	Vice-President and Assistant General Manager
J. S. MOULTON	Vice-President and Executive Engineer
HOWARD P. BRAUN	Vice-President—Electric Operations
E. H. FISHER	Vice-President—Gas Operations
H. W. HABERKORN	Vice-President—General Construction
C. C. WHELCHER	Vice-President—Engineering
R. W. JOYCE	Vice-President—Commercial Operations
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

\* \* \* \* \*

A. H. CATHERALL	Assistant Treasurer and Assistant Secretary
V. D. VINCENT	Assistant Treasurer
J. F. TAYLOR	Assistant Secretary
A. J. DUFFY	Assistant Secretary

## REPORT OF THE DIRECTORS OF PACIFIC GAS AND ELECTRIC COMPANY

*San Francisco, California, February 28, 1964*

### TO OUR STOCKHOLDERS:

The year 1963 was one of the most eventful and productive in the history of P.G.&E.

The establishment of service to our four-millionth customer, the placing in operation of a nuclear generating unit at Humboldt Bay and the start of construction on our previously announced \$2.4 billion electric "super-system" were but a few of the highlights of the year.

Net earnings for the common stock continued to show improvement, amounting to \$1.70 a share based on the 56,477,326 shares outstanding during the year. This compares with earnings of \$1.64 a share for the previous year.

Our net gain in customers was 144,955, exceeding that of any previous year. At the year-end the Company was serving 4,065,823 customers in all branches of its operations.

The Company spent \$226 million on expansion of its plants and properties last year, bringing to over \$3 billion such expenditures in the eighteen years since World War II. Construction expenditures for 1964 are presently budgeted at \$255 million.

Substantial additions to our electric generating capacity were completed during the year, including a 330,000 kilowatt conventional steam unit at our Morro Bay Power Plant. We also completed a 52,000 kilowatt nuclear generating unit at Humboldt Bay which was formally dedicated on September 23, 1963. This unit is operating so successfully that we confidently expect that it ultimately will be licensed to operate at a power capability approaching 70,000 kilowatts.

Late in the year site preparation got under way for the installation of two 750,000 kilowatt conventional steam-electric generating units at our Moss Landing Power Plant. The first of these units is scheduled for operation in 1966 and the second in the following year. Commencement of construction on these units was the first major step in a long-range plan, outlined in our 1962 annual report, which is expected to treble our electric generating capacity by 1980. It is estimated that these units will be installed at a cost of less than \$100 per kilowatt. At the present time our average investment per kilowatt for conventional steam-electric generating units is \$113, compared with \$120 only five years ago. These figures demonstrate the economies that are being realized by the installation of progressively larger and more efficient units.

At the site of our proposed 330,000 kilowatt nuclear plant on Bodega Head in Sonoma County, excavation of a pit 142 feet in diameter to a point 73 feet below sea level was completed late in the year. The pit, within which the reactor containment facility would be placed, was excavated in advance of normal schedule in view of questions that have been raised by others as to the suitability of the site. The excavation has permitted thorough inspection of the walls and bottom of the pit by geologists and seismologists. Their findings will be submitted to the Atomic Energy Commission which must make a determination as to the suitability of the location before construction of the plant is started. It is expected that the Commission will schedule early public hearings on our application for a construction permit. In the meantime, with the pit completed, work has been suspended.

A notable development of the year was the final settlement of the El Paso Natural Gas Company rate cases, the first of which dated back to 1955. The Company received two refunds, totaling almost \$60 million, substantially all of which has been or will be refunded to our customers. The settlement also resulted in lower rates charged by El Paso for gas delivered to the Company. These reductions have been passed on to our customers, as more fully described in the section on Rate Matters.

We mentioned in last year's annual report that the Company and the other utilities which comprise the California Power Pool have offered to construct extra high voltage (EHV) transmission lines between the Oregon-California border and Los Angeles. Construction and operation of these lines by the companies as an integral part of the existing electric systems in California will greatly increase the usefulness and reliability of the lines and materially reduce their capital costs.

On December 12, 1963, Congress appropriated \$8.5 million for preliminary engineering and start of construction of EHV transmission lines between the Pacific Northwest and California, but directed that construction not begin unless (1) pending legislation has been enacted which would give electric consumers in the Northwest first call on power generated at federal hydroelectric plants in that region, and (2) the Secretary of the Interior has found "after good faith negotiations with utilities and other entities interested in constructing any portion of the lines involved that their proposals will not result in

benefits to the national interest at least equal to those to be derived from federal construction.”

Our proposal is now under consideration by the Department of the Interior. Construction of the lines by the companies will eliminate a major federal expense at a time when it is urgent that non-essential government spending be reduced.

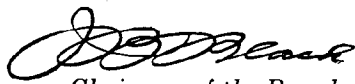
Stockholders will recall that in January 1962 the Company filed 18 damage actions under the antitrust laws against various manufacturers of electrical equipment. In January 1964, in consideration of price adjustments of approximately \$4,136,000 offered by General Electric Company, we agreed to dismiss as against that company all actions except the one relating to hydroelectric generators, as to which there was no antecedent government proceeding and no offer of price adjustment from the General Electric Company.

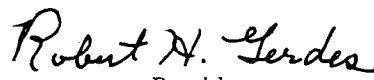
On the basis of the accomplishments of the past year and the outlook as far as can be foreseen, we view the Company's future with optimism. The task ahead is great, but we feel confident we have the organization and capability to do the job.

The pages that follow contain a more detailed review of our operations during the past year. Financial statements, together with the opinion of our independent certified public accountants, are set forth beginning on page 24.

We wish to acknowledge on behalf of the Board of Directors the exceptional contributions made by our employees during the past year.

*For the Board of Directors*

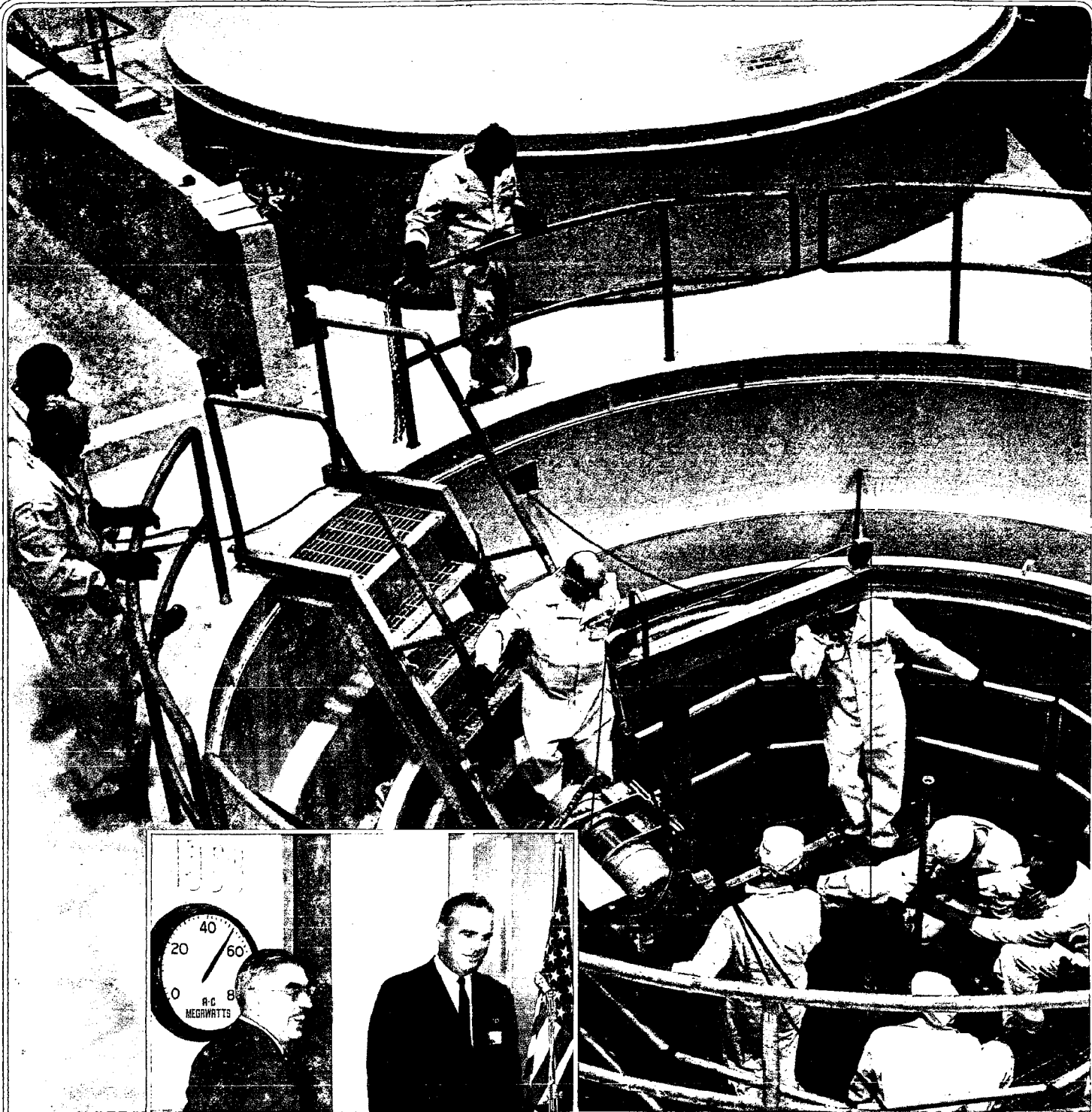
  
Chairman of the Board

  
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 28, 1964. 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, 1964.*







USHERING in the era of economical atomic power, P. G. & E.'s Humboldt Bay nuclear unit in Eureka produced its first heat February 16, 1963. Earlier, white-clad technicians, working on a floor covered by a plastic sheet to prevent contamination of the fuel, had placed the initial assemblies of enriched uranium into the reactor. Since August the unit has been running at virtually full load and, as expected, was found to have a greater capability than its initially-licensed 50,000 kilowatts. At its dedication in September, Senator John O. Pastore (at left in insert), Chairman of the Joint Committee on Atomic Energy, described the unit as the vanguard of atomic power plants soon to dot the country, producing power safely and economically. P. G. & E.'s nuclear unit was built without any subsidy and is operating without any waiver of the government's fuel charges.



## THE 1963 FINANCIAL STORY

### Revenues

For the second consecutive year our operating revenues exceeded those of any other gas and electric utility in the United States.

Revenues from all sources reached \$761,850,000, an increase of \$32,425,000 or 4.4% over 1962. This substantial gain was achieved even though rate reductions aggregating \$6.5 million on an annual basis were placed in effect early in the year.

The Electric Department contributed 64.1% of total revenues and the Gas Department 35.6%. The small remaining amount was derived from sales of water and steam. A detailed breakdown of revenues and unit sales by classes of service is shown on page 23.

All major classes of electric service showed satisfactory gains, with the exception of agricultural power. As in the previous year, heavy rainfall and below normal summer temperatures reduced sales of electricity for agricultural pumping.

In the Gas Department the growth in sales and revenues for the year was close to the normal expectation.

