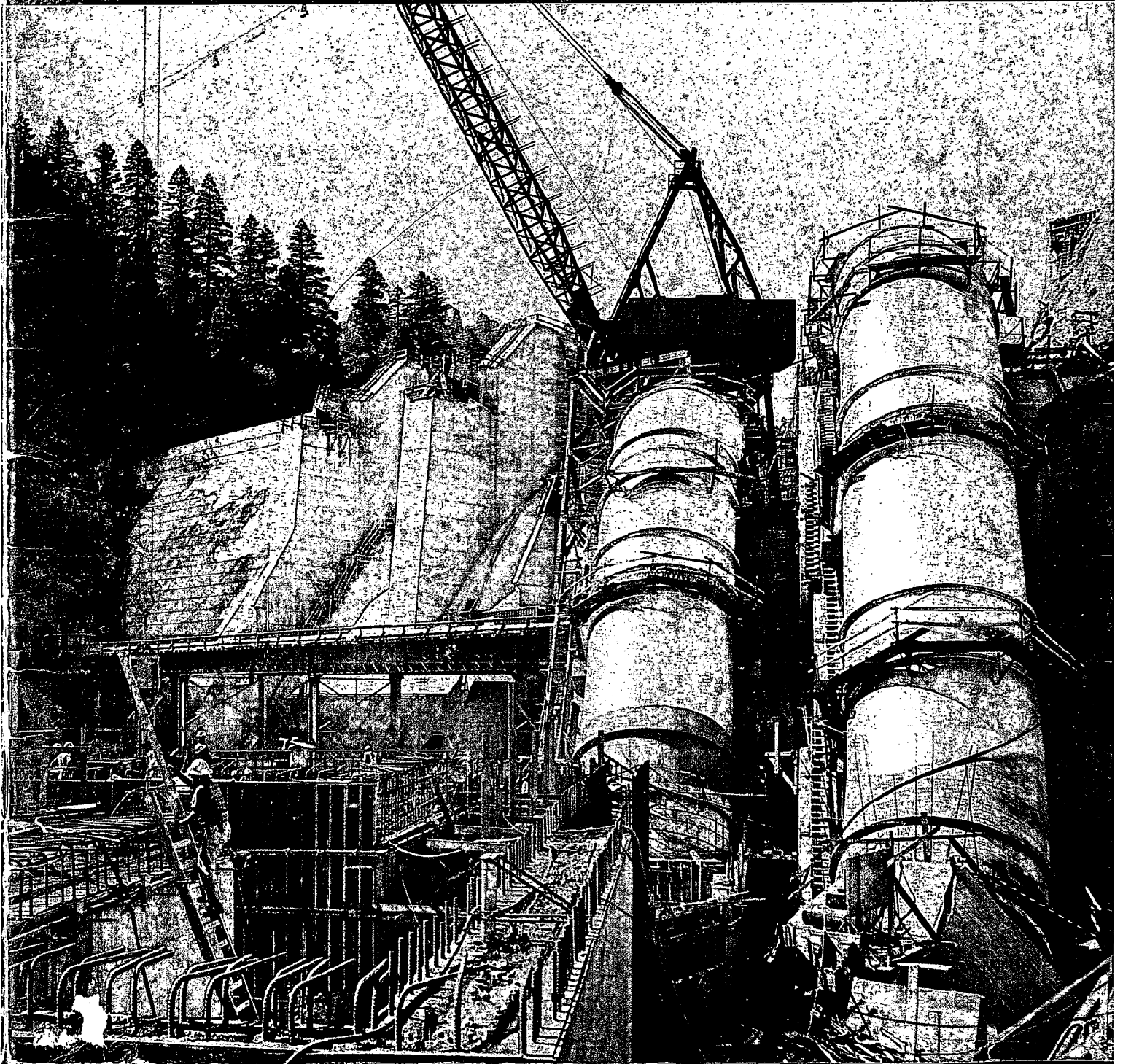


1964 ANNUAL REPORT PACIFIC GAS AND ELECTRIC COMPANY

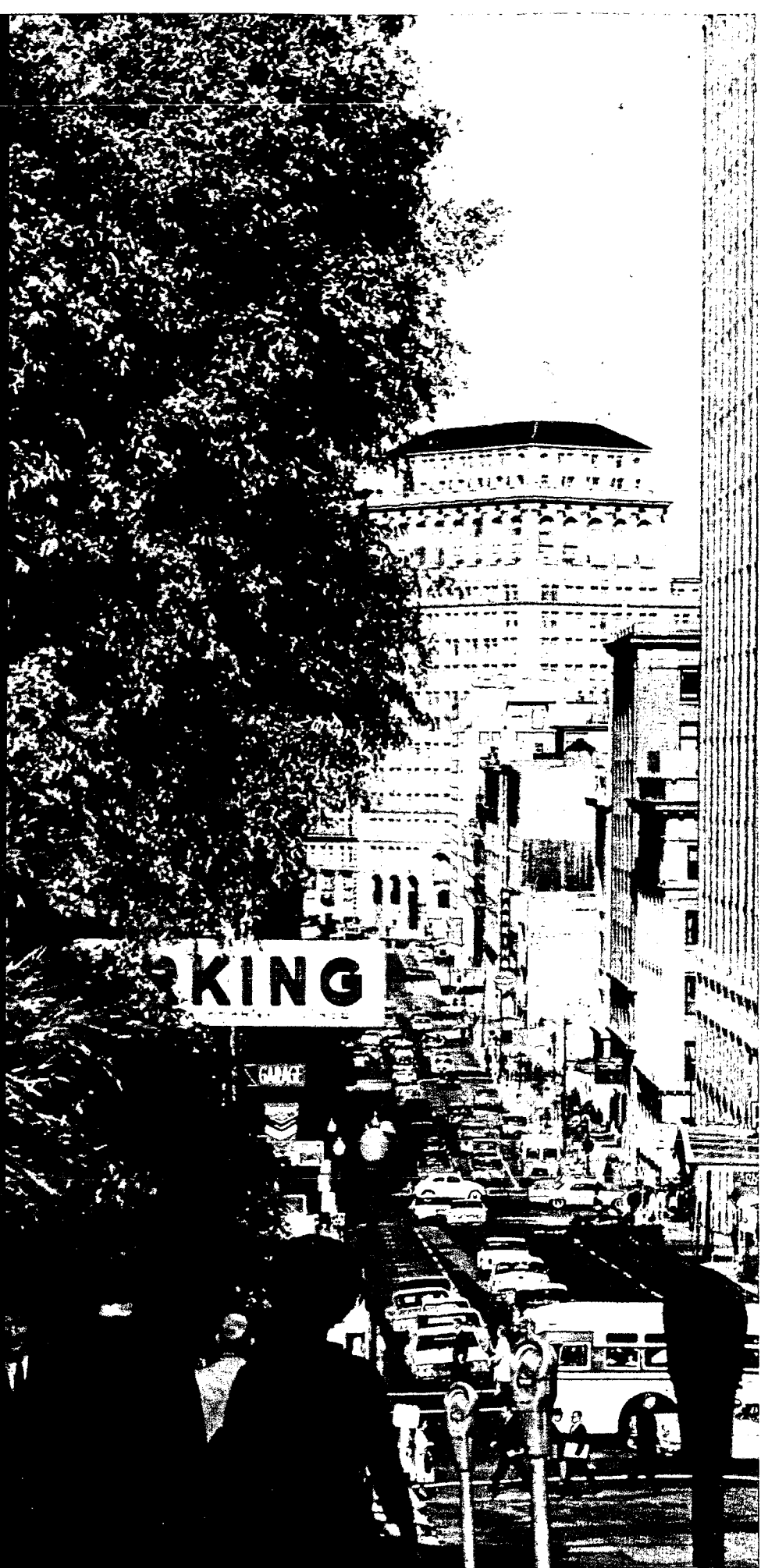


HIGHLIGHTS OF OPERATION

	1964	1963
Operating Revenues and Other Income	\$ 817,446,000	\$ 764,238,000
Natural Gas Purchased	\$ 222,316,000	\$ 203,568,000
Taxes and Franchise Payments	\$ 163,451,000	\$ 155,730,000
Operating Payroll	\$ 99,112,000	\$ 93,451,000
Other Expenses and Charges	\$ 206,731,000	\$ 197,387,000
Net Income	\$ 125,836,000	\$ 114,102,000
Earned Per Common Share (on average shares)	\$1.87	\$1.70
Total Assets	\$3,090,387,000	\$2,978,875,000
Construction Expenditures	\$ 240,071,000	\$ 226,076,000
Sales of Electricity to Customers (KWH) . .	30,592,261,000	27,857,742,000
Sales of Gas to Customers (MCF)	487,423,000	435,032,000
Number of Customers	4,212,548	4,065,823
Number of Employees	19,846	19,603
Number of Stockholders	258,272	248,331

COVER: Nearing completion is Pit 6 dam and powerhouse, part of the Company's big McCloud-Pit hydro project. Being built on two rivers that flow into Shasta Lake, the project will divert water from the McCloud through almost ten miles of tunnel to the Pit and through three new powerhouses on that river.

View down Pine Street of Company's General Office building in San Francisco. The nine-county San Francisco Bay Area is the nation's fifth largest regional market, with an estimated 4.3 million residents.



BOARD OF DIRECTORS

JAMES B. BLACK*, *San Francisco*
Chairman of the Board
 K. C. CHRISTENSEN, *San Francisco*
 RANSOM M. COOK, *San Francisco*
 JAMES F. CRAFTS*, *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*
 EMMETT G. SOLOMON†, *San Francisco*
 CARL F. WENTE*, *San Francisco*

*Member Executive Committee
 †Elected August 19, 1964 to succeed
 W. W. Crocker, deceased.

EXECUTIVE OFFICERS



GERDES



SIBLEY



CHRISTENSEN



BONNER



HAYDEN



BRAUN



FISHER



WHELCHEL



SEDAM



JOYCE



LAGE



GROS



COUGHLAN



PETERSON



SEARLS



MANHARD



BELL

ROBERT H. GERDES, *President*
 S. L. SIBLEY, *Vice President and General Manager*
 K. C. CHRISTENSEN, *Vice President—Finance*
 JOHN F. BONNER, *Vice President and Assistant General Manager*
 RICHARD L. HAYDEN, *Vice President and Assistant General Manager*
 HOWARD P. BRAUN, *Vice President—Electric Operations*
 E. H. FISHER, *Vice President—Gas Operations*
 C. C. WHELCHEL, *Vice President—Engineering*
 C. H. SEDAM, *Vice President—General Construction*
 R. W. JOYCE, *Vice President—Commercial Operations*
 EMIL J. LAGE, *Vice President—Rates and Valuation*

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 26, 1965

TO OUR STOCKHOLDERS:

The year 1964 was one of extraordinary growth for the Company. We gained new customers at the rate of one every fifty seconds of every business day, 146,725 in all. About \$240 million was spent for new facilities to serve these customers and to take care of future growth.

Notwithstanding the sale of approximately 2¼ million additional shares at mid-year, earnings per share for the common stock again increased. They reached \$1.87 on the average number of shares outstanding during the year and \$1.83 on the number outstanding at year-end. These earnings compare with \$1.70 on the smaller number of shares outstanding during the previous year.

The 1964 results include about 9 cents a share attributable to the flow-through to net income of the investment tax credit for the year 1964. They do not include about 13 cents a share for the investment tax credits applicable to the years 1962 and 1963 which were recorded as a special credit to income in 1964 as authorized by regulatory agencies.

Construction expenditures are expected to reach about \$275 million in 1965, an increase of \$35 million over those in 1964. The anticipated increase results principally from our program for new extra-high voltage electric transmission lines.

Two 330,000 kilowatt conventional steam-electric generating units were placed in operation at our Contra Costa Power Plant in 1964. This plant now has a capacity of 1,270,000 kilowatts. Our total electric generating resources at the year-end were 7,521,000 kilowatts, contrasted with less than 4,000,000 kilowatts ten years ago. An additional 2,112,500 kilowatts of new generating capacity is presently under construction, of which 540,000 kilowatts will be placed in service by the end of 1965.

The importance to our operations of an assured long-term gas supply cannot be overemphasized. Completion of the Alberta-California natural gas pipeline late in 1961, with an initial average delivery capability of 415 million cubic feet a day, coupled with fairly sizable gas discoveries within our service area, has provided us with sufficient gas supplies for our immediate needs.

