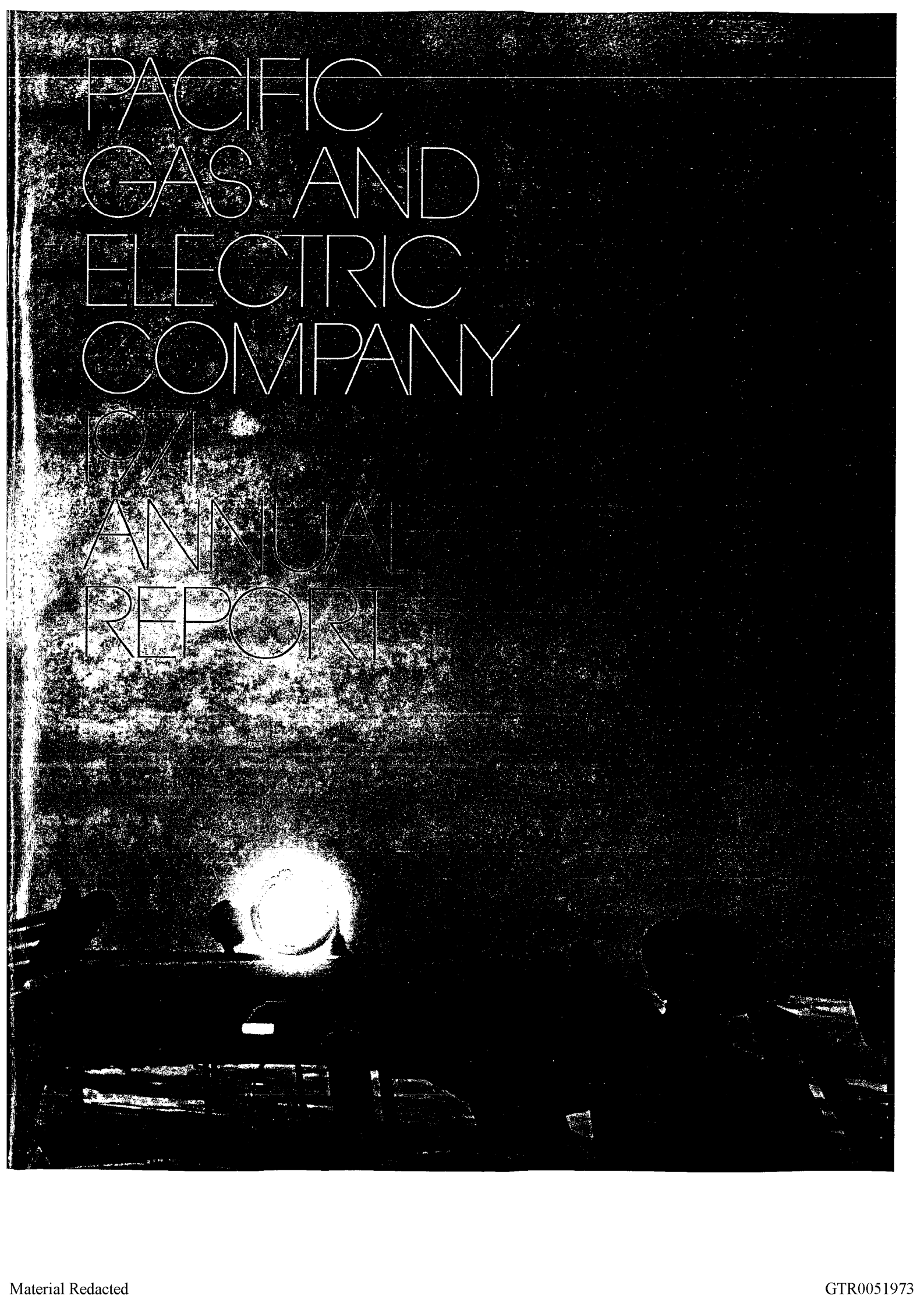