In addition to its operating revenues, the Company had other income of \$2,388,000, most of which represented interest and dividends from investments in subsidiary companies participating in the Alberta-California natural gas pipeline system.

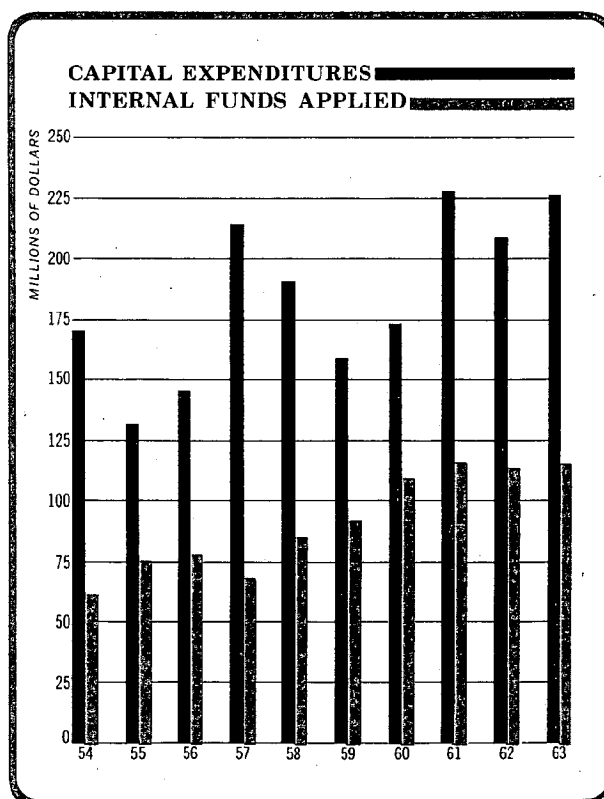
### Expenses

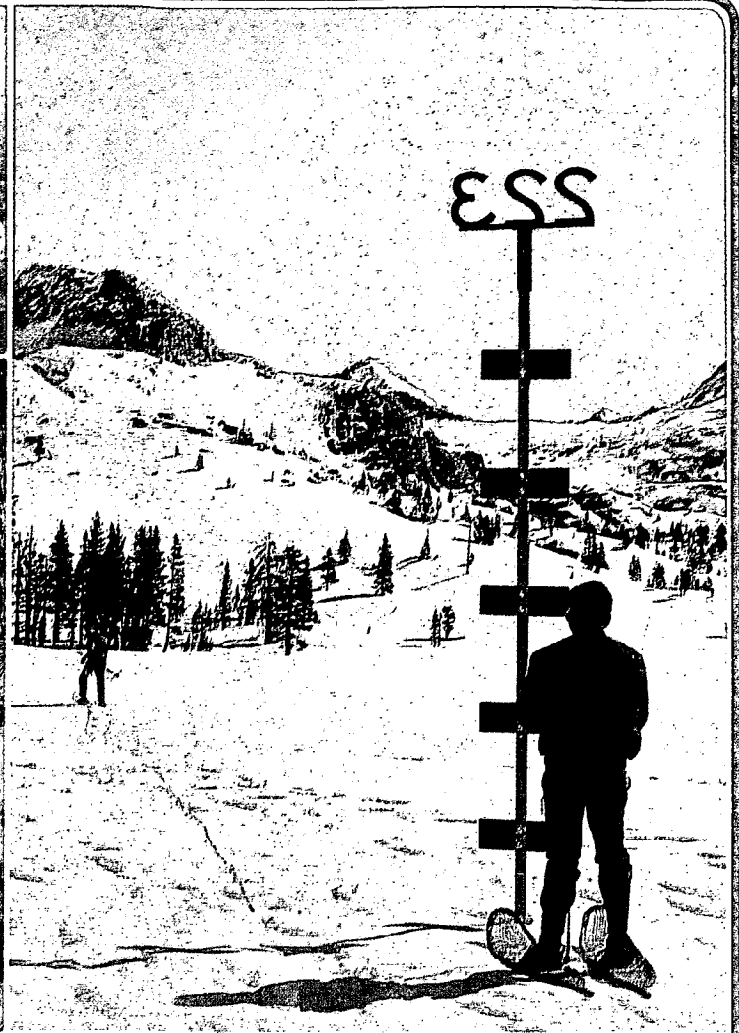
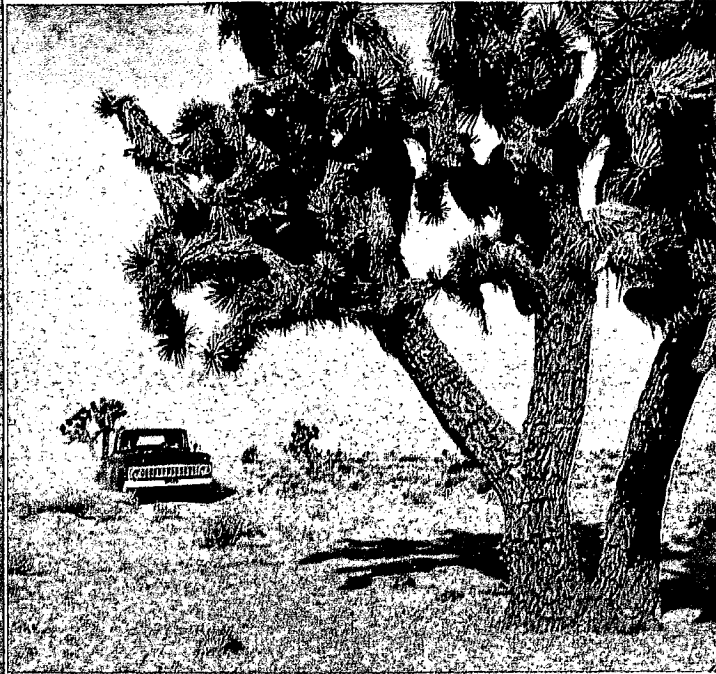
Expenses incurred in conducting our business last year, exclusive of taxes and depreciation, totaled \$366,076,000, compared with \$350,132,000 in 1962.

Perhaps the most significant development affecting our cost of doing business was the realization last year of lower unit prices for natural gas purchased

for sale to our customers and for use as fuel in our steam-electric generating plants. Natural gas is our largest single item of expense. For many years prior to 1963 there was an uninterrupted rise in the unit cost of natural gas. Now this upward trend has been halted, at least for the foreseeable future.

As mentioned earlier, our largest gas supplier, El Paso Natural Gas Company, on two occasions filed lower rate tariffs for gas delivered by it to the Company at the Arizona-California border. These reductions, which became effective December 1, 1962 and November 1, 1963, totaled 3.3 cents per thousand cubic feet. Applied to the volume of gas the Company is obligated to take from El Paso, the reductions will





**FROM** the blue Pacific to snowy Sierra summits and from the redwood rain forests of Humboldt to the Joshua trees of the Mojave Desert, P. G. & E.'s service area covers 94,000 square miles of widely varying terrain and climate. On any day, Company employees might be found measuring the snowpack in remote mountain watersheds, patrolling the Super Inch natural gas line in the desert heat and (with the aid of binoculars and walkie-talkie radio) making die tests of ocean currents near the sites of big new steam-electric generating plants.

amount to approximately \$11.8 million on an annual basis. The benefit of these reductions has been passed on to our customers, as described in the section on Rate Matters.

We are continuing to make significant progress in cost control. Work simplification, mechanization and automation have produced important savings. Each year the Company is finding additional uses for its electronic computers. These range beyond the accounting and clerical fields into areas of system planning and engineering.

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## Taxes

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Taxes paid or accrued for future payment totaled \$162,545,000 in 1963, somewhat less than in the previous year.

A table showing taxes by classes and a comparison with the previous year appears on page 10. The most significant change in our tax liability occurred in the provision for Federal taxes on income.

The principal reason for this change was the adoption of the new depreciation guideline lives, promul-

gated by the Internal Revenue Service, which generally permit shorter depreciation lives for tax purposes. It is estimated that the adoption of the new depreciation guideline lives reduced our liability for Federal income taxes by about \$8 million in 1963. (The provision made on our books in 1962 for Federal income taxes did not reflect the use of new depreciation guidelines. However, when our tax return for that year was filed, depreciation based on the new guideline lives was claimed, as more fully explained in Notes to the Financial Statements.)

Concurrently with the adoption of the new guideline lives for tax purposes, the provision for book depreciation was increased, so the net result was that the adoption of the guideline lives did not substantially affect our reported net income for the year. The changes adopted for both tax and book depreciation should permit economic replacement and modernization of certain classes of our properties earlier than would otherwise be possible, thus benefiting our customers and stockholders and stimulating economic activity in general.

The investment tax credit made available under the Revenue Act of 1962 resulted in a reduction in Federal income taxes in 1963 of approximately \$4.9 million, compared with about \$2.6 million in the previous year. As the final accounting disposition of the investment tax credit has not yet been determined, we followed the interim accounting treatment prescribed by the Federal Power Commission for this item, the same as we did in 1962. This requires that the reduction in tax expense be offset by a charge to Other Income Deductions. As a consequence reported net income does not reflect any change as a result of the investment tax credit.

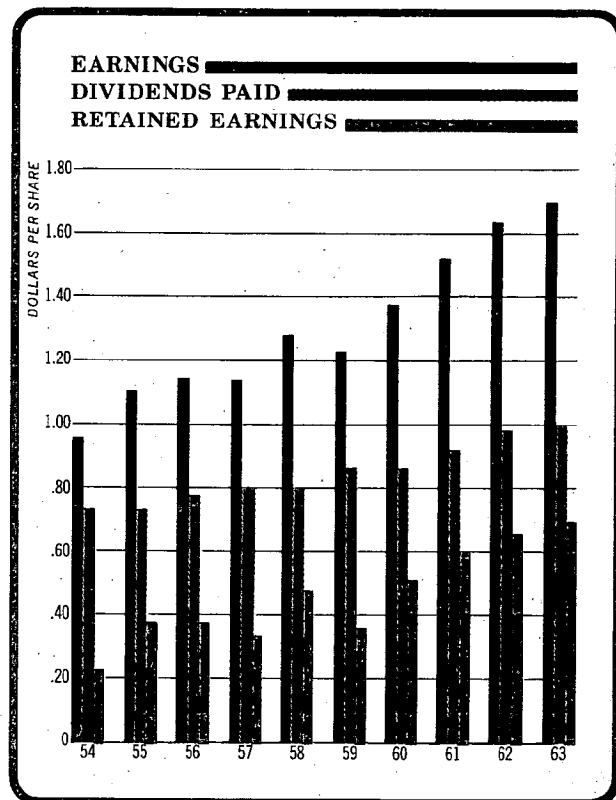
Property taxes increased \$3,743,000 to a total of \$79,353,000. The increase was largely the result of higher tax rates, but it also reflects the additional property placed on the tax rolls as a result of the Company's expansion. Forty-nine of California's 58 counties received tax payments from P.G.&E. in 1963 and 21 of these collected from us more than \$1 million each. Approximately one-half of all our property tax payments goes to school districts.