For our future growth, steps have been taken to obtain additional gas. Late in 1964 the Province of Alberta, Canada, authorized one of our subsidiaries to export from the Province an additional 200 million cubic feet of gas per day for our use. This gas, half to become available by the winter of 1966 and the remainder a year later, will bring the average delivery to P.G.&E. from Canada to 615 million cubic feet. Application for

a permit to export this gas is now before the National Energy Board of Canada. The requisite application has also been filed with the Federal Power Commission.

In November the Company withdrew its application to the Atomic Energy Commission to construct a 330,000 kilowatt atomic fueled power plant at Bodega Bay. The action followed publication by the Atomic Energy Commission of two conflicting reports about the suitability of the site for the plant.

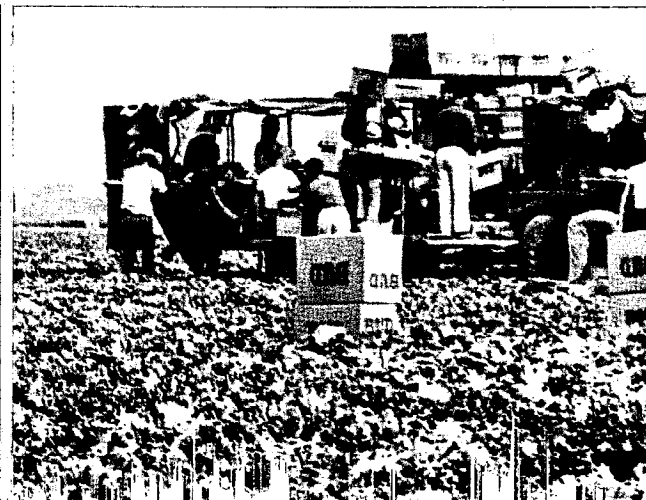
The report of the Advisory Committee on Reactor Safeguards, an independent group of twelve eminent scientists and engineers established by law to advise the Atomic Energy Commission, concluded that the Bodega reactor could be built and operated without any undue hazard to public health and safety. This supported the findings of our engineers and consultants. However, the regulatory staff of the AEC reported that it had some doubt "at the present state of our knowledge" about the capability of the structure to withstand the maximum assumed earthquake. We had stated repeatedly that we would not proceed with the project if any reasonable doubt existed about its safety. In view of the doubt raised by the AEC staff, we withdrew our application.

The Company has leased 200 of its 225 acres of land on Bodega Head to the County of Sonoma for five years for public recreational use. This was in keeping with our previously announced plans to open the area for public use. In December 1964 we charged approximately \$2.5 million to surplus, representing our estimated net loss on the Bodega project after allowance for estimated salvage and reduction in income taxes.

We already have made provision for adequate electric generating capacity to take care of our customers' needs until the end of this decade. Thereafter we contemplate the addition of a large atomic power plant, for which we are now studying various sites. We continue to believe that atomic plants will provide a substantial part of our future energy needs.

As stockholders have already been advised, Congress last year approved the Pacific Northwest-Southwest Intertie and authorized funds to start construction of the Federal portion of it. The intertie will consist of four extra-high voltage transmission lines, to be constructed by various participating agencies, between the Pacific Northwest and Pacific Southwest to permit sale and exchange of power between and within the two regions. Two lines will be constructed by the Company through its service

Agriculture and electric energy are spectacular partners in California, where the gross annual farm income of over \$3 billion is the highest in the nation. Only a few miles from the highly electrified and highly mechanized farms of the Salinas Valley is the Company's new extra-high voltage testing laboratory at Moss Landing.



territory. The lines located elsewhere will be constructed by other participating investor-owned companies and governmental agencies as shown on the map on page 32.

The plan provides, among other things, for the purchase of surplus Northwest power by the Company and others, and for the transmission of such power for the use of the California State Water Plan and certain other governmental agencies. It also provides a cooperative arrangement for the pooling and efficient use of the power resources of the principal investor-owned and government-owned power systems of the regions. President Johnson, when he approved the plan, stated that he regarded it "as the launching of a new era of cooperation between private power and public power in the United States."

We believe that this cooperative plan will produce substantial benefits for the Company and its customers, as well as for the other participating agencies and the public. The lines to be constructed by the Company are estimated to cost approximately \$185 million. The plan will make it unnecessary for the Federal government to construct such lines, for which funds had been requested from Congress for the past several years. Also, taxpayers will benefit from the Federal, state and local tax revenues which will be paid by the investor-owned companies on the lines to be constructed by them.

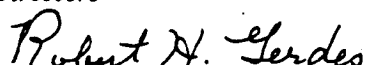
Since the end of World War II our service territory has enjoyed an unprecedented growth in population, industry, agriculture and commerce. To keep ahead of this growth our investment in gas and electric facilities increased from \$700 million in 1945 to over \$3 billion in 1964. Our long range plans contemplate a continuation of this vigorous growth. We view the future of the Company with confidence.

We gratefully acknowledge the splendid performance of our employees during the past year.

A more detailed review of our financial and operating results will be found on the pages following. Financial statements, together with the opinion of our independent certified public accountants, are set forth beginning on page 24.

For the Board of Directors


Chairman of the Board


President



THE 1964 FINANCIAL STORY

REVENUES

Despite substantial rate reductions placed in effect early in 1964 and at midyear, revenues reached a total of \$814,959,000. This is a gain of more than \$53,000,000, or 7%, over 1963. We continued to have the largest operating revenues of any gas and electric utility in the United States.

Our two principal sources of income, sales of electricity and gas, produced revenues of \$518,903,000 and \$293,728,000 respectively.

The table on page 22 shows revenues and sales for major classes of electric and gas service.

Increases in Electric Department revenues were well distributed over all categories of service. Our two major classes of service, residential and large light and power, showed revenue gains of 5.5% and 6.2% respectively. Revenues from agricultural power sales were unusually high, reflecting below normal precipitation which stimulated sales for pumping of water for irrigation. In the previous year we experienced unusually heavy rainfall which reduced agricultural sales.

Gas Department revenues were favorably influenced by below normal temperatures, which increased use of gas for space heating in homes and in commercial establishments.

The Company received other income of \$2,487,000, largely representing interest and dividends received from companies associated in the Alberta-California gas pipeline.

EXPENSES

Operating expenses, exclusive of taxes and depreciation, increased \$29,959,000 to a total of \$396,035,000 for the year.

Natural gas purchased for sale to customers and for fueling our steam-electric generating plants continues to be our largest item of expense. The volume of gas used for such purposes last year increased about 18%. However, unit costs have declined as a result of two reductions in rates made by our largest gas supplier, El Paso Natural Gas Company. The reductions, which became effective December 1, 1962 and November 1, 1963, amounted to approximately \$6 million and \$5.8 million, respectively, on an annual basis. We expect that additional reductions in the cost of gas will be achieved if and when the necessary regulatory approvals are obtained to bring more Canadian gas through our Alberta-California pipeline.

We are continuing to realize important savings through wider use of electronic computers and by conversion of our facilities from manual to automatic operations. In 1965 our automatic load dispatching system will be expanded to control an additional 981,000 kilowatts of generation, bringing to 2,544,000 kilowatts the generation under such control. This will involve installation of computing, control and communication equipment to integrate seventeen additional generating units.

TAXES

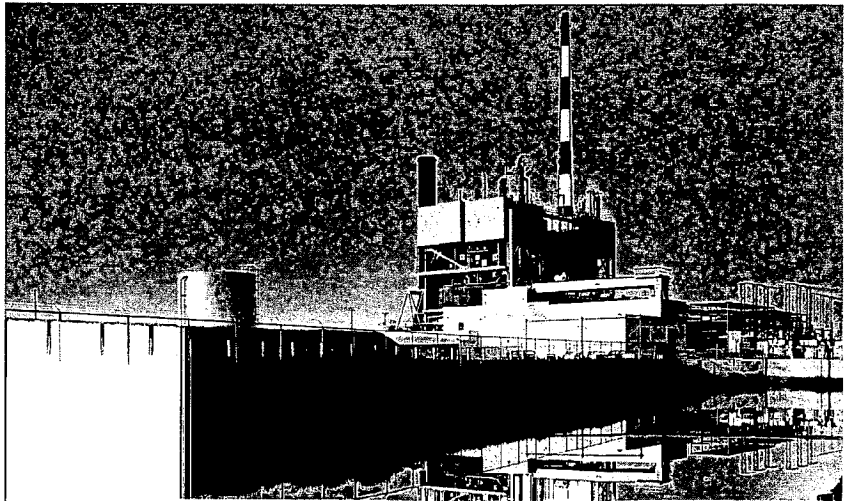
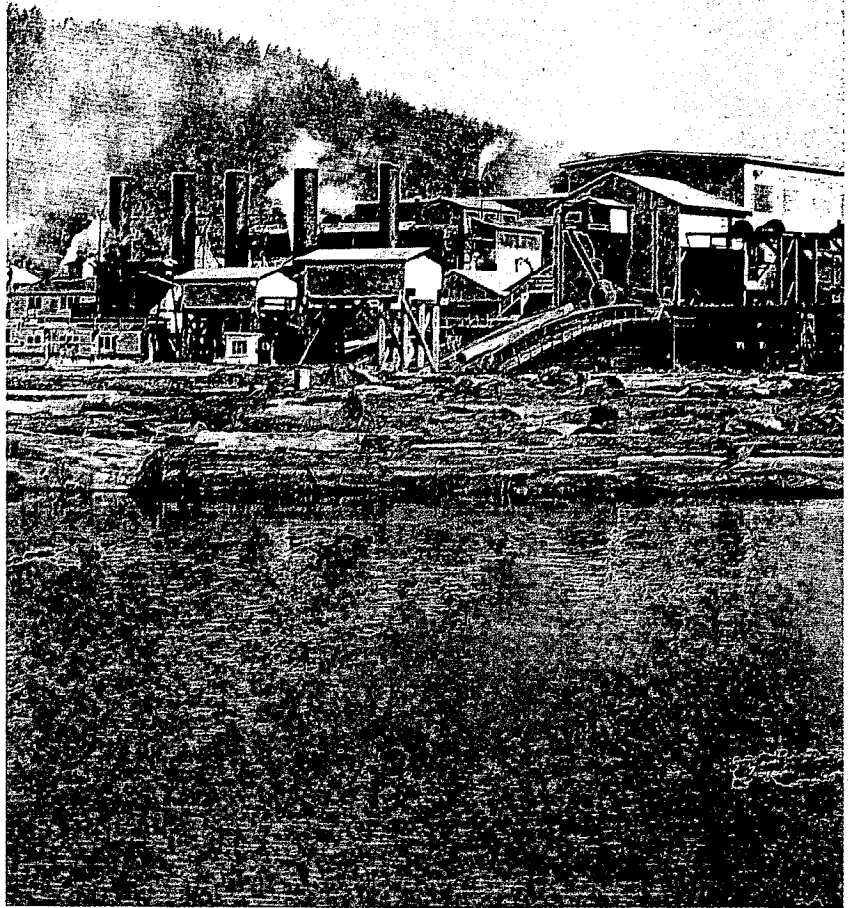
Total taxes and franchise payments paid or set aside for future payments amounted to \$168,924,000, an increase of about \$6 million over 1963. About 60% was paid to state and local governments and the remainder to the Federal government.