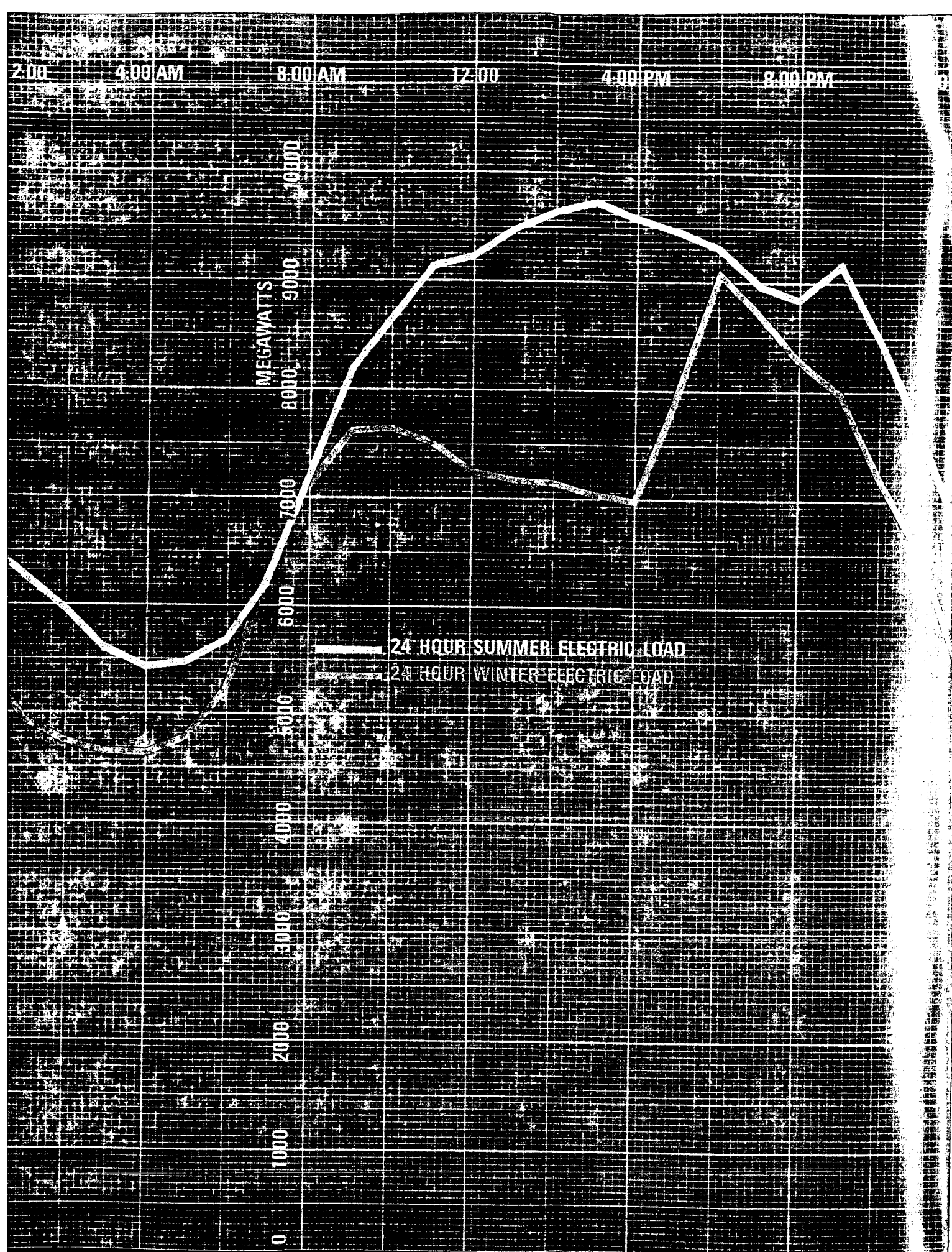