The attention of stockholders has been previously directed to the almost complete tax exemption accorded government-owned utilities. By reason of this

inequitable treatment, customers of government-owned utilities shift their fair share of the tax burden to others. It is hoped that this situation will be considered by our elected representatives at an early date, and remedial legislation adopted.

## Earnings and Dividends

Net income for the year amounted to \$114,102,000 compared with \$110,692,000 in the previous year.



After payment of \$18,336,000 in dividends to preferred stockholders, net earnings for the common stock were \$95,766,000, equivalent to \$1.70 a share.

Dividends on the common stock at the quarterly rate of 25 cents a share resulted in total dividend disbursements of \$56,477,000. The balance of the earnings not paid out in dividends, amounting to \$39,289,000, was invested in the business, thereby increasing the equity of our common stockholders.

On December 18, 1963, a letter was mailed to all common stockholders advising them that 27.5% of all common stock dividend payments in 1963 was excludable from their taxable income in computing

## TAXES AND FRANCHISE PAYMENTS

### PACIFIC GAS AND ELECTRIC COMPANY

	1963	1962	<i>Increase</i>
<b>LOCAL TAXES AND FRANCHISE PAYMENTS:</b>			
Ad valorem property taxes .....	\$ 79,353,000	\$ 75,610,000	\$ 3,743,000
Franchise payments .....	4,592,000	4,443,000	149,000
<b>Total</b> .....	<b>83,945,000</b>	<b>80,053,000</b>	<b>3,892,000</b>
<b>STATE TAXES:</b>			
Corporation franchise: current .....	7,737,000	8,456,000	* 719,000
Corporation franchise: deferred (net) .....	445,000	663,000	* 218,000
Unemployment insurance .....	2,086,000	2,096,000	* 10,000
Other .....	620,000	537,000	83,000
<b>Total</b> .....	<b>10,888,000</b>	<b>11,752,000</b>	<b>* 864,000</b>
<b>CITY AND STATE TAXES:</b>			
Sales and use .....	3,530,000	3,796,000	* 266,000
<b>FEDERAL TAXES:</b>			
Corporation income: current .....	56,664,000	65,770,000	*9,106,000
Corporation income: deferred (net) .....	3,394,000	4,138,000	* 744,000
Unemployment insurance .....	486,000	462,000	24,000
Insurance contributions .....	3,485,000	2,904,000	581,000
Other .....	120,000	269,000	* 149,000
<b>Total</b> .....	<b>64,149,000</b>	<b>73,543,000</b>	<b>*9,394,000</b>
<b>CANADIAN TAXES</b> .....	<b>33,000</b>	<b>34,000</b>	<b>* 1,000</b>
<b>TOTAL TAXES AND FRANCHISE PAYMENTS</b> .....	<b><u>\$162,545,000</u></b>	<b><u>\$169,178,000</u></b>	<b><u>\$*6,633,000</u></b>
<b>CHARGED TO:</b>			
Expense as taxes .....	\$151,138,000	\$157,026,000	\$*5,888,000
Expense as franchise payments .....	4,592,000	4,443,000	149,000
Utility plant and other accounts .....	6,815,000	7,709,000	* 894,000
<b>TOTAL TAXES AND FRANCHISE PAYMENTS</b> .....	<b><u>\$162,545,000</u></b>	<b><u>\$169,178,000</u></b>	<b><u>\$*6,633,000</u></b>

\*Denotes decrease

their Federal income tax. This is an estimated percentage and subject to review by the Internal Revenue Service; however, such review will not be made before stockholders are required to file their Federal income tax returns for 1963. If the review should eventually result in a substantial change from the Company's estimate, common stockholders will be informed.

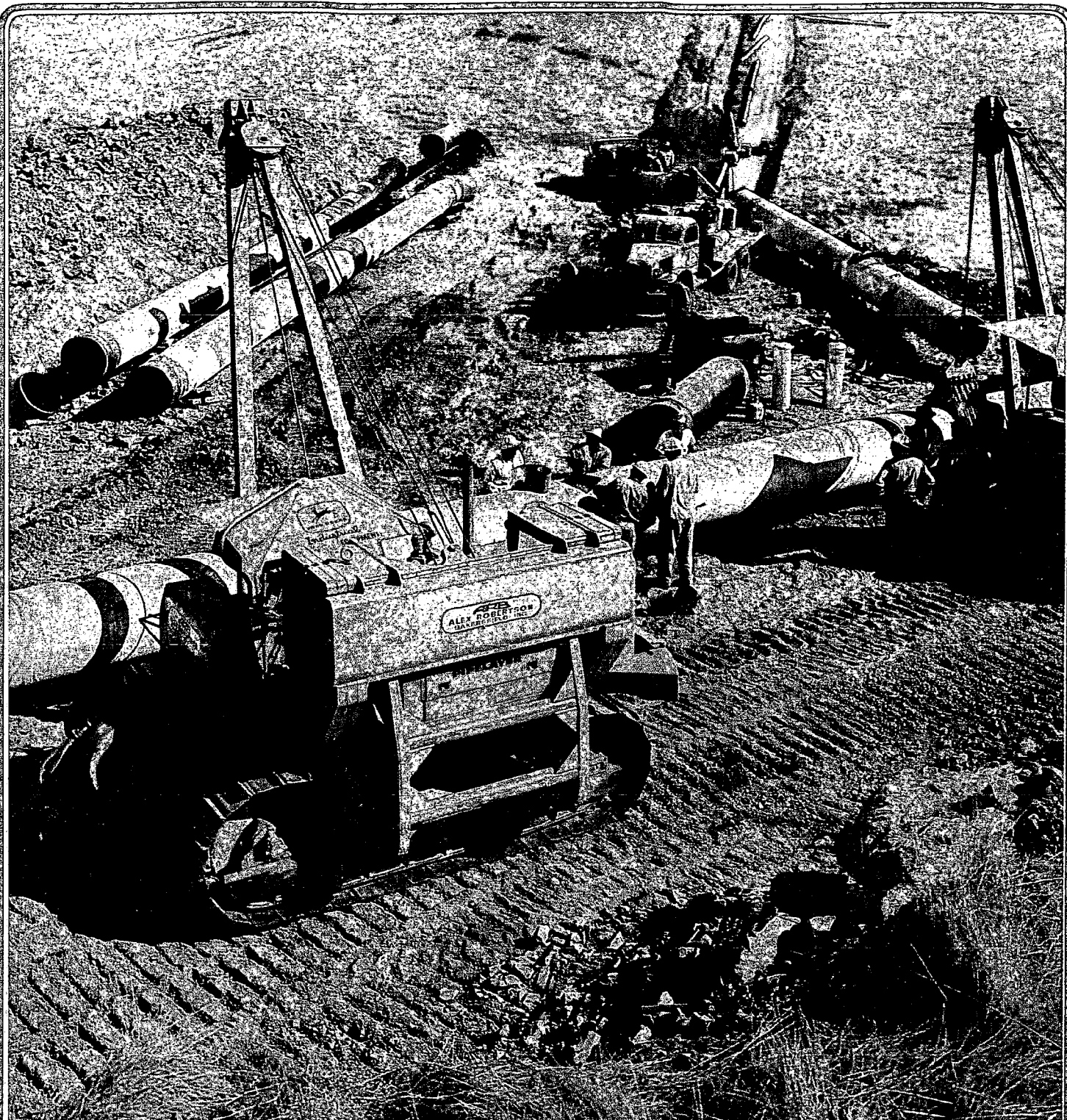
### Financing

We entered 1963 with about \$25 million of temporary cash investments over our normal cash balance.

As the year progressed, these temporary cash investments were liquidated and applied to our construction program. This, together with the proceeds from the sale in October of \$70 million of our First and Refunding Mortgage Bonds, Series JJ, 4½%, due 1996, provided substantially all the financing required for our 1963 construction program.

Additional financing will be required in 1964. However, the nature and timing of such financing have not yet been determined.

Total capitalization at the close of 1963 was \$2,624 million, made up of 51.7% bonds, 13.4% preferred stock, and 34.9% common stock equity.



BUILDING to keep pace with California, now the nation's most populous state, men and machines expand the Company's vast gas and electric system. Here, work progresses on installation of a natural gas main that will be another link between Antioch, where natural gas is delivered from Canada, and Milpitas, terminal for the lines that carry gas from Texas and New Mexico fields. In 1963, approximately \$226 million was spent for construction and \$255 million has been budgeted for 1964.