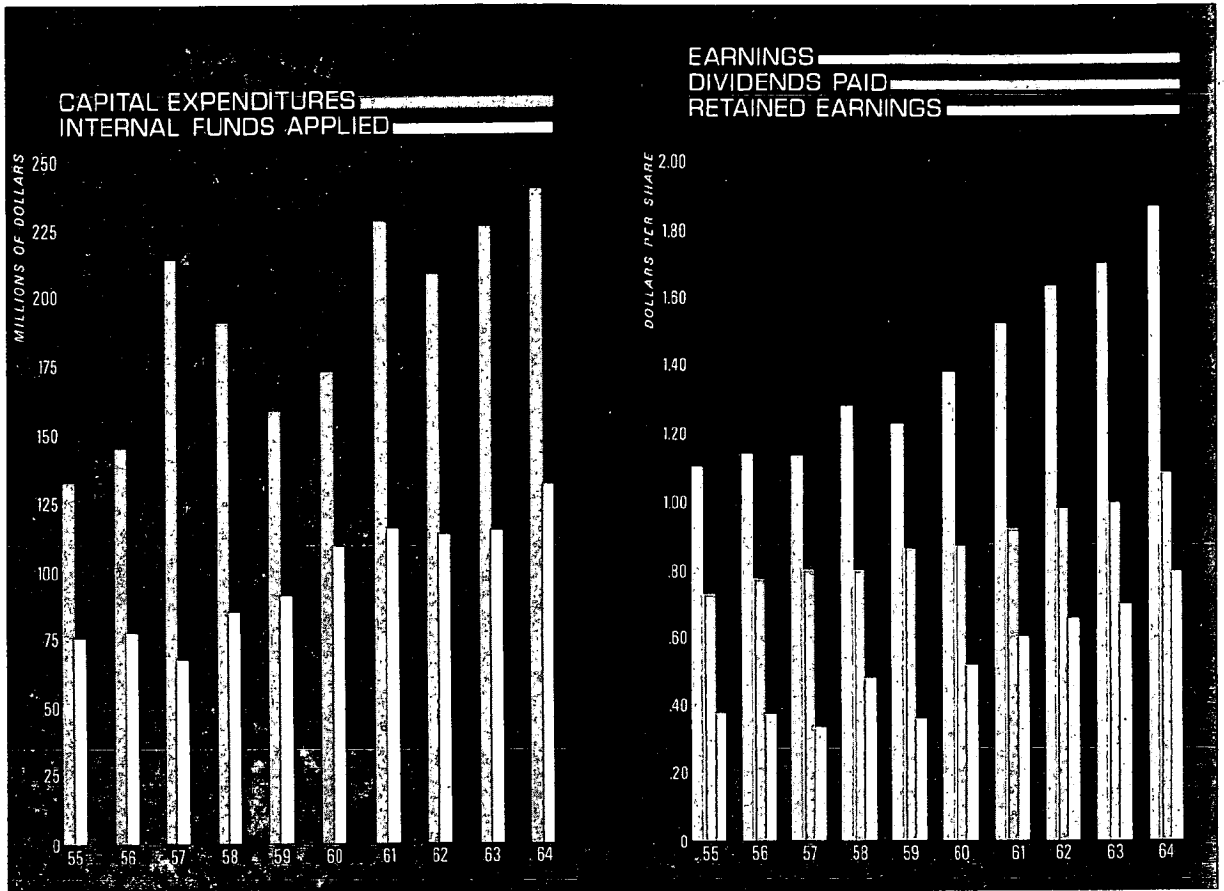
Over the past several years the state and local governments' share of our tax bill has been steadily increasing. While various changes in the Federal tax laws have provided some measure of tax relief, the local need for funds—particularly for school districts—has continued to grow and property tax rates have increased. In addition, the Company's construction program has continually added new property to the local tax rolls with the result that today nearly fifty cents of every tax dollar is paid by the Company to local governments in the form of ad valorem property taxes. In 1964 about one-half of such taxes, or approximately \$44 million, was used to support the public schools in our service area.

The investment tax credit made available under the Revenue Act of 1962 resulted in a reduction last year in Federal income taxes of approximately \$5.3 million, compared with reductions of about \$4.9 million in 1963 and \$2.6 million in 1962. The accounting treatment of this item was changed in 1964 and is discussed in the following section.

A table showing taxes by classes compared with

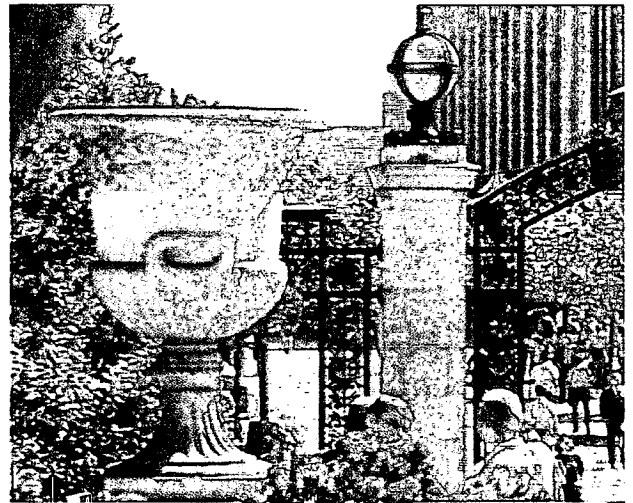
Abundant natural resources are a hallmark of Northern and Central California. Another resource is man's ingenuity in harnessing the atom. The Company's nuclear electric generating unit at Humboldt Bay Power Plant in Eureka helps supply power for the surrounding region.





Aerospace and electronics centers have developed in Santa Clara County, where the Company's Sunnyvale office (left) is situated, and elsewhere in P.G.&E. territory. Helping furnish talent for these and other industries are the many noted educational institutions in Northern and Central California, largest of which is the University of California campus at Berkeley.

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the previous year appears on page 11 of this report.

EARNINGS AND DIVIDENDS

Net income for the year amounted to \$125,836,000, an increase of \$11,734,000 over 1963. After payment of \$18,336,000 in dividends to preferred stockholders there remained \$107,500,000 for the holders of common stock, equivalent to \$1.87 on the average number of shares outstanding during the year and \$1.83 on the number of shares outstanding at the year-end.

In 1964 a change was made in the method of accounting for the investment tax credit. The effect of this accounting change, which permits the tax credit to flow through to net income, was to increase reported earnings by \$5.3 million for the year, equivalent to about 9 cents per share. This accounting conforms to the policies of the California Public Utilities Commission and the Federal Power Commission.

In accounting for the investment tax credit in 1962 and 1963, we followed the interim accounting treatment prescribed by the Federal Power Commission, which required that the reduction in tax expense be offset by a charge to Other In-

come Deductions. Pursuant to authorizations of the Commissions mentioned above, in 1964 the amount of the investment tax credit applicable to the two prior years, about \$7.5 million, was recorded as a special credit to income. However, to avoid including items related to prior years, net income and per share earnings for 1964 set forth above do not include this special credit.

On March 11, 1964 the Board of Directors increased the quarterly dividend on common stock from 25 to 27½ cents, equivalent to an increase from \$1.00 to \$1.10 per share on an annual basis. The first dividend at the new rate was paid to common stockholders on April 15, 1964. This is the fourth time that the Board has increased dividends in the last six years.

Aggregate dividends declared on the common stock during the year were \$63,369,000. The amount not paid out as dividends was reinvested in the business, thereby adding to the equity of common stockholders.

On December 28, 1964, a letter was mailed to all common stockholders advising them that 1.85% of all common stock dividend payments in 1964 was excludable from their taxable income for Federal income tax purposes. This excludable percentage was substantially below that of the



last several years. The principal reasons for this were an improvement in earnings, a reduction in prepayments for natural gas, and the termination of the benefits of accelerated amortization. As in previous years, this is an estimated percentage and is subject to review by the Internal Revenue Service.

FINANCING

Common stockholders of record on June 16, 1964 were offered the right to subscribe for 2,259,103 additional shares of common stock in the ratio of one new share for each twenty-five then held. The subscription price was \$28.50 per share and the offering was well received. Net proceeds were in excess of \$63 million after underwriting and cor-

porate costs. The last previous offering of common stock was made in 1961 on a one-for-twenty basis.

In December we sold at competitive bidding \$65 million of our First and Refunding Mortgage Bonds, 4½%, Series KK, due December 1, 1996.

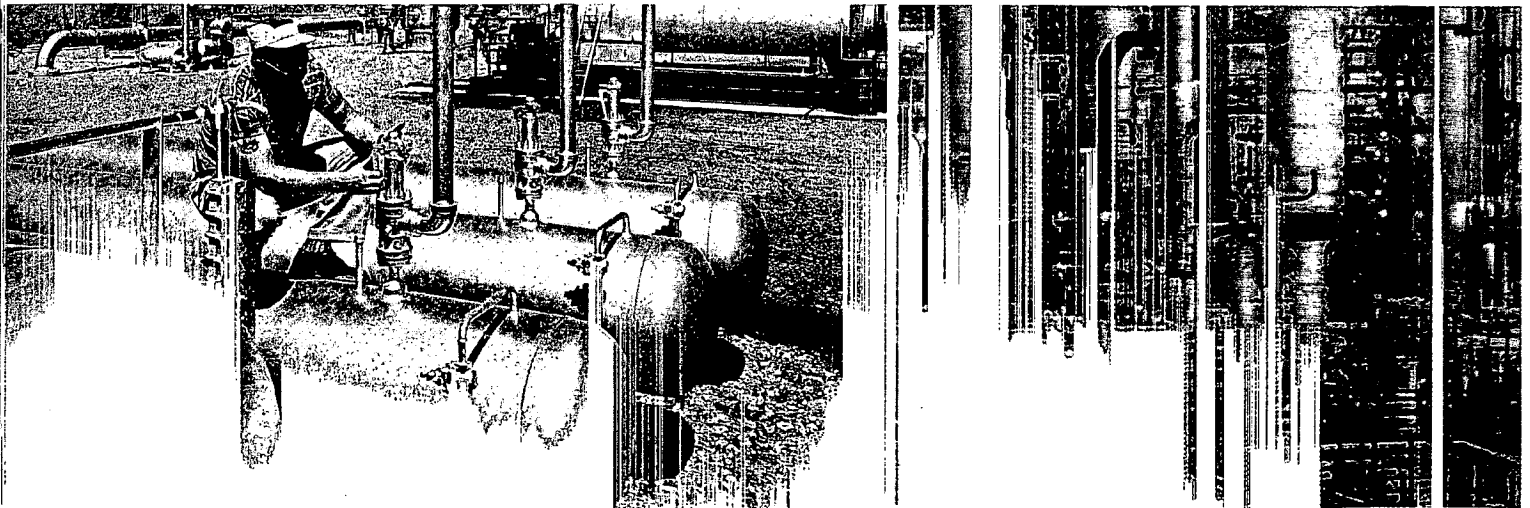
The proceeds from these two security offerings, together with internally generated funds (principally depreciation accruals and retained earnings), provided the \$240 million required to finance our construction program.

We anticipate that the Company's new money requirements in 1965 will be obtained entirely from the sale of bonds.

At the year-end the Company's total capitalization was \$2,788 million, consisting of 50.5% bonds, 12.6% preferred stock, and 36.9% common stock equity.

Oil and natural gas are major natural resources in P.G.&E. territory. The Company obtains substantial quantities of natural gas from local fields, processing it at dehydrating and odorizing stations such as West Beehive Bend (left). The Company's sales of electric energy to refineries totaled almost 1,200,000,000 kilowatt hours last year.

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TAXES AND FRANCHISE PAYMENTS

PACIFIC GAS AND ELECTRIC COMPANY

	1964	1963	Increase
LOCAL TAXES AND FRANCHISE PAYMENTS:			
Ad valorem property taxes	\$ 83,919,000	\$ 79,353,000	\$4,566,000
Franchise payments	4,894,000	4,592,000	302,000
Total	88,813,000	83,945,000	4,868,000
STATE TAXES:			
Corporation franchise: current	7,714,000	7,737,000	* 23,000
Corporation franchise: deferred (net)	433,000	445,000	* 12,000
Unemployment insurance	2,064,000	2,086,000	* 22,000
Other	723,000	620,000	103,000
Total	10,934,000	10,888,000	46,000
CITY AND STATE TAXES:			
Sales and use	3,585,000	3,530,000	55,000
FEDERAL TAXES:			
Corporation income: current	64,145,000	56,664,000	7,481,000
Corporation income: deferred (net)	* 2,840,000	3,394,000	*6,234,000
Unemployment insurance	472,000	486,000	* 14,000
Insurance contributions	3,597,000	3,485,000	112,000
Other	187,000	120,000	67,000
Total	65,561,000	64,149,000	1,412,000
CANADIAN TAXES	31,000	33,000	* 2,000
TOTAL TAXES AND FRANCHISE PAYMENTS	\$168,924,000	\$162,545,000	\$6,379,000
CHARGED TO:			
Expense as taxes	\$158,557,000	\$151,138,000	\$7,419,000
Expense as franchise payments	4,894,000	4,592,000	302,000
Utility plant and other accounts	5,473,000	6,815,000	*1,342,000
TOTAL TAXES AND FRANCHISE PAYMENTS	\$168,924,000	\$162,545,000	\$6,379,000

*Denotes red figure.