## FIVE YEARS IN BRIEF

### PACIFIC GAS AND ELECTRIC COMPANY

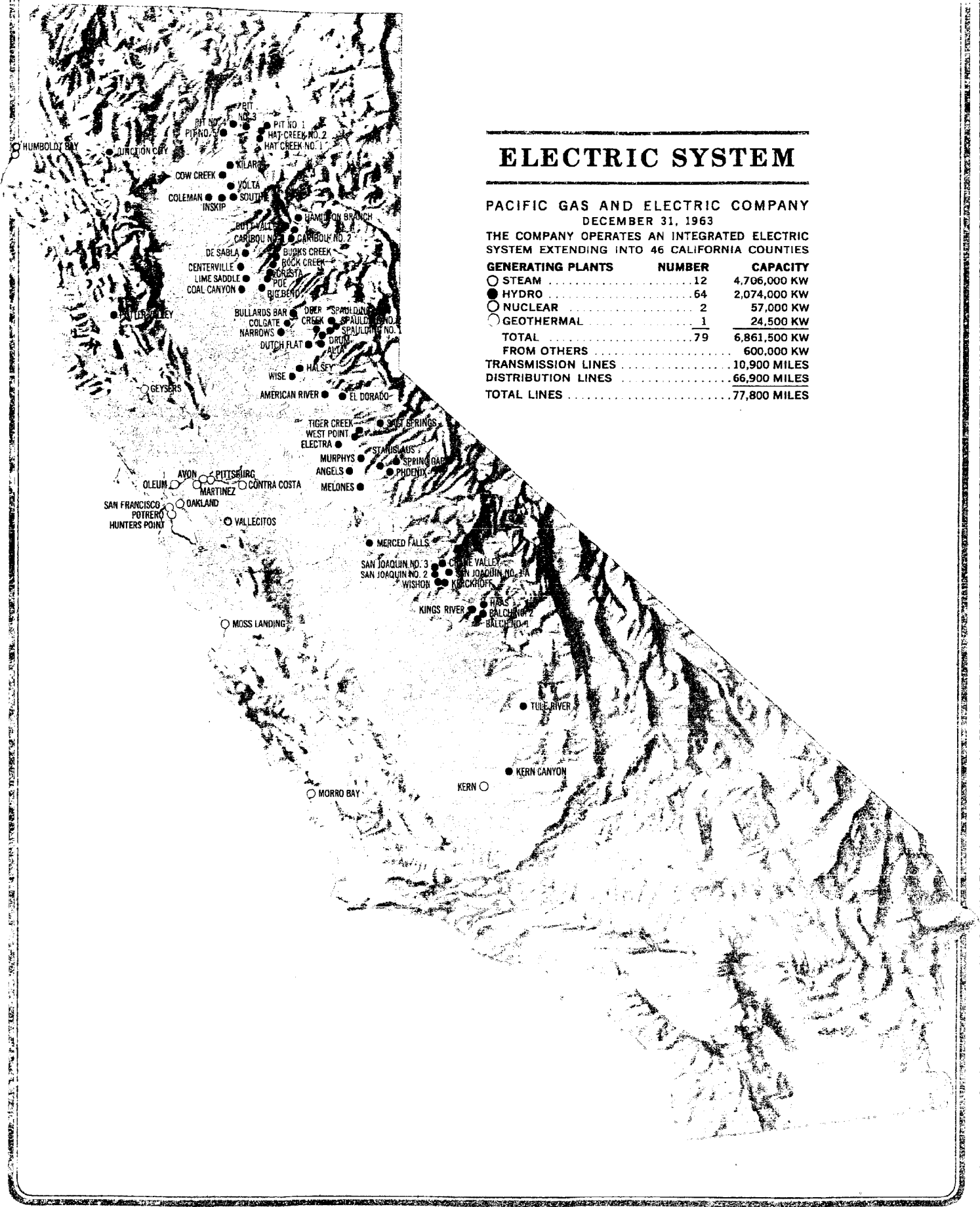
	1963	1962	1961	1960	1959
<b>SOURCES OF INCOME:</b>					
Electric revenues .....	\$488,265,000	\$463,405,000	\$446,154,000	\$416,569,000	\$384,450,000
Gas revenues .....	271,428,000	263,608,000	246,432,000	228,276,000	196,356,000
Other operating revenues .....	2,157,000	2,412,000	3,122,000	3,043,000	2,618,000
Other income .....	2,388,000	2,247,000	1,694,000	902,000	1,455,000
Total .....	<u>\$764,238,000</u>	<u>\$731,672,000</u>	<u>\$697,402,000</u>	<u>\$648,790,000</u>	<u>\$584,879,000</u>
<b>DISPOSITION OF INCOME:</b>					
Wages and salaries .....	\$ 93,451,000	\$ 88,489,000	\$ 83,244,000	\$ 79,223,000	\$ 74,893,000
Power purchased .....	10,991,000	5,033,000	4,048,000	4,177,000	5,414,000
Natural gas purchased .....	203,568,000	196,145,000	185,776,000	164,919,000	135,933,000
Oil and other fuel .....	9,413,000	11,718,000	18,464,000	17,793,000	16,781,000
Other operating expenses .....	43,483,000	42,747,000	38,216,000	33,259,000	34,314,000
Insurance, injuries and damages, etc. ....	5,170,000	6,000,000	5,700,000	4,800,000	3,900,000
Depreciation and amortization .....	83,250,000	71,682,000	66,862,000	59,012,000	55,863,000
Taxes - current .....	147,300,000	152,225,000	148,587,000	148,453,000	125,096,000
Taxes - deferred .....	3,838,000	4,801,000	6,509,000	9,010,000	12,923,000
Bond interest and other income deductions ..	49,672,000	42,140,000	37,755,000	35,579,000	35,025,000
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	56,477,000	51,457,000	46,616,000	46,616,000
Balance retained in the business .....	39,289,000	35,879,000	32,448,000	27,613,000	19,785,000
Total .....	<u>\$764,238,000</u>	<u>\$731,672,000</u>	<u>\$697,402,000</u>	<u>\$648,790,000</u>	<u>\$584,879,000</u>
<b>NUMBER OF SHARES</b>					
<b>OF COMMON STOCK OUTSTANDING:</b>					
Average for the year .....	56,477,326	56,477,326	55,229,907	53,787,915	53,787,915
End of year .....	56,477,326	56,477,326	56,477,325	53,787,915	53,787,915
<b>EARNINGS PER SHARE OF COMMON STOCK:</b>					
On average shares outstanding .....	\$1.70	\$1.64	\$1.52	\$1.38	\$1.23
On end-of-year shares outstanding .....	1.70	1.64	1.49	1.38	1.23
<b>DIVIDENDS PER SHARE OF COMMON STOCK:</b>					
Declared basis .....	\$1.00	\$1.00	\$ .93	\$ .87	\$ .87
Paid basis .....	1.00	.98	.92	.87	.87

# ELECTRIC SYSTEM

PACIFIC GAS AND ELECTRIC COMPANY  
DECEMBER 31, 1963

THE COMPANY OPERATES AN INTEGRATED ELECTRIC SYSTEM EXTENDING INTO 46 CALIFORNIA COUNTIES

GENERATING PLANTS	NUMBER	CAPACITY
○ STEAM	12	4,706,000 KW
● HYDRO	64	2,074,000 KW
○ NUCLEAR	2	57,000 KW
○ GEOTHERMAL	1	24,500 KW
<b>TOTAL</b>	<b>79</b>	<b>6,861,500 KW</b>
FROM OTHERS		600,000 KW
TRANSMISSION LINES		10,900 MILES
DISTRIBUTION LINES		66,900 MILES
<b>TOTAL LINES</b>		<b>77,800 MILES</b>







# OPERATIONS AND ADMINISTRATION

## Electric Operations

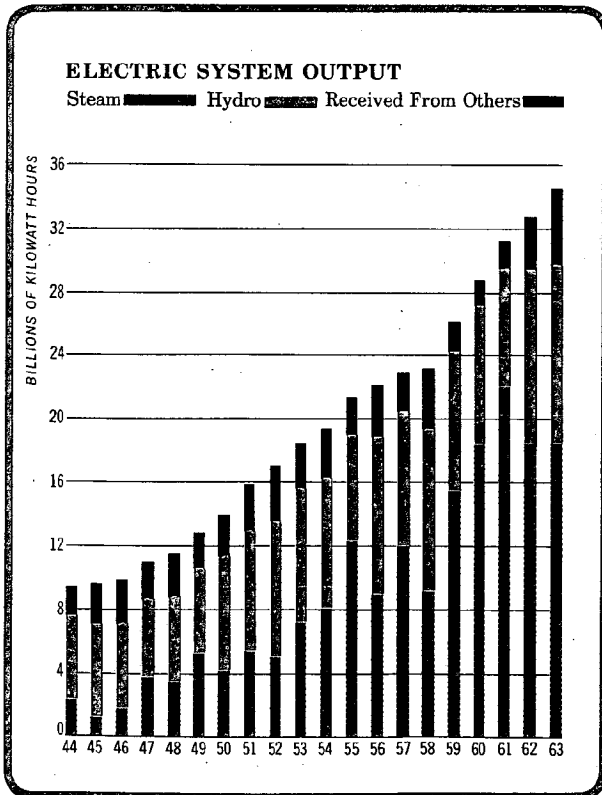
System electric output increased 5.7% over the previous year, reaching a total of 34.1 billion kilowatt-hours. Of the total, 18.7 billion kilowatt-hours, or 55%, was produced in our steam-electric generating plants and 11.0 billion kilowatt-hours, or 32%, in our hydro plants. The balance, amounting to 4.4 billion kilowatt-hours, or 13%, was generated by other producers. For the second successive year conditions were exceptionally favorable for hydro generation.

The system peak demand of 5,921,500 kilowatts occurred on December 18. This was the first time in

more than twenty years that we experienced a winter peak demand. The normal summer peak was not realized because of decreased demand for agricultural pumping and air conditioning due to weather conditions.

In August a 330,000 kilowatt conventional steam-electric generating unit was placed in commercial operation at our Morro Bay Power Plant. At about the same time the 52,000 kilowatt nuclear-fueled unit became operative at Humboldt Bay Power Plant. Earlier in the year two hydro plants, Stanislaus and De Sabla, were placed in operation. These plants, of 82,000 and 18,500 kilowatts capacity, respectively, replaced obsolete plants of lesser capacity at the same sites. In March a second 12,500 kilowatt unit went into operation at our Geysers Power Plant, utilizing natural steam from within the earth.

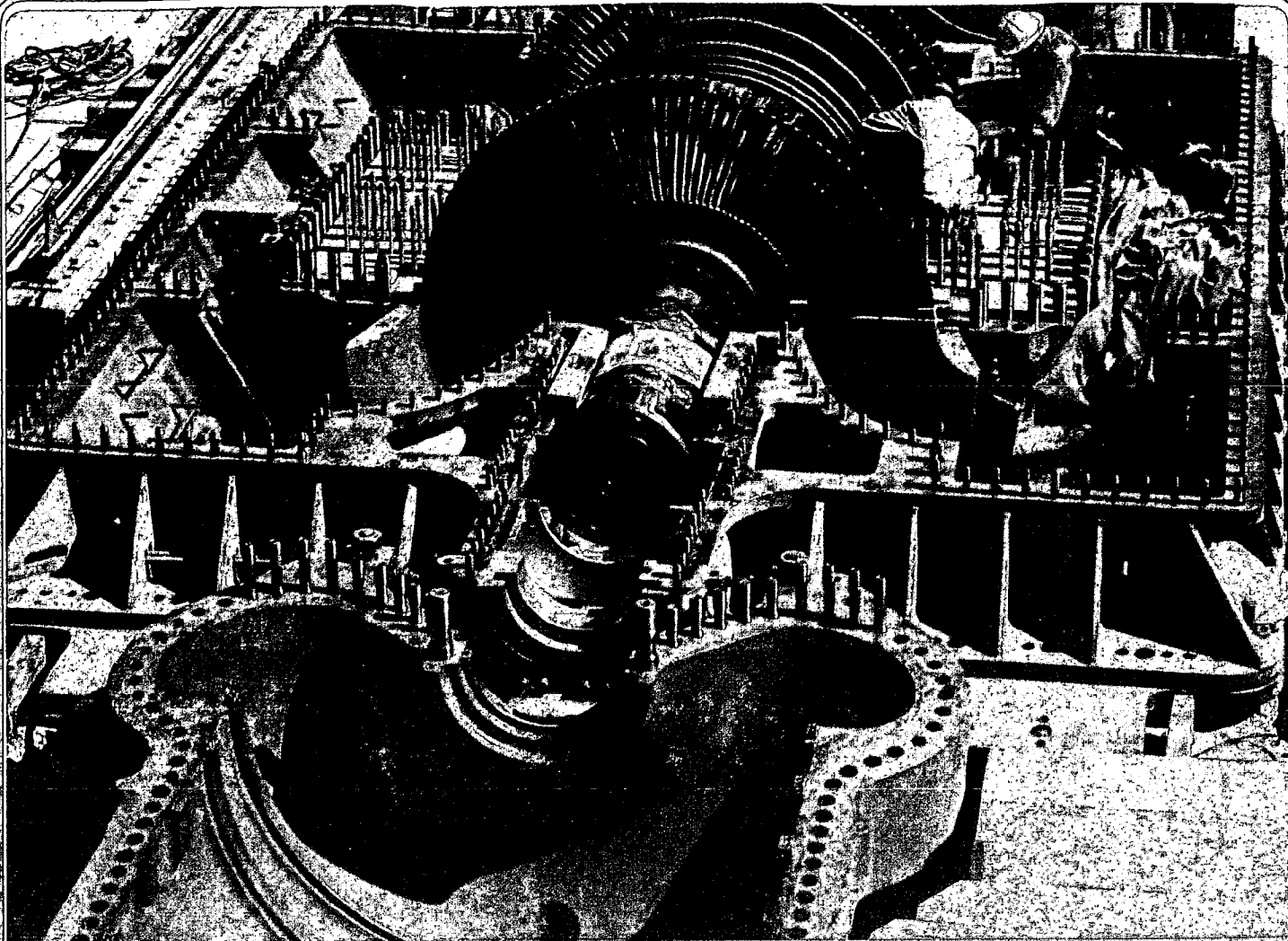
The Company's program for additional generating capacity, scheduled for completion by the end of 1966, is as follows:



	<i>Estimated Capacity (KW)</i>
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) ..	750,000
Drum No. 2 (hydro) .....	45,000
Total .....	<u>1,995,000</u>

## Gas Operations

Sales of gas to our customers reached a total of 435 billion cubic feet, in addition to which 163 billion cubic feet was supplied as fuel for our steam-electric generating plants. The peak-day sendout of about 2.8 billion cubic feet occurred on December 16.



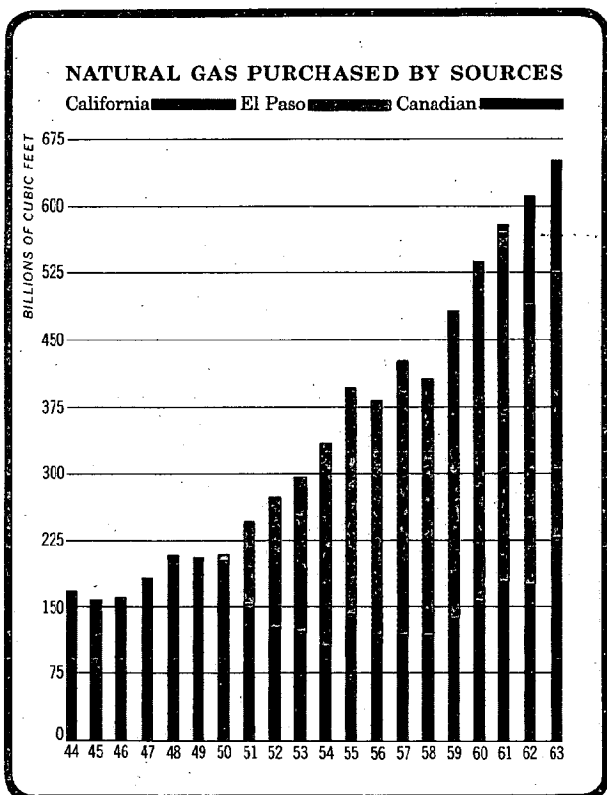
HIGH PRESSURE turbines under installation at Units 6 and 7 of Contra Costa Power Plant. When completed this year, the two units will add 660,000 kilowatts to the plant's capacity, making it the second largest on our system and one of the biggest steam-electric plants in the West. But it in turn will be dwarfed by Moss Landing, where two units of 750,000 kilowatts each are being added. Upon completion, Moss Landing will have a capability of 2,113,000 kilowatts, more than all the plants on the P. G. & E. system as recently as 1948. Today a dozen conventional steam-electric plants provide two-thirds of the system's total electric generating capacity. Sixty-four hydroelectric plants, one geothermal plant and two atomic units provide the remainder.

It is interesting to note that in energy equivalents our gas customers purchased from us five times as much energy as did our electric customers. Furthermore, approximately one-half of the electric energy we generated last year was produced from natural gas burned in our steam-electric plants.

With the economy of the area thus dependent on natural gas as an energy source, it is apparent that

the outlook for our gas supply is of paramount importance. Fortunately it is very favorable. Our gas supply, under long-term contracts, is backed by extensive reserves in California, in the southwestern states and in Western Canada. It is confidently expected that these areas will provide adequate supplies of gas to meet our requirements for many years to come.

We continued to inject gas throughout the year into our McDonald Island underground storage reservoir, which first became operative in 1962. The working gas in storage is now 44 billion cubic feet. When fully developed, it will provide us with a peak-day deliverability of 400 million cubic feet.



## Business Development

A record volume of new business was connected to our lines in 1963. This result is at least in part attributable to the effectiveness of our sales program designed to stimulate the use of gas and electricity.

Sales by dealers and installations by builders reached a total of over two million gas and electric appliances in 1963, a 7% gain over the previous year.

Average energy use by residential electric cus-

tomers reached 4,038 kilowatt-hours in 1963, an increase of 210 kilowatt-hours for the year.

Through its Area Development Department, the Company continued to promote, in cooperation with other agencies, the location of industrial plants within its service area. In Northern and Central California, an area the size of New York and Pennsylvania, there are now 8 million people. The construction in this area now accounts for 10% of all private construction in the United States. Availability of raw materials and water, combined with an excellent climate, desirable living conditions and a rapidly growing population, make the area particularly attractive for market oriented industries. These facts are brought to the attention of industry managements elsewhere in the United States through advertising, direct mail and personal calls.

CUSTOMERS	1963	1962	Increase during 1963
Electric Department	2,177,610	2,103,569	74,041
Gas Department	1,874,743	1,803,989	70,754
Water Department	12,928	12,745	183
Steam Department	542	565	*23
<b>Total</b>	<b>4,065,823</b>	<b>3,920,868</b>	<b>144,955</b>

\* Denotes decrease

The industrial power load served by P.G.&E. is already highly diversified and is growing at a rate of about 8% a year. Over 90% of the major industrial categories are represented in our service area by one or more establishments and the remaining gaps are being filled.

Natural gas has long been a favorite fuel in industry but, convinced that a great potential still exists, the Company last year stepped up its promotion of gas for industrial applications, with special emphasis on process heating.

## Rate Matters

Under a settlement agreement negotiated by the California Public Utilities Commission, all pending proceedings before the Federal Power Commission

concerned with the rates of El Paso Natural Gas Company, the Company's largest supplier of natural gas, were terminated on December 3, 1963. This settlement agreement and a prior order of the Federal Power Commission issued late in 1962 resulted in two rate refunds and two rate reductions to the Company.

The refunds, received in May and December 1963, amounted to \$15 million and \$44.9 million. The entire amount of these refunds attributable to gas sold to customers or consumed in the generation of electricity or steam has been, or is in the process of being, refunded to the Company's customers pursuant to orders of the California Public Utilities Commission.

The El Paso rate reductions, which amounted to about \$6 million per year, effective December 1, 1962, and about \$5.8 million per year, effective November 1, 1963, have been passed on by a series of rate reductions to the Company's gas, electric, and steam customers.

Electric rate reductions effective early in 1964 reflect both the lower gas costs to the Electric Department and an additional \$2.9 million. These reductions are applicable to some 400,000 customers in zones where customer density has increased and to large industrial power users to meet competitive conditions.

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## Employees

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At the year-end there were 19,603 men and women employed by the Company. Many of our employees have long service records, as evidenced by the fact that 2,389 are members of our Quarter Century Club. We are indeed fortunate to have so many experienced and highly competent employees.

Wages and salaries for the year amounted to \$151,941,000, of which \$93,451,000 was paid to operating employees. The balance was paid to employees performing construction work and was charged to capital accounts.

About mid-year, basic wage rates were increased

by 3.75% following negotiations with the International Brotherhood of Electrical Workers (IBEW) and the Engineers and Scientists of California (ESC). Certain other adjustments in fringe benefits were also made. The new labor contracts, which may not be reopened for three years commencing July 1, 1963, provide for additional wage increases of 3.25% in 1964 and also in 1965. This is the first time that we have had wage contracts extending for three years. On December 31, the current term of the contract covering pension benefits, last amended on January 1, 1959, expired. The union's proposals for a new five year contract have been received and negotiations are now in progress.

The Company continues to give its close attention to methods of developing employees to their full potential. With each passing year our requirements for greater technical and management skills increase. To develop these skills we are constantly improving our recruitment practices and on-the-job training programs, as well as providing educational opportunities.

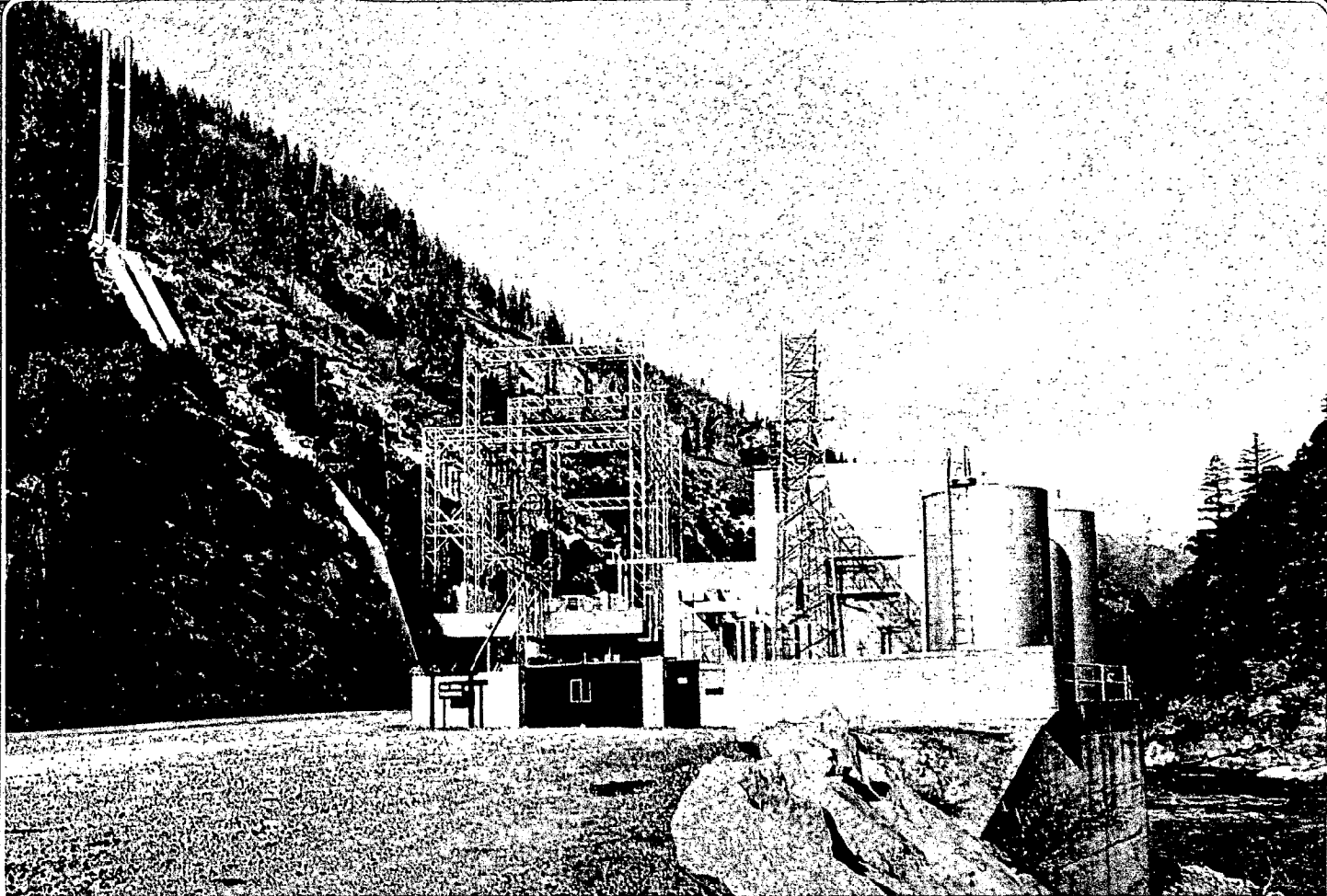
The Company is acutely aware of the struggle of ethnic minorities against discriminatory employment practices. So that there will be no misunderstanding concerning the Company's attitude we took the occasion last year to issue a formal policy statement on our employment practices. In substance, it stated that the Company employs people on the basis of individual merit and qualifications, and promotes on the basis of performance, demonstrated ability and seniority, and it does so without regard to race, color, creed, national origin or ancestry in accordance with its needs for manpower and particular skills. We are taking steps to inform ethnic minority groups of employment opportunities in the Company.