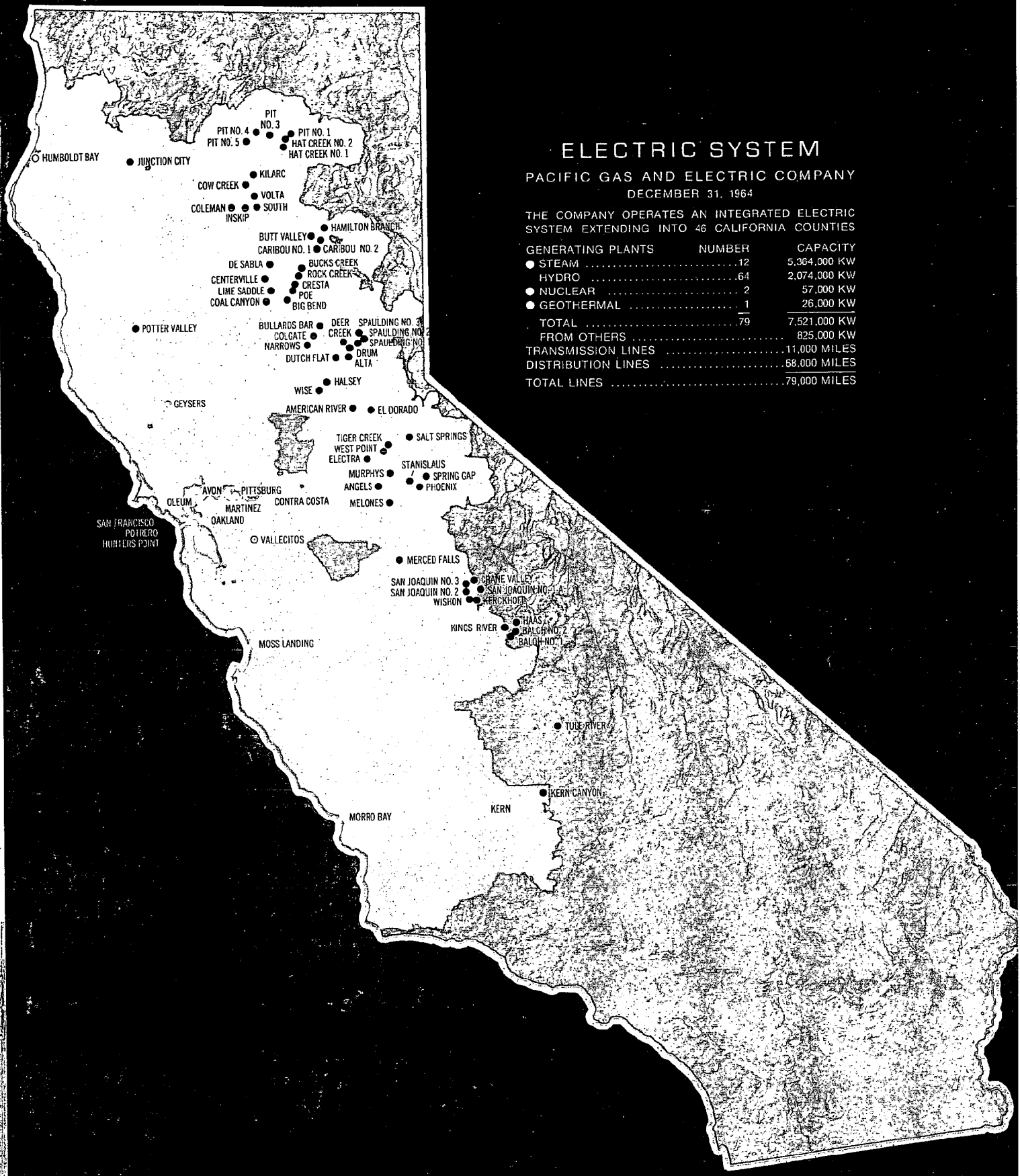
FIVE YEARS IN BRIEF

PACIFIC GAS AND ELECTRIC COMPANY

	1964	1963	1962	1961	1960
SOURCES OF INCOME:					
Electric revenues	\$518,903,000	\$488,265,000	\$463,405,000	\$446,154,000	\$416,569,000
Gas revenues	293,728,000	271,428,000	263,608,000	246,432,000	228,276,000
Other operating revenues	2,328,000	2,157,000	2,412,000	3,122,000	3,043,000
Other income	2,487,000	2,388,000	2,247,000	1,694,000	902,000
Total	<u>\$817,446,000</u>	<u>\$764,238,000</u>	<u>\$731,672,000</u>	<u>\$697,402,000</u>	<u>\$648,790,000</u>
DISPOSITION OF INCOME:					
Wages and salaries	\$ 99,112,000	\$ 93,451,000	\$ 88,489,000	\$ 83,244,000	\$ 79,223,000
Power purchased	10,373,000	10,991,000	5,033,000	4,048,000	4,177,000
Natural gas purchased	222,316,000	203,568,000	196,145,000	185,776,000	164,919,000
Oil and other fuel	8,305,000	9,413,000	11,718,000	18,464,000	17,793,000
Other operating expenses	51,195,000	43,483,000	42,747,000	38,216,000	33,259,000
Insurance, injuries and damages, etc.	4,734,000	5,170,000	6,000,000	5,700,000	4,800,000
Depreciation	89,707,000	83,250,000	71,682,000	66,862,000	59,012,000
Taxes - current	160,964,000	147,300,000	152,225,000	148,587,000	148,453,000
Taxes - deferred	* 2,407,000	3,838,000	4,801,000	6,509,000	9,010,000
Bond interest and other income deductions ..	47,311,000	49,672,000	42,140,000	37,755,000	35,579,000
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	63,369,000	56,477,000	56,477,000	51,457,000	46,616,000
Balance retained in the business	44,131,000	39,289,000	35,879,000	32,448,000	27,613,000
Total	<u>\$817,446,000</u>	<u>\$764,238,000</u>	<u>\$731,672,000</u>	<u>\$697,402,000</u>	<u>\$648,790,000</u>
NUMBER OF SHARES					
OF COMMON STOCK OUTSTANDING:					
Average for the year	57,606,878	56,477,326	56,477,326	55,229,907	53,787,915
End of year	58,736,429	56,477,326	56,477,326	56,477,325	53,787,915
EARNINGS PER SHARE OF COMMON STOCK:					
On average shares outstanding	\$1.87	\$1.70	\$1.64	\$1.52	\$1.38
On end-of-year shares outstanding	1.83	1.70	1.64	1.49	1.38
DIVIDENDS PER SHARE OF COMMON STOCK:					
Declared basis	\$1.10	\$1.00	\$1.00	\$.93	\$.87
Paid basis	1.08	1.00	.98	.92	.87

*Denotes red figure.

NOTE: 1964 results exclude a special credit to income of \$7,469,000; see notes to financial statements.

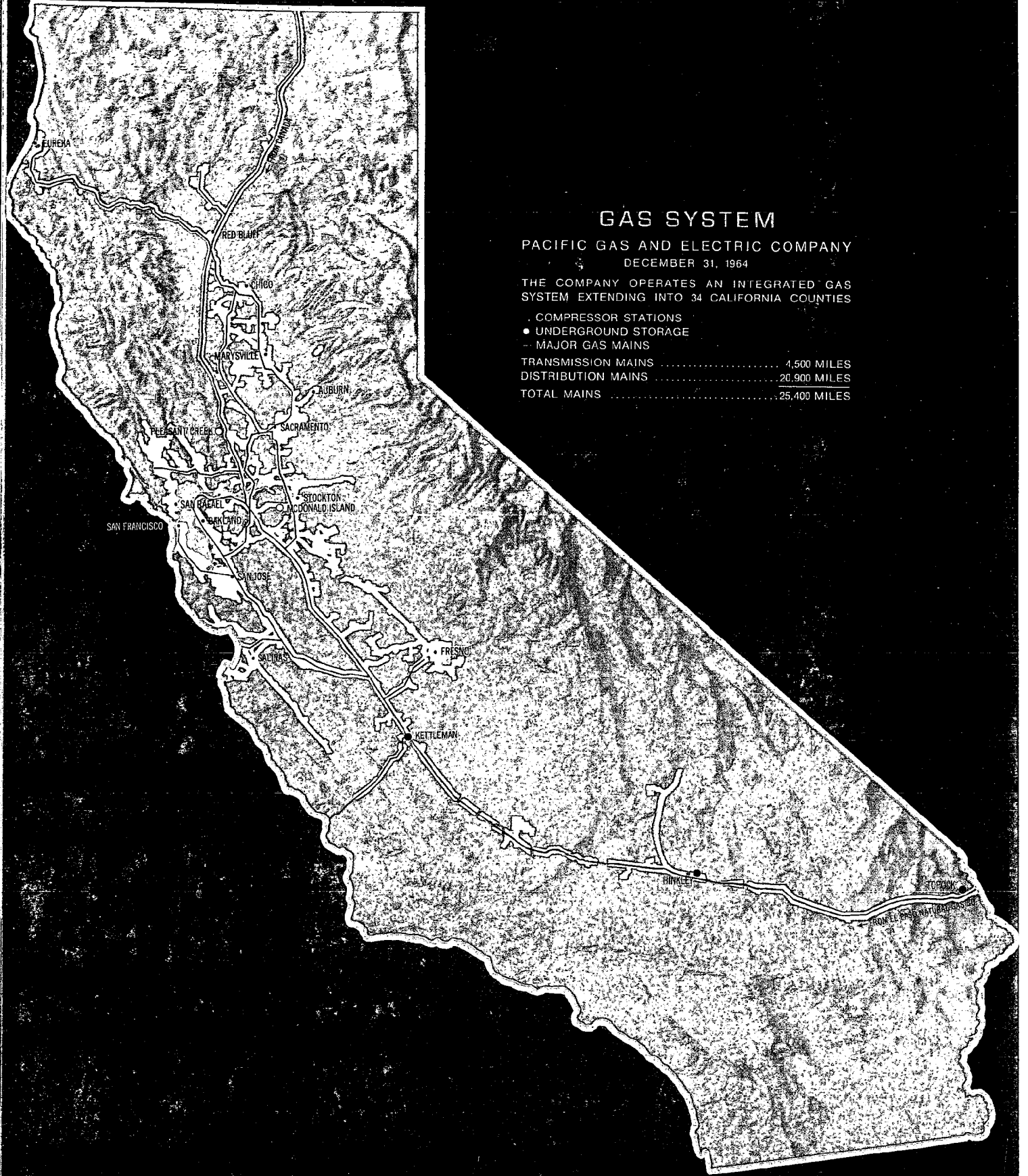


ELECTRIC SYSTEM

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1964

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

GENERATING PLANTS	NUMBER	CAPACITY
● STEAM	12	5,364,000 KW
● HYDRO	64	2,074,000 KW
● NUCLEAR	2	57,000 KW
● GEOTHERMAL	1	26,000 KW
TOTAL	79	7,521,000 KW
FROM OTHERS		825,000 KW
TRANSMISSION LINES		11,000 MILES
DISTRIBUTION LINES		68,000 MILES
TOTAL LINES		79,000 MILES

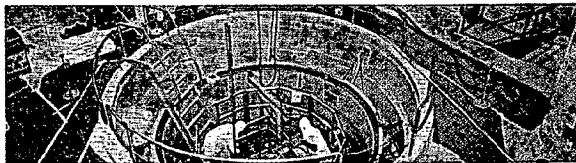
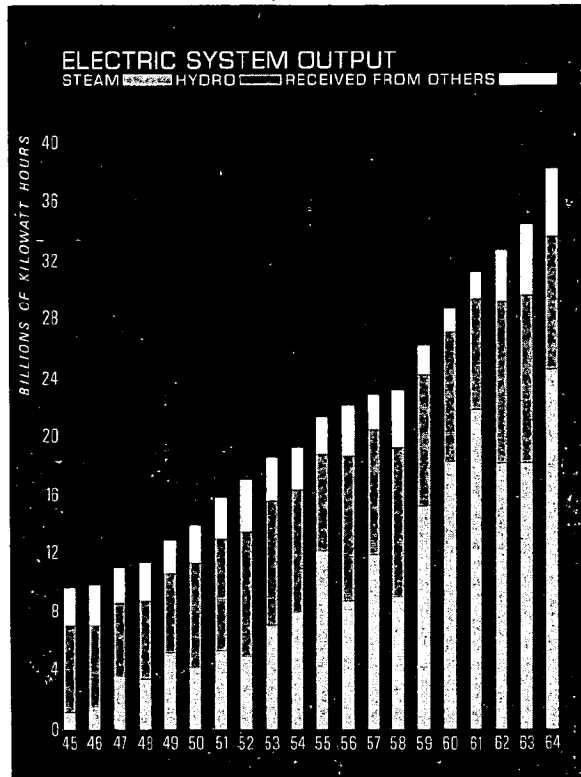


ELECTRIC OPERATIONS

Electric system output for 1964 surpassed that of any previous year, reaching a total of 37.6 billion kilowatt-hours. Below normal precipitation reduced output from our hydro-electric generating plants and from those of others that deliver power into our system. The deficiency was made up through increased output from our steam-electric generating plants which produced 24.6 billion kilowatt-hours, or 65.4% of the total system output. Company hydro output amounted to 9.1 billion kilowatt-hours, or 24.2% of the total. The remaining 3.9 billion kilowatt-hours, or 10.4%, was obtained from others.

The peak demand on our system, which occurred on December 17, was 6,327,100 kilowatts.

A series of heavy storms in December, accompanied by high winds and flooding, particularly in Humboldt and Del Norte counties, damaged some of our electric facilities and disrupted service to our customers in certain areas. The cost of restoring service and repairing the damaged facilities was estimated to be about \$1¼ million, which was charged to income in 1964. In addition, the storms caused about \$1 million of damage which will be recorded as plant retirements and replacements.

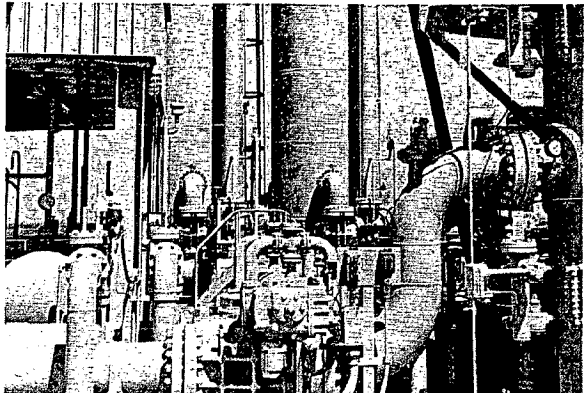
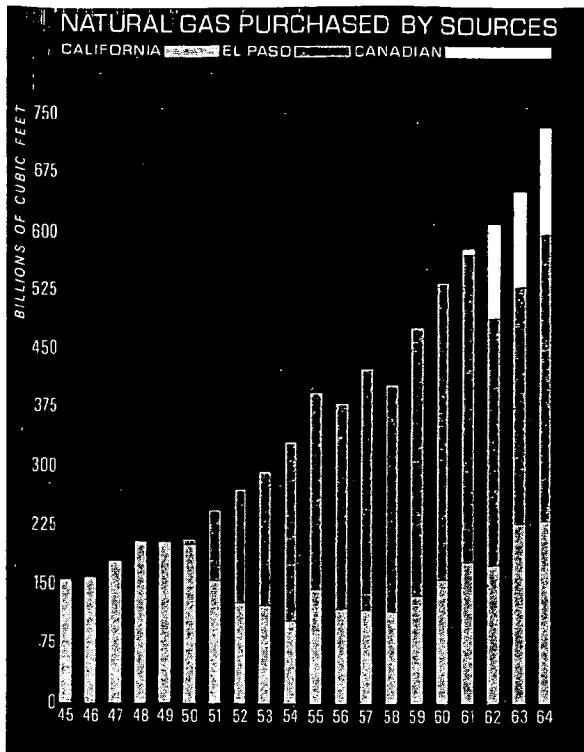


As a result of the storms, the prospect for hydro-electric generation in 1965 is quite favorable.

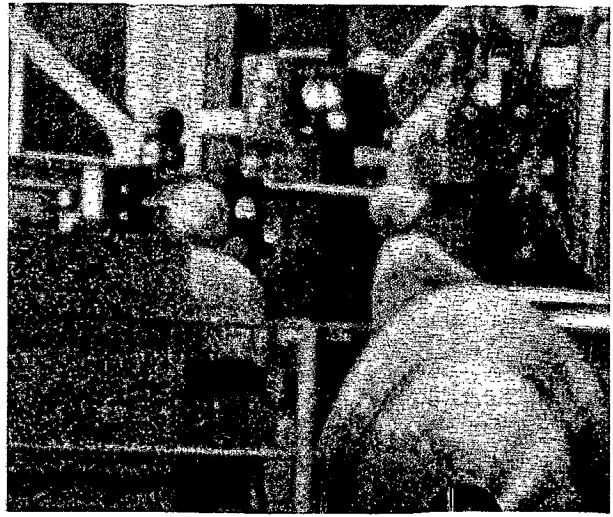
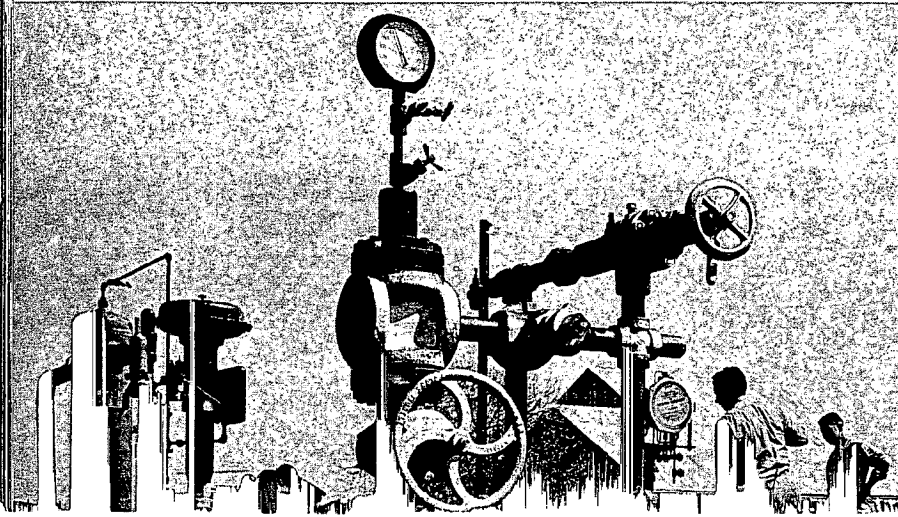
As mentioned earlier, two 330,000 kilowatt conventional steam-electric generating units were completed in 1964 at our Contra Costa Power Plant.

At the year-end the Company had 2,112,500 kilowatts of electric generating capacity under construction, as follows:

<u>Completion Date</u>	<u>Estimated Capacity (KW)</u>
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 Drum No. 2 (hydro)	45,000
Geysers No. 3 (geothermal)	27,500
1967 Moss Landing No. 6 (conventional steam)	750,000
1968 Moss Landing No. 7 (conventional steam)	750,000
Total	2,112,500



Industry, from steel mills to coffee roasters, is an important user of natural gas. The use of natural gas in industry will reach an estimated 210 billion cubic feet in 1965, up from 24 billion in just three decades.



GAS OPERATIONS

Influenced in part by lower than normal temperatures, sales of gas increased 12% to a total of 487 billion cubic feet. In addition, 217 billion cubic feet, equivalent to almost one-half of the volume of gas sold to our customers, was used as fuel in our steam-electric generating plants.

The sources of the Company's gas supply are widely distributed geographically. Extensive reserves of natural gas in California, in the Southwestern States, and in Western Canada are devoted to the use of our customers. In 1964 these three sources provided 31%, 49%, and 20%, respectively, of our total supply. Mention has already been made of the steps that have been taken to obtain additional gas from Western Canada.

Our McDonald Island underground gas storage reservoir, located about 50 miles east of San Francisco, had about 57 billion cubic feet of gas in working storage at the end of the year. This included a net injection of 13 billion cubic feet in 1964. When the reservoir is fully developed with more wells and pipeline capacity, withdrawals of up to 400 million cubic feet a day will be available

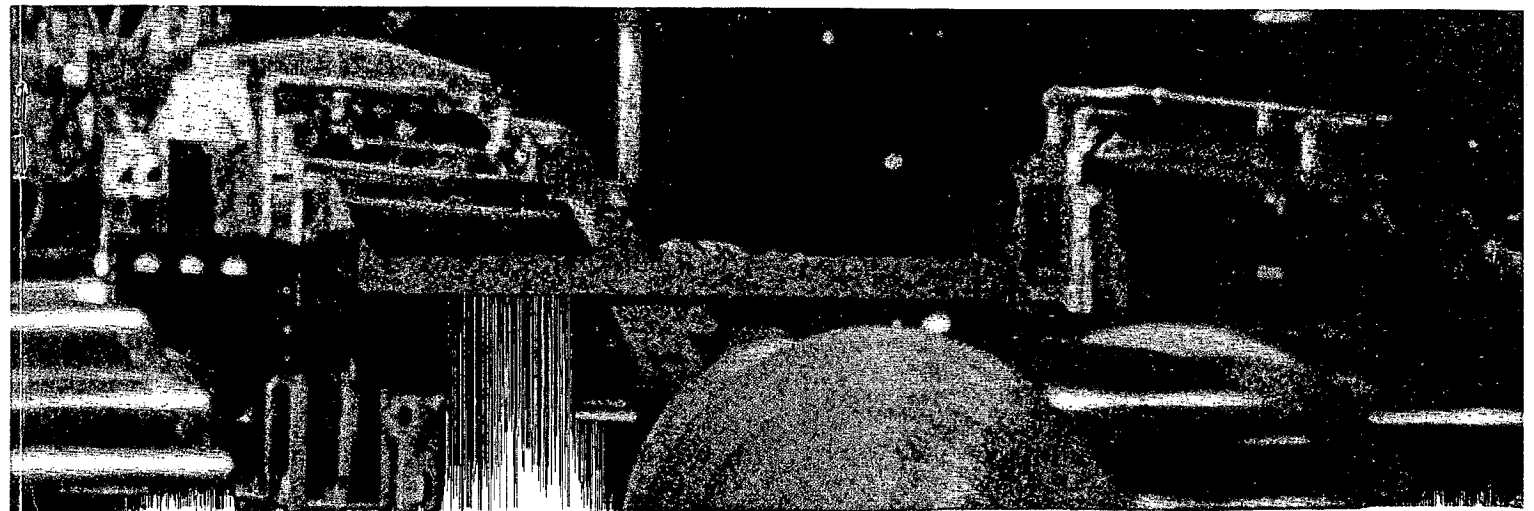
to meet peak-day or other demands. This underground reservoir has been of great value in achieving a balance between our gas supply and demand.

BUSINESS DEVELOPMENT

Our service territory in Northern and Central California embraces an area of about 94,000 square miles and contains about 41% of the total population of the State. It is becoming more diversified economically each year. This, together with a rapidly growing population, provides the Company with an excellent opportunity to stimulate the use of gas and electricity through carefully planned and directed sales programs.

In formulating our sales programs particular attention is given to promoting appliances where market saturation is low and load-building potential is high. Prime examples of such appliances in today's market are frost-free refrigerators and color television sets.

As one measure of the success of our electric load-building campaigns, the average annual use of electricity by our residential customers reached 4,249 kilowatt-hours in 1964, an increase of 211



kilowatt-hours over 1963.

Another important consideration in planning our sales effort is selecting for promotion appliances whose energy requirements will increase the utilization of our existing facilities. Gas air conditioning is a good example of this type of promotion since it tends to balance the loading on our system by adding demand when the gas heating load is low. A large potential exists for gas-fired air conditioning in homes and commercial establishments and we are continuing our efforts to stimulate wider use of these units.

CUSTOMERS (year-end)	1964	1963	Increase during 1964
Electric Department	2,254,267	2,177,610	76,657
Gas Department	1,944,503	1,874,743	69,760
Water Department	13,243	12,928	315
Steam Department	535	542	*7
Total	<u>4,212,548</u>	<u>4,065,823</u>	<u>146,725</u>

*Denotes red figure.