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## Ownership

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At the close of 1963 our Company was owned by 248,331 individual and institutional investors, a gain of 1,611 for the year. Of the total, 79,807 were preferred and 168,524 common stockholders. We con-



IN AND AROUND A SPECTACULAR Sierra canyon, a chain of nine Company hydroelectric powerhouses such as Rock Creek, above, develop the tumbling Feather River into a "stairway of power." From the construction of Big Bend Powerhouse in 1908 to the completion of the three most recent plants in 1958, the North Fork of the Feather has been a proving ground for advanced hydroelectric engineering principles. Today the Company operates 64 hydro plants with a total capacity of more than two million kilowatts. Three more powerhouses are under construction on the Pit River. Our hydro plants have not only played a large part in providing power for the development of Northern and Central California, but the associated reservoirs, watersheds and access roads have long been an important factor in providing outdoor recreation opportunities for the people of our State.

tinue to be the most widely-owned gas and electric utility in the nation.

The Company has more than twelve stockholders for every employee. Few, if any, sizable companies have such a high proportion of stockholders to employees.

Many of our employees participate in the ownership of the Company. Through the operation of the

Employees' Savings Fund Plan, 1,008,624 shares of common stock were beneficially owned by approximately 12,000 employees at the close of 1963.

A recent development has been the purchase of our common stock for the account of a number of public pension funds. This is in addition to the substantial investment these funds have in the bonds of our Company. In recent years public pension funds

have provided the principal market for new issues of our bonds. State and local pension funds in California alone have an investment of \$116 million in our bonds. Through this and similar investments government employees have a vital stake in the financial strength and well-being of the companies in which they have invested their retirement funds.

**DISTRIBUTION OF STOCK OWNERSHIP**  
by Class of Investor, December 31, 1963

	<i>Number of Stock- holders</i>	<i>Number of Shares Owned</i>
Women .....	96,899	17,942,710
Joint and other tenancies .....	68,736	10,630,700
Men .....	54,074	10,701,039
Trustees, guardians and other fiduciaries .....	19,339	3,500,862
Nominees .....	2,828	14,398,642
Corporations, partnerships and proprietorships .....	2,371	2,497,531
Charitable and fraternal organizations and foundations .....	1,334	514,732
Banks, investment companies and security dealers .....	1,074	4,275,956
Insurance companies .....	684	5,432,638
Religious institutions .....	564	162,955
Educational institutions .....	393	409,827
Labor organizations .....	35	19,724
<b>Total .....</b>	<b>248,331</b>	<b>70,487,316</b>

**Directors and Officers**

Effective July 1, 1963, Robert H. Gerdes was elected President and Chief Executive Officer of the Company, succeeding Norman R. Sutherland who was elected Chairman of the Board of Directors. James B. Black, Chairman of the Board since 1955, after having served as President of the Company for twenty years, was elected Chairman of the Executive Committee.

Following the untimely death of Mr. Sutherland on September 1, 1963, Mr. Black was elected on

October 16, 1963, to his former post of Chairman of the Board of Directors.

At the time of his election as President, Mr. Gerdes had completed almost twenty-six years of service with the Company. He became General Counsel in 1946 and was elected Vice President and General Counsel and a Director in 1953. From 1955 until his election as President, Mr. Gerdes served as Executive Vice President.

Earlier in the year the Company was saddened by the deaths of two veteran members of its Board of Directors. Silas H. Palmer died on February 8, 1963, and Henry D. Nichols on March 1, 1963. Mr. Palmer's membership on the Board extended over a period of more than twenty-six years and Mr. Nichols' for over twenty-five years. Both of these men served the Company with great distinction and their wise counsel will be greatly missed.

On February 20, 1963, 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.

On March 13, 1963, K. C. Christensen, Vice President-Finance, was elected to the Board of Directors to fill the vacancy created by the death of Mr. Nichols. Mr. Christensen has been with the Company since 1931 and has held his present position since 1962.

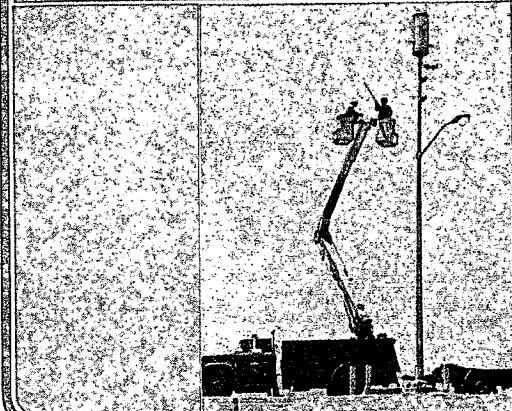
To fill the vacancy caused by the death of Mr. Sutherland, Charles de Bretteville was elected a member of the Board of Directors on December 18, 1963. Mr. de Bretteville is President and Chief Executive Officer of the Bank of California, NA.

Two other changes in our management became effective on July 1, 1963, when John F. Bonner, Vice President-Engineering, was elected Vice President and Assistant General Manager, and C. C. Whelchel, Chief Mechanical Engineer, was elected to succeed Mr. Bonner as Vice President-Engineering. Mr. Bonner's service with the Company began in 1937 and Mr. Whelchel's in 1947.

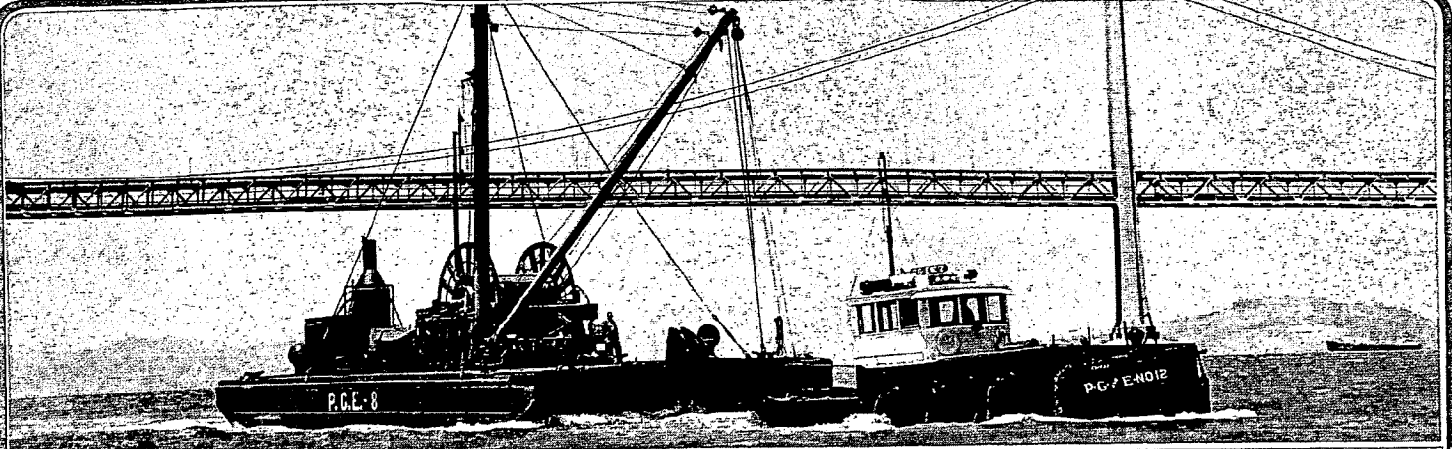




AT LAKE ALMANOR, one of the largest man-made lakes in California, a Company lake tender and a camper discuss fishing prospects. This is one of several campgrounds and picnic areas opened by P. G. & E. last year in the Almanor area. Similar campgrounds, picnic areas and roadside rests are being developed by the Company as part of a continuing program to encourage greater public enjoyment of our lakes and watershed lands.



MODERN DESIGN marks the offices and physical facilities being built by the Company. Typical is the new division headquarters opened in San Rafael last year. A new concept in electric distribution is the Company-pioneered "streamlined distribution" system with its semi-underground installations and slender steel poles, shown at left. More economical than complete underground and more pleasing in appearance than the traditional overhead systems, "streamlined distribution" is rapidly gaining favor with cities and developers throughout our service area.