The Company is also continuing its efforts to attract new industries into our service area. This is done through our Area Development Department in cooperation with private and public agencies. The progress of industrial development in our

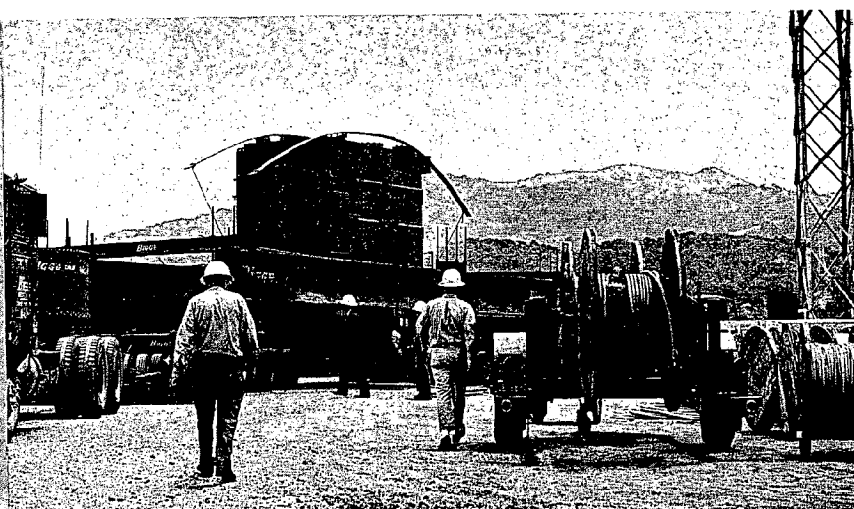
area has been very gratifying.

RATE MATTERS

Stockholders have previously been advised of rate reductions made as a result of lower prices for gas supplied by El Paso Natural Gas Company. In addition, the Federal Power Commission approved settlements under which El Paso made refunds to the Company of approximately \$15,000,000 in May 1963, \$44,900,000 in December 1963, and \$2,200,000 in April 1964. In accordance with understandings reached with the California Public Utilities Commission, the entire amount of the three refunds attributable to the gas sold to customers or consumed in the generation of electricity or steam has been refunded to our customers, except for approximately \$1,000,000 which will be refunded in 1965.

During the year our gas and electric rates were reduced by approximately \$14,200,000 annually, of which \$4,400,000 became effective early in the year. A reduction of \$9,800,000 annually, which was effective July 1, 1964, was designed to pass on to our customers the full benefit of the reduction in corporate income tax under the Revenue Act of 1964.

During 1965, an estimated 160,000 new residents will move into the 47-county area served by P.G.&E. In the suburbs, many retirement communities are being built, requiring major new gas and electric facilities to serve them. In cities, urban renewal projects such as San Francisco's big Golden Gateway project will be part of the 96,600 new dwelling units expected to be completed in Company territory in 1965.



In making these reductions, we were able to lower rates for various classes of service which will have the beneficial effect of stimulating increased use of gas and electricity. Included were rates applicable to mercury vapor street and highway lighting and those which will help to attract new industrial plants to our service area.

EMPLOYEES

Our work force numbered 19,846 at the end of 1964. The competence and technical skills of the men and women employed by the Company continue to be upgraded with each passing year. Training programs, management development activities, and refresher courses are conducted on a regular basis, and continue to be of increasing importance in keeping employees well qualified for the myriad tasks they must perform.

Wages and salaries amounted to \$161,660,000 for the year, of which \$99,112,000 was paid to operating employees and charged against income. The balance was paid to employees engaged in construction activities and was charged to capital accounts.

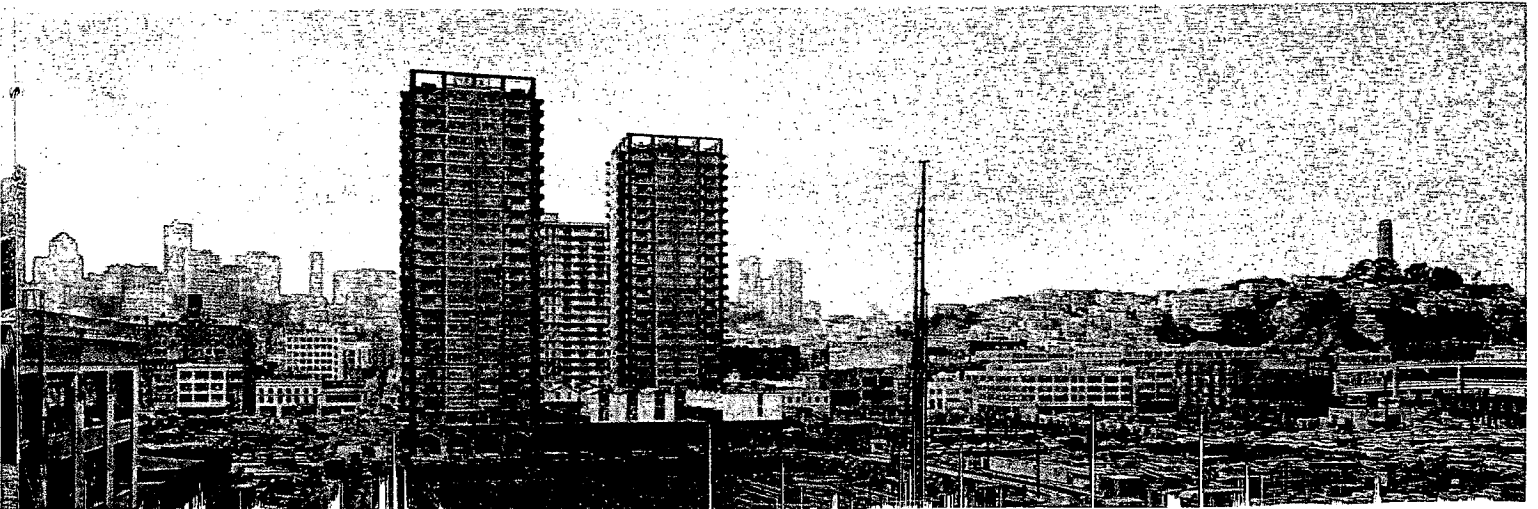
Under the terms of a three-year agreement negotiated in 1963 with the International Broth-

erhood of Electrical Workers (IBEW) and the Engineers and Scientists of California (ESC), wage increases aggregating approximately \$6 million annually were placed in effect at midyear. In addition, a new five-year contract with the IBEW covering improvements in our Retirement, Group Life, and Savings Fund Plans was placed in effect as of January 1, 1964. The cost of these improvements for the first year is estimated at approximately \$1.4 million.

During the year the Company became associated with Plans for Progress, a voluntary program developed through the Committee on Equal Employment Opportunity established by the President of the United States in 1961. Under this program approximately 300 major employers throughout the nation are showing by example that employment and promotion are based on qualifications alone without regard to racial, religious or other considerations.

STOCK OWNERSHIP

At the end of 1964 we had 258,272 stockholders, a gain of 9,941 for the year. Of the total, 180,256 owned common stock and 78,016 preferred stock. We continue to enjoy the distinction of being the



most widely owned electric and gas utility in the nation.

As a result of our long standing policy of encouraging local ownership of our stock, approximately two-thirds of our stockholders have California addresses. However, ownership of our stock extends into every state and many foreign countries.

Under our Employees' Savings Fund Plan, which will complete its sixth year of operation on

DISTRIBUTION OF STOCK OWNERSHIP
by Class of Investor, December 31, 1964

	<i>Number of Stockholders</i>	<i>Number of Shares Owned</i>
Women	99,670	18,291,213
Joint and other tenancies	71,074	10,763,074
Men	56,348	10,962,564
Trustees, guardians and other fiduciaries	21,623	3,648,508
Nominees	2,885	14,993,279
Corporations, partnerships and proprietorships	2,592	2,812,293
Charitable and fraternal organizations and foundations	1,309	496,470
Banks, investment companies and security dealers	1,086	4,619,893
Insurance companies	704	5,624,665
Religious institutions	574	157,369
Educational institutions	371	354,777
Labor organizations	36	22,314
Total	258,272	72,746,419

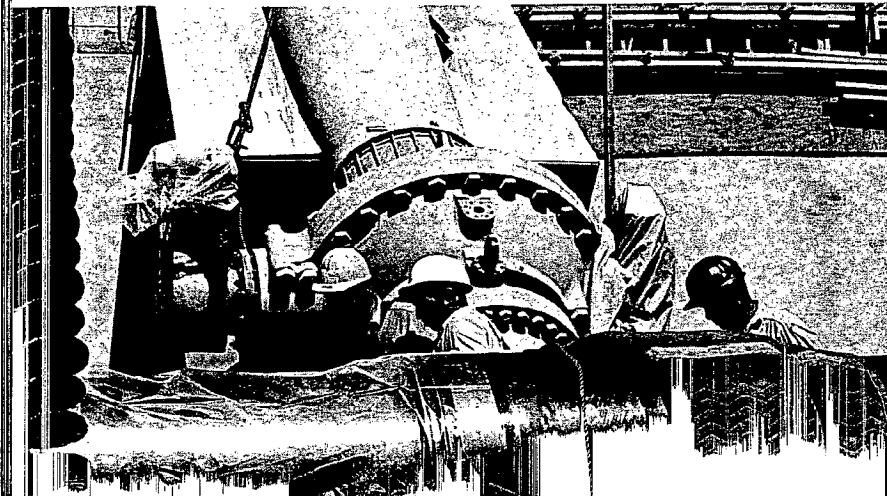
April 1, 1965, an increasing number of our employees are becoming owners of the Company's common stock. Over 1,300,000 shares have been purchased by the Trustee for the account of employees since the Plan's inception. There are presently over 14,000 active employee participants, representing about 90% of all employees currently eligible.

A breakdown of our stock ownership by class of investor appears in the table at left. While the majority of our outstanding stock is held by individuals and in joint tenancies, a large part of the balance is held by institutional investors such as insurance companies, investment companies, and pension funds. Through these holdings millions of people have a beneficial financial interest in the Company. When the magnitude of the direct and indirect ownership is taken into account, our Company is publicly owned in every sense of the word.

DIRECTORS AND OFFICERS

On August 11 we were saddened by the death of William W. Crocker, a member of the Board of Directors since 1937 and a member of the Executive Committee since 1952. During his long tenure on the Board Mr. Crocker contributed greatly to the progress and development of the Company.

Power from the Company's 64 hydro plants (with more under construction) helps provide energy for a growing Northern and Central California. Many recreational opportunities are provided by the lakes, streams and watershed lands that make up the Company's hydro properties. The Company has developed numerous public recreation facilities, such as this boat launching ramp and camping and picnic grounds at Spaulding Reservoir.



On August 19 Emmett G. Solomon, President of Crocker-Citizens National Bank, was elected to the Board of Directors to fill the vacancy created by the death of Mr. Crocker.

L. Harold Anderson, Vice President and Assistant General Manager, retired on April 1, 1964, having served as an officer of the Company since 1946. R. L. Hayden, Sacramento Division Manager, was appointed to succeed Mr. Anderson. April 1 also marked the retirement of H. W.

Haberkorn, who served as Vice President-General Construction since 1958. He was succeeded by Charles H. Sedam, who previously was Manager of Station Construction.

James S. Moulton, Vice President and Executive Engineer, retired from his official duties July 1 after forty-three years of service to the Company. Emil J. Lage, Manager of Valuation, was appointed Vice President-Rates and Valuation.

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 27, 1965. 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 18, 1965.