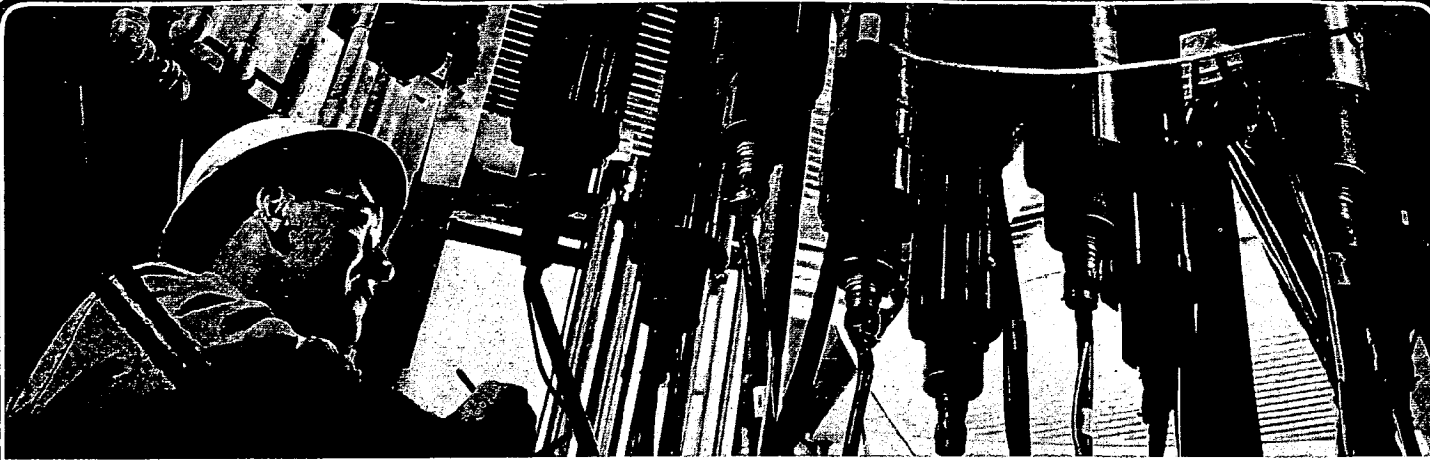


## REVENUES AND SALES

### ELECTRIC AND GAS DEPARTMENTS BY CLASSES OF SERVICE

ELECTRIC DEPARTMENT	1963	1962	Increase	
			Amount	Per Cent
<b>REVENUES:</b>				
Residential .....	\$ 173,602,955	\$ 163,022,753	\$ 10,580,202	6.5%
Small Light and Power .....	82,025,554	78,971,111	3,054,443	3.9
Large Light and Power .....	153,571,480	142,182,460	11,389,020	8.0
Agricultural Power .....	46,906,597	48,701,645	*1,795,048	*3.7
Public Street and Highway Lighting .....	7,901,665	7,498,081	403,584	5.4
Other Electric Utilities .....	16,470,340	15,603,140	867,200	5.6
Miscellaneous .....	7,786,160	7,425,667	360,493	4.9
<b>TOTAL</b> .....	<b>\$ 488,264,751</b>	<b>\$ 463,404,857</b>	<b>\$ 24,859,894</b>	<b>5.4%</b>
<b>SALES—Kilowatt Hours:</b>				
Residential .....	7,166,255,608	6,551,342,342	614,913,266	9.4%
Small Light and Power .....	2,567,274,760	2,453,158,301	114,116,459	4.7
Large Light and Power .....	12,207,209,987	11,323,869,541	883,340,446	7.8
Agricultural Power .....	3,328,766,778	3,517,055,309	*188,288,531	*5.4
Public Street and Highway Lighting .....	227,972,356	216,039,548	11,932,808	5.5
Other Electric Utilities .....	2,360,262,905	2,269,745,343	90,517,562	4.0
<b>Total Sales to Customers</b> .....	<b>27,857,742,394</b>	<b>26,331,210,384</b>	<b>1,526,532,010</b>	<b>5.8</b>
Delivered for the Account of Others .....	1,490,637,971	1,271,649,310	218,988,661	17.2
<b>TOTAL</b> .....	<b>29,348,380,365</b>	<b>27,602,859,694</b>	<b>1,745,520,671</b>	<b>6.3%</b>
<b>GAS DEPARTMENT</b>				
<b>REVENUES:</b>				
Residential .....	\$ 149,720,874	\$ 145,629,045	\$ 4,091,829	2.8%
Commercial .....	36,591,318	35,882,888	708,430	2.0
Industrial .....	81,504,891	78,805,223	2,699,668	3.4
Other Gas Utilities .....	3,112,164	2,759,180	352,984	12.8
Miscellaneous .....	498,651	531,932	*33,281	*6.3
<b>TOTAL</b> .....	<b>\$ 271,427,898</b>	<b>\$ 263,608,268</b>	<b>\$ 7,819,630</b>	<b>3.0%</b>
<b>SALES—Thousands of Cubic Feet:</b>				
Residential .....	184,450,896	177,250,142	7,200,754	4.1%
Commercial .....	54,912,091	53,067,795	1,844,296	3.5
Industrial .....	189,653,721	179,989,007	9,664,714	5.4
Other Gas Utilities .....	6,015,509	5,283,534	731,975	13.9
<b>Total Sales to Customers</b> .....	<b>435,032,217</b>	<b>415,590,478</b>	<b>19,441,739</b>	<b>4.7</b>
Company Use (Steam-electric plants, etc.) .....	163,247,209	154,655,807	8,591,402	5.6
<b>TOTAL</b> .....	<b>598,279,426</b>	<b>570,246,285</b>	<b>28,033,141</b>	<b>4.9%</b>

\*Denotes decrease



## STATEMENT OF EARNED SURPLUS

PACIFIC GAS AND ELECTRIC COMPANY  
FOR THE YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
BALANCE, JANUARY 1 .....	\$183,906,300	\$146,772,698
NET INCOME .....	114,102,115	110,691,661
OTHER ADDITIONS—Net .....	1,333,575	1,254,902
Total .....	299,341,990	258,719,261
DIVIDENDS DECLARED—CASH:		
First preferred stock .....	18,335,628	18,335,635
Common stock .....	56,477,326	56,477,326
Total .....	74,812,954	74,812,961
BALANCE, DECEMBER 31 .....	\$224,529,036	\$183,906,300

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

## ACCOUNTANTS' OPINION

**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

120 MONTGOMERY STREET  
SAN FRANCISCO 94104

February 14, 1964

The Shareholders and the 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, 1963. 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, 1963 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*



## STATEMENT OF INCOME

PACIFIC GAS AND ELECTRIC COMPANY  
FOR THE YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
<b>OPERATING REVENUES:</b>		
Electric .....	\$488,264,751	\$463,404,857
Gas .....	271,427,899	263,608,268
Other .....	2,157,842	2,411,978
Total .....	761,850,492	729,425,103
<b>OPERATING EXPENSES:</b>		
Power purchased .....	10,990,842	5,033,060
Natural gas purchased .....	203,567,694	196,145,359
Oil and other fuel .....	9,412,890	11,718,098
Other production .....	12,022,802	11,772,484
Transmission .....	6,803,885	6,801,905
Distribution .....	30,495,724	28,574,197
Maintenance .....	32,570,592	30,836,641
Customer accounts .....	24,936,817	24,131,823
Sales promotion .....	6,906,250	6,488,320
Administrative and general .....	28,368,472	28,631,012
Depreciation (Note 2) .....	83,249,764	71,682,530
Taxes (Note 4):		
Federal income—current .....	56,920,000	65,582,000
Federal income—deferred (net) .....	3,393,661	4,138,087
Other .....	90,824,792	87,305,501
Total .....	600,464,185	578,841,017
OPERATING INCOME .....	161,386,307	150,584,086
OTHER INCOME .....	2,387,769	2,247,065
Total .....	163,774,076	152,831,151
<b>INCOME DEDUCTIONS:</b>		
Interest on mortgage bonds .....	47,331,965	44,233,919
Other—net .....	8,422,126	3,961,525
Interest charged to construction (credit) .....	(6,082,130)	(6,055,954)
Total .....	49,671,961	42,139,490
NET INCOME .....	\$114,102,115	\$110,691,661

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



## BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY  
DECEMBER 31, 1963 AND 1962

ASSETS	1963	1962
UTILITY PLANT—At original cost .....	\$3,498,935,468	\$3,297,556,372
Accumulated depreciation (Note 2) .....	778,725,428	714,470,807
Utility plant—net .....	<u>2,720,210,040</u>	<u>2,583,085,565</u>
INVESTMENTS—At cost:		
Subsidiaries (Notes 1 and 3) .....	26,138,856	26,308,594
Nonutility property and other .....	3,511,310	6,784,865
Total investments .....	<u>29,650,166</u>	<u>33,093,459</u>
CURRENT ASSETS:		
Cash .....	27,340,068	27,431,752
Temporary cash investments .....	32,866,562	24,875,677
Accounts receivable (less allowance for uncollectible accounts: 1963, \$1,687,633; 1962, \$1,685,937) .....	65,182,671	55,911,342
Materials and supplies—at average cost .....	22,461,615	22,595,562
Gas stored underground—at average cost .....	15,444,917	5,353,573
Prepayments .....	57,474,884	46,555,796
Total current assets .....	<u>220,770,717</u>	<u>182,723,702</u>
DEFERRED DEBITS:		
Unamortized bond discount and expense—net .....	7,150,510	8,116,643
Other .....	1,093,235	761,735
Total deferred debits .....	<u>8,243,745</u>	<u>8,878,378</u>
TOTAL .....	<u>\$2,978,874,668</u>	<u>\$2,807,781,104</u>

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



## BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY  
DECEMBER 31, 1963 AND 1962

LIABILITIES	1963	1962
<b>CAPITALIZATION:</b>		
Capital stock (Schedule 1) .....	\$1,042,073,303	\$1,042,073,303
Earned surplus .....	224,529,036	183,906,300
Total capital stock and surplus .....	1,266,602,339	1,225,979,603
Mortgage bonds (Note 3) (Schedule 2) .....	1,357,425,000	1,301,750,000
Total capitalization .....	2,624,027,339	2,527,729,603
<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	54,572,815	46,066,553
Gas refund payable to customers .....	45,301,598	
Customer deposits .....	4,977,233	4,274,703
Taxes accrued (Note 4) .....	92,616,492	84,809,207
Interest accrued .....	4,808,954	3,948,479
Dividends payable .....	14,119,926	14,119,858
Current sinking-fund requirements .....	7,119,000	6,835,000
Total current liabilities .....	223,516,018	160,053,800
CUSTOMER ADVANCES FOR CONSTRUCTION .....	7,086,464	6,382,988
DEFERRED CREDITS .....	10,456,234	6,369,653
RESERVES FOR INSURANCE, CASUALTIES, AND OTHER .....	7,570,834	7,155,709
CONTRIBUTIONS IN AID OF CONSTRUCTION .....	31,023,069	28,732,923
ACCUMULATED DEFERRED TAXES ON INCOME (Note 4) .....	75,194,710	71,356,428
<b>TOTAL</b> .....	<b>\$2,978,874,668</b>	<b>\$2,807,781,104</b>

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





## CAPITAL STOCK SCHEDULE 1

DECEMBER 31, 1963

Description	Shares Authorized	Outstanding - Held by Public	
		Shares	Amount
<b>FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE:</b>			
6% (see Note)	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		
<b>TOTAL</b>	<b>20,000,000</b>	<b>14,009,991</b>	<b>350,249,775</b>
COMMON, PAR VALUE \$10 PER SHARE (see Note)	75,000,000	56,477,559	564,775,590
<b>TOTAL</b>			<b>915,025,365</b>
EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES			127,047,938
<b>TOTAL CAPITAL STOCK</b>			<b>\$1,042,073,303</b>

NOTE: Capital stock outstanding includes warrants for the issuance of one share of 6% first preferred stock and 233 shares of common stock.

## MORTGAGE BONDS—First and Refunding—SCHEDULE 2

DECEMBER 31, 1963

Series (see Note)	Interest Rate %	Maturity	Outstanding - Held by Public	Held in Treasury
I	3½	June 1, 1966	\$ 927,000	
J	3	Dec. 1, 1970	18,454,000	
K	3	June 1, 1971	23,789,000	
L	3	June 1, 1974	109,101,000	
M	3	Dec. 1, 1979	77,376,000	
N	3	Dec. 1, 1977	47,962,000	
O	3	Dec. 1, 1975	5,300,000	
P	2¾	June 1, 1981	22,947,000	
Q	2⅞	Dec. 1, 1980	61,709,000	\$ 500,000
R	3⅞	June 1, 1982	68,618,000	
S	3	June 1, 1983	71,085,000	
T	2⅞	June 1, 1976	73,691,000	
U	3⅞	Dec. 1, 1985	44,116,000	
W	3⅞	Dec. 1, 1984	53,763,000	166,000
X	3⅞	June 1, 1984	59,459,000	
Y	3⅞	Dec. 1, 1987	42,743,000	134,000
Z	3⅞	Dec. 1, 1988	18,828,000	292,000
AA	4½	Dec. 1, 1986	30,969,000	
BB	5	June 1, 1989	58,000,000	
CC	3¾	Dec. 1, 1978	68,195,000	
DD	4½	June 1, 1990	53,887,000	
EE	5	June 1, 1991	60,025,000	
FF	4⅞	June 1, 1992	54,135,000	
GG	4½	June 1, 1993	56,757,000	
HH	4⅞	June 1, 1994	61,000,000	
II	4¼	June 1, 1995	57,208,000	
JJ	4½	June 1, 1996	64,500,000	5,500,000
<b>TOTAL</b>			<b>1,364,544,000</b>	<b>\$6,592,000</b>
Current sinking-fund requirements			7,119,000	
<b>TOTAL MORTGAGE BONDS</b>			<b>\$1,357,425,000</b>	

NOTE: Additional First and Refunding Mortgage Bonds of other series may be issued subject to the provisions of the indenture under which the bonds are issuable.

## NOTES TO FINANCIAL STATEMENTS

PACIFIC GAS AND ELECTRIC COMPANY  
DECEMBER 31, 1963 AND 1962

### NOTE 1 – INVESTMENTS IN SUBSIDIARIES:

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:

Depreciation of utility plant has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of the plant properties. Extensive studies and consultations with the staff of the California Public Utilities Commission led to the adoption as of January 1, 1963 of revised estimated useful lives on certain electric plant. Based on 1962 electric plant the revised lives would result in increased annual depreciation expense of approximately \$6,700,000. Reference is made to Note 4 with respect to a reduction in 1963 income tax expense due to adoption of guideline lives for purposes of computing such expense.

### NOTE 3 – MORTGAGE BONDS:

All real properties and certain personal properties are subject to the lien of the mortgage bonds. Substantially all of the securities representing investments in subsidiaries are pledged as collateral to the bonds.

### NOTE 4 – TAXES ON INCOME:

**AMORTIZATION UNDER CERTIFICATES OF NECESSITY**—The cost of utility plant completed under certificates of necessity is being depreciated for financial statement purposes at rates based on the estimated useful lives of such plant whereas for income tax purposes such cost is being amortized on a five-year basis. The Company is normalizing the tax effect of the accelerated amortization, and at December 31, 1963 the resultant accumulated deferred taxes on income amounted to \$75,194,710.

**LIBERALIZED DEPRECIATION AND GUIDELINE LIVES**—Depreciation on utility plant additions since 1954, except plant completed under certificates of necessity, has been computed for income tax return purposes by the use of liberalized depreciation method and, beginning with the year 1962, depreciation on substantially all utility plant has been computed by the use of guideline lives. For financial statement purposes income tax expense has been computed similarly except that guideline lives were not adopted for this purpose until the year 1963. As a result of the one year difference in date of adoption of guideline lives there was an excess accrual of Federal income tax during 1962 which the Company intends to transfer to accumulated depreciation.

In 1960 the California Public Utilities Commission issued an order that for rate making purposes it will not allow as an operating expense any amount for income taxes which is in excess of the amount of taxes assessed and paid. Accordingly, since January 1, 1961 income tax reductions of approximately

\$14,500,000, \$12,200,000 and \$10,800,000 applicable to the years 1963, 1962, and 1961, respectively, resulting from the use of liberalized depreciation have been taken into income. The effect of these on net income for financial statement purposes was offset in part by increased depreciation expense resulting from a change in accruing depreciation from sinking fund to straight-line remaining life method. The additional depreciation expense was approximately \$3,800,000 for the year 1961 and was somewhat greater for the years 1962 and 1963. In 1963 the use of guideline lives in the computation of depreciation for income tax expense purposes and the concurrent change in useful lives of certain electric plant for computing depreciation for financial statement purposes (Note 2) are estimated to have had no material net effect on 1963 income.

**INVESTMENT TAX CREDIT**—The estimated investment tax credit for the years 1963 and 1962 was \$4,887,000 and \$2,582,000, respectively. In accordance with an order of the Federal Power Commission the investment tax credit has been recorded in deferred credits, pending determination by the Commission as to final accounting disposition, and, accordingly, has had no effect on reported net income. The Company has been advised that the California Public Utilities Commission will accept reports prepared in accordance with this order of the Federal Power Commission.

**NOTE 5—COMMITMENTS:**

Utility plant construction expenditures for the year 1964 are estimated at \$255,000,000.

The Company provides retirement and savings fund plans for eligible employees. The provisions for contributions to such plans (including amounts charged to construction) for the year 1963 were \$11,024,000. At December 31, 1963 the unfunded portion of past service benefits, as computed by actuaries, was \$2,405,000.



General Office, Pacific Gas and Electric Company, San Francisco, California

## DEPARTMENTAL ORGANIZATION

### OFFICE OF THE PRESIDENT

Frédéric W. Mielke, Jr., *Assistant to the President*

### ELECTRIC OPERATIONS

*Assistants to Vice President – Electric Operations:*

I. W. Collins  
C. R. Machen

#### MANAGERS:

Elmer F. Kaprielian, *Power Control*  
Paul Matthew, *Steam Generation*  
J. N. Spaulding, *Water Systems*  
H. R. Daniels, *Hydro Generation*  
R. F. Stuart, *Substations*  
H. J. Stefanetti, *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

J. D. Worthington, *Assistant to Vice President – Engineering*  
W. R. Johnson, *Chief Electric Generation and Transmission Engineer*  
Thomas A. Betersworth, *Chief Electric Distribution Engineer*  
E. V. Noe, *Chief Engineering Services*  
William O. Cheney, *Chief Engineering Research*  
W. M. Pickslay, *Chief Computer Application Engineer*  
F. F. Mautz, *Chief Civil Engineer*  
D. V. Kelly, *Chief Mechanical Engineer*  
B. W. Shackelford, *Chief Planning 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 Accounting*  
F. P. Lallement, *Internal Auditing*  
Dexter Stoner, *Accounting Methods and Procedures*

### PERSONNEL DEPARTMENT

#### MANAGERS:

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

### GENERAL CONSTRUCTION

#### MANAGERS:

Joe Pirtz, Jr., *Civil and Hydro Construction*  
C. H. Sedam, *Station Construction*  
Myron A. Kirsch, *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  
Malcolm H. Furbush  
John A. Sproul  
John C. Morrissey  
Richard A. Raftery  
Charles T. Van Deusen  
Malcolm A. MacKillop

### CLAIMS AND SAFETY DEPARTMENT

R. W. White, *Manager*

### CREDIT AND COLLECTIONS DEPARTMENT

Elwood C. Paddock, *Manager*

### AUTOMOTIVE DEPARTMENT

Gerald P. Larson, *Manager*

### DIRECTOR OF SECURITY

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*

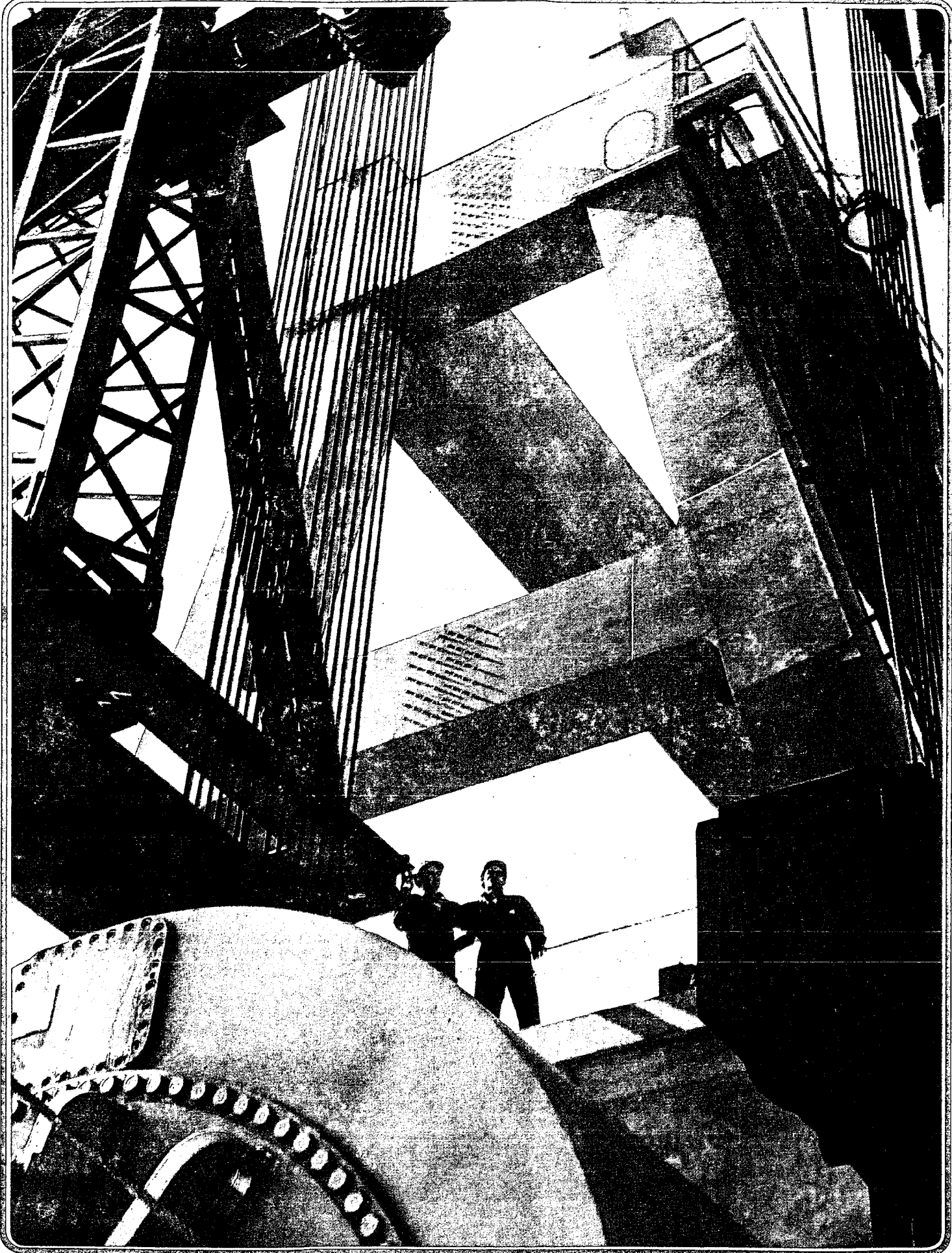
### DEPARTMENT ON PROCEDURES AND ORGANIZATION

J. R. Kleespies, *Manager*

## DIVISION MANAGERS

COAST VALLEYS: Leigh H. Smith, 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  
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

OPPOSITE PAGE: Workmen building the Company's additions to Contra Costa Power Plant near Antioch are dwarfed by the girders of the big gantry crane used to lift heavy equipment into place.