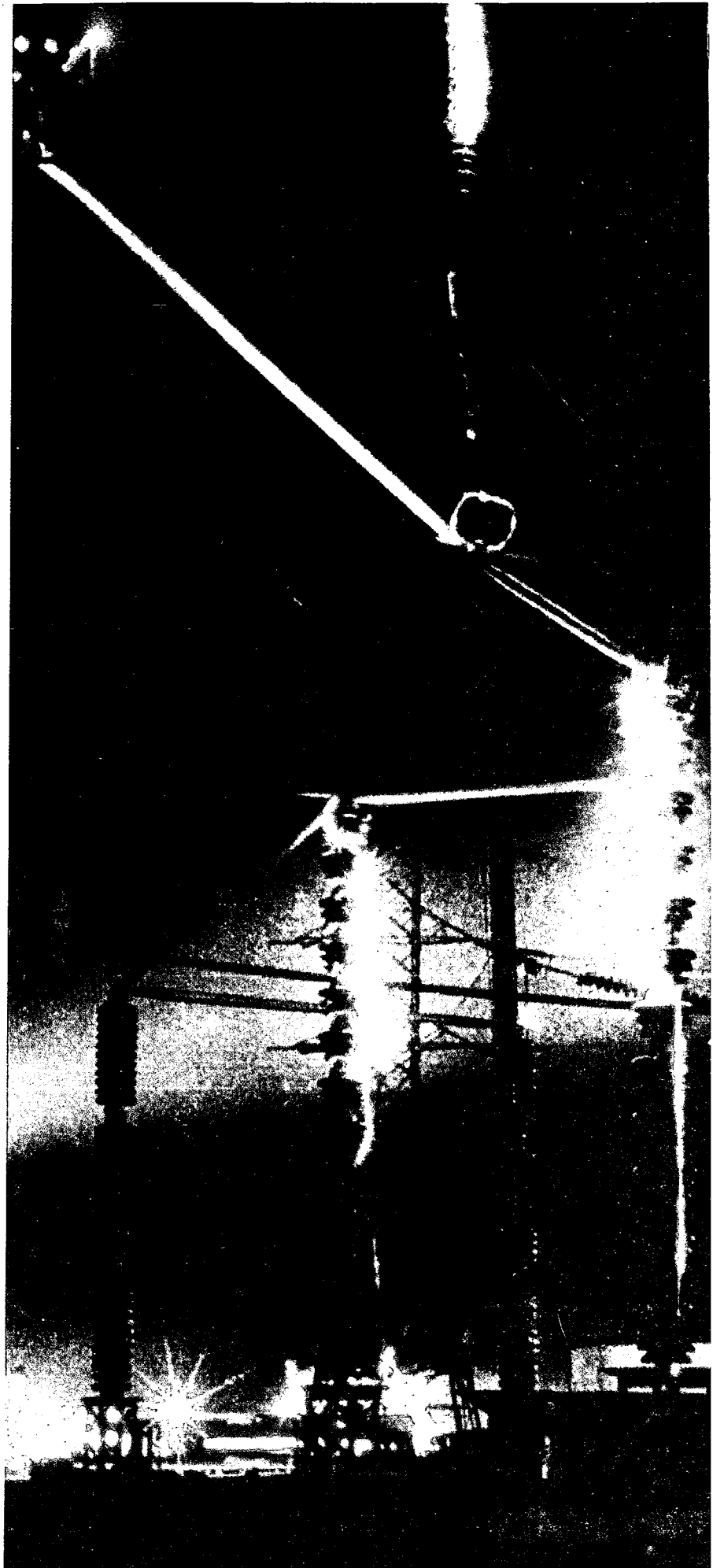


REVENUES AND SALES

ELECTRIC AND GAS DEPARTMENTS BY CLASSES OF SERVICE

ELECTRIC DEPARTMENT	1964	1963	Increase	
			Amount	Per Cent
REVENUES:				
Residential	\$ 183,108,666	\$ 173,602,955	\$ 9,505,711	5.5%
Small Light and Power	84,258,802	82,025,554	2,233,248	2.7
Large Light and Power	163,020,884	153,571,480	9,449,404	6.2
Agricultural Power	54,930,675	46,906,597	8,024,078	17.1
Public Street and Highway Lighting	8,208,620	7,901,665	306,955	3.9
Other Electric Utilities	16,658,193	16,470,340	187,853	1.1
Miscellaneous	8,717,438	7,786,160	931,278	12.0
TOTAL	\$ 518,903,278	\$ 488,264,751	\$ 30,638,527	6.3%
SALES - Kilowatt Hours:				
Residential	7,850,728,715	7,166,255,608	684,473,107	9.6%
Small Light and Power	2,705,263,083	2,567,274,760	137,988,323	5.4
Large Light and Power	13,169,192,736	12,207,209,987	961,982,749	7.9
Agricultural Power	4,069,702,328	3,328,766,778	740,935,550	22.3
Public Street and Highway Lighting	244,760,230	227,972,356	16,787,874	7.4
Other Electric Utilities	2,552,613,619	2,360,262,905	192,350,714	8.1
Total Sales to Customers	30,592,260,711	27,857,742,394	2,734,518,317	9.8
Delivered for the Account of Others	1,662,579,115	1,490,637,971	171,941,144	11.5
TOTAL	32,254,839,826	29,348,380,365	2,906,459,461	9.9%
GAS DEPARTMENT				
REVENUES:				
Residential	\$ 160,420,278	\$ 149,720,874	\$ 10,699,404	7.1%
Commercial	39,731,486	36,591,318	3,140,168	8.6
Industrial	85,275,367	81,504,891	3,770,476	4.6
Other Gas Utilities	7,931,967	3,112,164	4,819,803	154.9
Miscellaneous	368,728	498,651	*129,923	*26.1
TOTAL	\$ 293,727,826	\$ 271,427,898	\$ 22,299,928	8.2%
SALES - Thousands of Cubic Feet:				
Residential	200,326,514	184,450,896	15,875,618	8.6%
Commercial	60,178,943	54,912,091	5,266,852	9.6
Industrial	202,326,759	189,653,721	12,673,038	6.7
Other Gas Utilities	24,590,614	6,015,509	18,575,105	308.8
Total Sales to Customers	487,422,830	435,032,217	52,390,613	12.0
Company Use (Steam-electric plants, etc.)	216,714,600	163,247,209	53,467,391	32.8
TOTAL	704,137,430	598,279,426	105,858,004	17.7%

*Denotes red figure.



Three-quarters of a million volts light up the night sky at the Company's Moss Landing test yard as researchers conduct flashover tests on extra-high voltage transmission equipment. This research is a prelude to operation of the Company's 500,000 volt transmission system, first portions of which are now being constructed.

STATEMENT OF EARNED SURPLUS

PACIFIC GAS AND ELECTRIC COMPANY
FOR THE YEARS ENDED DECEMBER 31, 1964 AND 1963

	1964	1963
BALANCE, JANUARY 1	\$224,529,036	\$183,906,300
NET INCOME	125,836,100	114,102,115
SPECIAL CREDIT—Investment tax credit for 1963 and 1962 (Note 4) .	7,469,279	
OTHER ADDITIONS (DEDUCTIONS)—Net	(1,089,228)	1,333,575
Total	356,745,187	299,341,990
DIVIDENDS DECLARED—CASH:		
First preferred stock	18,335,619	18,335,628
Common stock (1964—\$1.10, 1963—\$1.00 a share)	63,368,896	56,477,326
Total	81,704,515	74,812,954
BALANCE, DECEMBER 31	\$275,040,672	\$224,529,036

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 19, 1965

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, 1964. 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, 1964 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change, which we approve, in method of accounting for the investment tax credit as explained in Note 4 to financial statements, 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, 1964 AND 1963

	1964	1963
OPERATING REVENUES:		
Electric	\$518,903,278	\$488,264,751
Gas	293,727,826	271,427,898
Other	2,328,206	2,157,843
Total	814,959,310	761,850,492
OPERATING EXPENSES:		
Power purchased	10,372,949	10,990,842
Natural gas purchased	222,316,099	203,567,694
Oil and other fuel	8,304,970	9,412,890
Other production	12,692,139	12,022,802
Transmission	7,633,516	6,803,885
Distribution	33,296,368	30,495,724
Maintenance	37,007,152	32,570,592
Customer accounts	26,224,594	24,936,817
Sales promotion	7,418,385	6,906,250
Administrative and general	30,768,914	28,368,472
Depreciation (Note 4)	89,706,911	83,249,764
Taxes (Note 4):		
Federal income—current	66,307,000	56,920,000
Federal income—deferred—net (credit)	(2,840,244)	3,393,661
Other	95,089,884	90,824,792
Total	644,298,637	600,464,185
OPERATING INCOME	170,660,673	161,386,307
OTHER INCOME	2,486,785	2,387,769
Total	173,147,458	163,774,076
INCOME DEDUCTIONS:		
Interest on mortgage bonds	49,655,626	47,331,965
Interest charged to construction (credit)	(5,671,368)	(6,082,130)
Other—net	3,327,100	8,422,126
Total	47,311,358	49,671,961
NET INCOME	125,836,100	\$114,102,115
SPECIAL CREDIT—Investment tax credit for 1963 and 1962 (Note 4) ..	7,469,279	
NET INCOME AND SPECIAL CREDIT	\$133,305,379	

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

BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1964 AND 1963

ASSETS	1964	1963
UTILITY PLANT—At original cost	\$3,697,637,986	\$3,498,935,468
Accumulated depreciation (Note 4)	847,121,238	778,725,428
Utility plant—net	<u>2,850,516,748</u>	<u>2,720,210,040</u>
INVESTMENTS—At cost:		
Subsidiaries (Notes 1 and 3)	25,828,601	26,138,856
Nonutility property and other	3,398,523	3,511,310
Total investments	<u>29,227,124</u>	<u>29,650,166</u>
CURRENT ASSETS:		
Cash	25,183,111	27,340,068
Temporary cash investments	9,023,946	32,866,562
Accounts receivable (less allowance for uncollectible accounts: 1964, \$1,788,605; 1963, \$1,687,633)	67,897,111	65,182,671
Materials and supplies—at average cost	24,485,377	22,461,615
Gas stored underground—at average cost	19,236,052	15,444,917
Prepayments	55,565,999	57,474,884
Total current assets	<u>201,391,596</u>	<u>220,770,717</u>
DEFERRED DEBITS:		
Unamortized bond discount and expense—net	7,131,744	7,150,510
Other	2,120,154	1,093,235
Total deferred debits	<u>9,251,898</u>	<u>8,243,745</u>
TOTAL	<u>\$3,090,387,366</u>	<u>\$2,978,874,668</u>

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

BALANCE SHEET

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1964 AND 1963

LIABILITIES	1964	1963
CAPITALIZATION:		
Capital stock (Schedule 1)	\$1,105,252,403	\$1,042,073,303
Earned surplus	275,040,672	224,529,036
Total capital stock and surplus	1,380,293,075	1,266,602,339
Mortgage bonds (Note 3) (Schedule 2)	1,407,897,000	1,357,425,000
Total capitalization	2,788,190,075	2,624,027,339
CURRENT LIABILITIES:		
Accounts payable	41,873,325	54,572,815
Gas refund payable to customers	1,146,748	45,301,598
Customer deposits	5,212,094	4,977,233
Taxes accrued (Note 4)	101,443,904	92,616,492
Interest accrued	5,015,877	4,808,954
Dividends payable	16,153,519	14,119,926
Mortgage bonds—current portion (Note 3) (Schedule 2)	7,957,000	7,119,000
Total current liabilities	178,802,467	223,516,018
CUSTOMER ADVANCES FOR CONSTRUCTION	7,973,846	7,086,464
DEFERRED CREDITS	2,223,360	10,456,234
RESERVES FOR INSURANCE AND CASUALTIES	7,994,595	7,570,834
CONTRIBUTIONS IN AID OF CONSTRUCTION	32,415,580	31,023,069
ACCUMULATED DEFERRED TAXES ON INCOME (Note 4)	72,787,443	75,194,710
TOTAL	\$3,090,387,366	\$2,978,874,668

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

CAPITAL STOCK—SCHEDULE 1

DECEMBER 31, 1964

Description	Shares Authorized	Outstanding— Held by Public	
		Shares	Amount
FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE (Note 2):			
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		
TOTAL	<u>20,000,000</u>	<u>14,009,991</u>	<u>350,249,775</u>
COMMON, PAR VALUE \$10 PER SHARE (see Note)	<u>75,000,000</u>	<u>58,736,662</u>	<u>587,366,620</u>
TOTAL			<u>937,616,395</u>
EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES			
			<u>167,636,008</u>
TOTAL CAPITAL STOCK			
			<u>\$1,105,252,403</u>

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

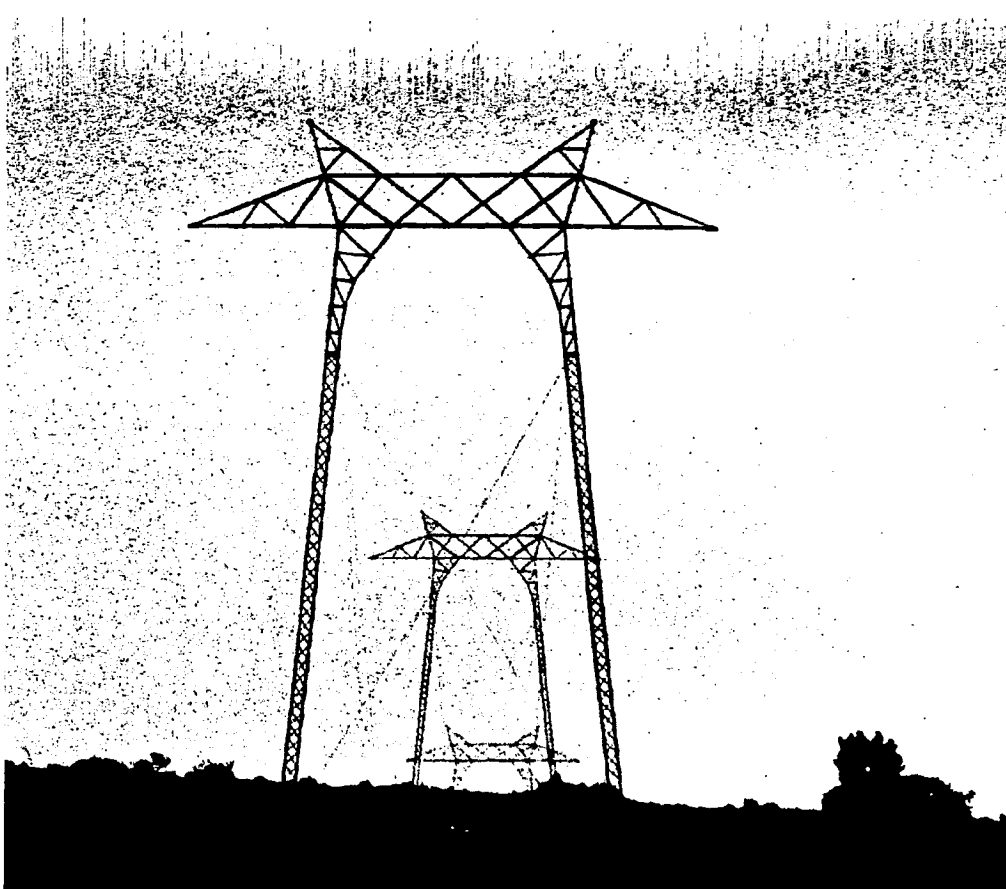
MORTGAGE BONDS—First and Refunding—SCHEDULE 2

DECEMBER 31, 1964

Series	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	4,700,000	
P	2¾	June 1, 1981	22,947,000	
Q	2⅞	Dec. 1, 1980	60,917,000	\$ 500,000
R	3⅞	June 1, 1982	68,391,000	66,000
S	3	June 1, 1983	70,612,000	473,000
T	2⅞	June 1, 1976	73,157,000	534,000
U	3⅞	Dec. 1, 1985	43,353,000	220,000
W	3⅞	Dec. 1, 1984	53,291,000	
X	3⅞	June 1, 1984	59,459,000	
Y	3⅞	Dec. 1, 1987	42,420,000	323,000
Z	3⅞	Dec. 1, 1988	18,497,000	179,000
AA	4½	Dec. 1, 1986	30,969,000	
BB	5	June 1, 1989	58,000,000	
CC	3¾	Dec. 1, 1978	67,064,000	647,000
DD	4½	June 1, 1990	53,887,000	
EE	5	June 1, 1991	60,025,000	
FF	4⅝	June 1, 1992	54,135,000	
GG	4½	June 1, 1993	56,757,000	
HH	4⅞	June 1, 1994	59,453,000	250,000
II	4¼	June 1, 1995	53,711,000	72,000
JJ	4½	June 1, 1996	64,500,000	
KK	4½	Dec. 1, 1996	62,000,000	3,000,000
TOTAL			<u>1,415,854,000</u>	<u>\$6,264,000</u>
Mortgage Bonds Included in Current Liabilities (Note 2)			7,957,000	
Mortgage Bonds Included in Capitalization			<u>\$1,407,897,000</u>	

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.

The accompanying notes to financial statements are an integral part of these schedules.



Transmission towers of new design and slender of silhouette will carry 500,000 volts as part of the Pacific Northwest-Southwest Intertie.

NOTES TO FINANCIAL STATEMENTS

PACIFIC GAS AND ELECTRIC COMPANY
DECEMBER 31, 1964 AND 1963

NOTE 1 SUBSIDIARIES:

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

NOTE 2 PREFERRED STOCK:

Preferred stock outstanding at December 31, 1964 included 8,225,166 shares subject to redemption, at the option of the Company, at par value (\$25) per share plus a premium of \$.75 to \$2.75, depending upon the series and date fixed for redemption.

NOTE 3 MORTGAGE BONDS:

The Company is required, according to provisions of the First and Refunding Mortgage Bond indenture, to make semi-annual sinking-fund payments for the retirement of the bonds. Such payments due during the years ending December 31, 1965 and 1964 are included, net of treasury bonds, in current liabilities.

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 for the bonds.

NOTE 4 DEPRECIATION AND TAXES ON INCOME:

For financial statement purposes depreciation on utility plant has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For Federal income tax purposes amortization on utility plant completed under certificates of necessity and depreciation on substantially all other plant additions have been computed, as permitted by the Treasury Department, by liberalized methods and guideline lives. The Company is normalizing the tax effect of accelerated amortization on plant completed under certificates of necessity and at December 31, 1964 the resultant accumulated deferred taxes on income were \$72,787,443.

With respect to income tax reductions arising from use of liberalized depreciation the California Public Utilities Commission issued an order in 1960 that it will not allow as an operating expense for rate making purposes 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 (\$15,100,000 and \$14,500,000 for the years 1964 and 1963 and \$23,000,000 for prior years) arising from the use of liberalized depreciation for tax purposes, have been taken into income. The effect on net income for financial statement purposes of taking such reductions into income, was offset in part by increased depreciation expense resulting from a change in method of computing depreciation and from revised estimated useful lives.

Consistent with the aforementioned order of the California Public Utilities Commission and a current order of the Federal Power Commission, the Company, during the year 1964, changed its method of accounting for the investment tax credit from full deferral to inclusion of such credit in income as a reduction of current Federal income tax expense. This change in method of accounting had the effect of increasing reported net income for the current year by \$5,294,000. Investment tax credits for the years 1963 and 1962 in the amounts of \$4,886,784 and \$2,582,495, respectively, were reported as a "special credit" (\$7,469,279) in the statement of income.

NOTE 5 COMMITMENTS:

Utility plant construction expenditures for the year 1965 are estimated at \$275,000,000.

The Company provides retirement and savings fund plans for eligible employees. Provisions for contributions to such plans (including amounts charged to construction) for the year 1964 were \$12,589,000. At December 31, 1964 the unfunded liability, as computed by actuaries, was approximately \$9,900,000.

DEPARTMENTAL ORGANIZATION

OFFICE OF THE PRESIDENT

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

ELECTRIC OPERATIONS

C. R. Machen, *Assistant to Vice President – Electric Operations*

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, *Natural Gas Production*
J. J. Pugh, *Gas System Planning*
N. H. Neel, *Gas Purchase Department*

ENGINEERING

J. D. Worthington, *Assistant to Vice President – Engineering*

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*
F. F. Mautz, *Chief Civil Engineer*
D. V. Kelly, *Chief Mechanical Engineer*
B. W. Shackelford, *Chief Planning Engineer*

RATES AND VALUATION

MANAGERS:

Edward C. Ritchie, *Valuation Department*
John F. Roberts, *Rate Department*
John R. Kleespies, *Economics and Statistics 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*
George Kestner, *Customer Accounting*
L. D. Coughran, *General Accounting*

PERSONNEL DEPARTMENT

MANAGERS:

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

GENERAL CONSTRUCTION

MANAGERS:

Joe Pirtz, Jr., *Civil and Hydro Construction*
C. R. Martin, *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*
J. G. Foster, *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*

LAND DEPARTMENT

S. B. Barton, *Manager*

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*

DIVISION MANAGERS

COAST VALLEYS: Leigh H. Smith, Salinas

COLGATE: W. L. Murray, Marysville

DE SABLA: Earl E. Foley, Chico

DRUM: William D. Laughlin, Auburn

EAST BAY: Harold F. Carr, Oakland

HUMBOLDT: V. C. Novarino, Eureka

NORTH BAY: E. S. Day, San Rafael

SACRAMENTO: K. C. Porter, Sacramento

SAN FRANCISCO: H. A. Lee, San Francisco

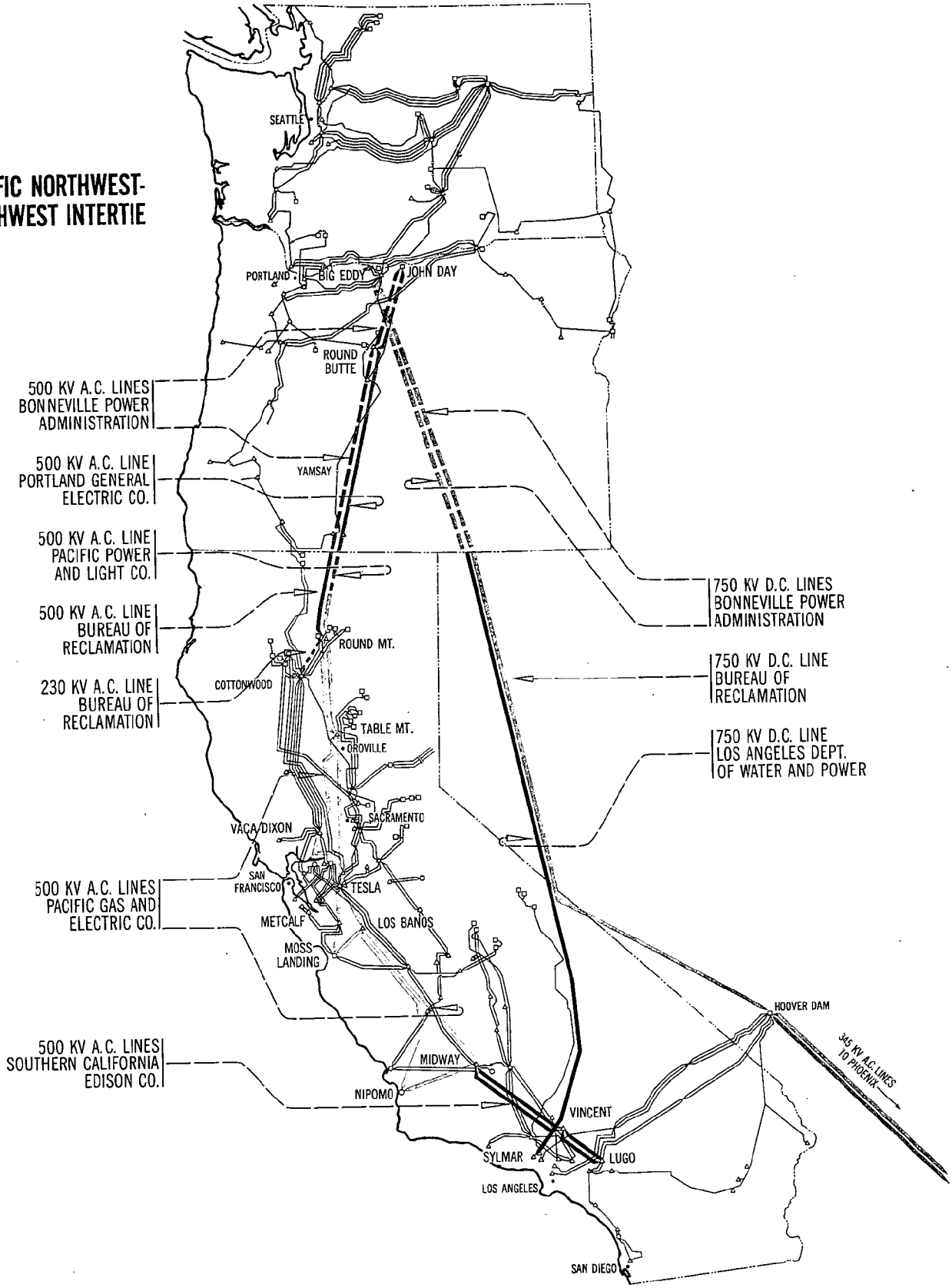
SAN JOAQUIN: V. C. Redman, Fresno

SAN JOSE: L. J. Brundige, San Jose

SHASTA: Lee W. Brillhart, Red Bluff

STOCKTON: Walter D. Skinner, Stockton

PACIFIC NORTHWEST-SOUTHWEST INTERTIE



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

STOCKHOLDERS' CALENDAR

SCHEDULE OF DIVIDEND PAYMENTS

COMMON STOCK

RECORD DATE	DATE PAYABLE
MARCH 26	APRIL 15, 1965
JUNE 25	JULY 15, 1965
SEPTEMBER 24	OCTOBER 15, 1965
DECEMBER 24	JANUARY 15, 1966

FIRST PREFERRED STOCK

RECORD DATE	DATE PAYABLE
JANUARY 29	FEBRUARY 15, 1965
APRIL 30	MAY 15, 1965
JULY 30	AUGUST 16, 1965
OCTOBER 29	NOVEMBER 15, 1965