PACIFIC
GAS AND
ELECTRIC
COMPANY

1971
ANNUAL
REPORT





COVER:

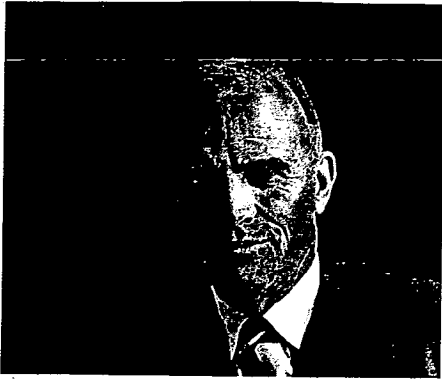
At all hours and in all weather, PG&E troublemen, servicemen, and gas and electric crews respond to emergency calls and keep the Company's reliability of service at a high level.

INSIDE COVER:

Dispatchers who operate PG&E's energy systems must anticipate the variability of energy demand which occurs within a 24-hour period, as illustrated on the front and back covers. The time of year can also be a factor. **INSIDE FRONT COVER:** In PG&E's service area, the summer and winter electric peak loads nearly coincide. **INSIDE BACK COVER:** In contrast, there is a great difference between the daily gas sendout in the summer and winter.

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SHERMER L. SIBLEY
President and Chief Executive Officer

TO OUR STOCKHOLDERS:

February 25, 1972

Earnings per share of common stock for the year 1971 were \$2.75, an increase of 28 cents over 1970. Principal factors contributing to the improvement in earnings were higher electric rates, favorable weather conditions, and greater gas and electric sales.

On February 1, 1972 the Company applied to the California Public Utilities Commission for authority to increase its gas rates by \$69 million annually. This gas rate increase is necessary to meet increased operating expenses and provide a reasonable return on the Company's investment in gas facilities.

During 1971, as in the past, the Company met the energy demands of its customers with adequate supplies and reliable service. Net electric system output increased 6.6% during the year to a total of 54.7 billion kilowatt hours. A new electric system peak demand of 9.7 million kilowatts occurred on August 10, at which time the Company had available more than 1.5 million kilowatts in reserve generating capacity. The total gas sendout for the year 1971 was one trillion cubic feet for the first time, with the daily sendout reaching a record 3.8 billion cubic feet on December 17. Although it was necessary to curtail some of the interruptible loads on that day, the Company had a substantial margin of supply above the requirements of its firm customers.

It is thus apparent that the Company has sufficient energy resources to supply the needs of its customers currently and in the near future. The Company is planning for continuing increases in the demand for electricity and gas because of increasing use per customer and a continuing, although somewhat moderated, growth in population. Additionally, increased supplies of energy will be needed for protection and improvement of the environment and for increases in industrial and agricultural productivity, all of which are necessary to provide more jobs and improve the quality of life. It is therefore essential that the Company continue to develop the additions to its energy resources that the future requires.

In attempting to meet its responsibilities, PG&E—like many other utilities throughout the nation—faces opposition from some individuals and organizations who, in the name of environmental protection, campaign against any expansion of energy-producing facilities. The Director of the Department of Water Resources of the State of California recently put the problem in these words: "People have been lulled into thinking there is no more need for power plants. . . . It is amazing to me that those who are calling for an environmental clean-up are the same people who oppose the future power development that could make the clean-up work."

In planning our new facilities, the utmost consideration is given to maximum protection of our environment. This kind of planning reflects both the desires of the Company and the standards of various governmental agencies whose authorizations are required for construction of utility facilities. The more important authorizations are granted only after public hearings.

We recognize the desirability of full and fair hearings on our applications. However, the whole administrative and judicial regulatory process leading to final authorizations is peculiarly susceptible to numerous delays from causes of all sorts. The cumulative effect of such delays could prevent the Company from meeting critical construction schedules. We need a more complete understanding by all concerned—individuals, government and industry—that unwarranted obstructions or delays in completing our projects could be seriously detrimental to the public we serve.

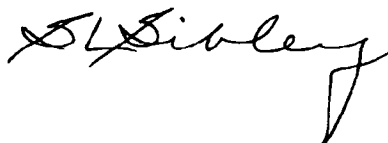
As a result of the greatly increased demand for natural gas, stimulated by both price and qualitative advantages over alternative fuels, a national shortage has developed, for which no early solution is apparent. The Company is already paying higher prices for existing supplies, which should encourage additional exploration for natural gas in areas tributary to our system. It also is helping to finance exploration and development of new gas sources, many of them in increasingly distant locations. It is our expectation that these activities will help provide the additional gas supplies that our customers will need in the future.

PG&E's past record of reliable service to its customers, with full consideration of environmental protection, is one of which we are proud. We are confident that, through the implementation of our long-range plans and a balanced approach by the government and the public to the need for both new energy sources and environmental protection, we can continue to meet our high standards of service.

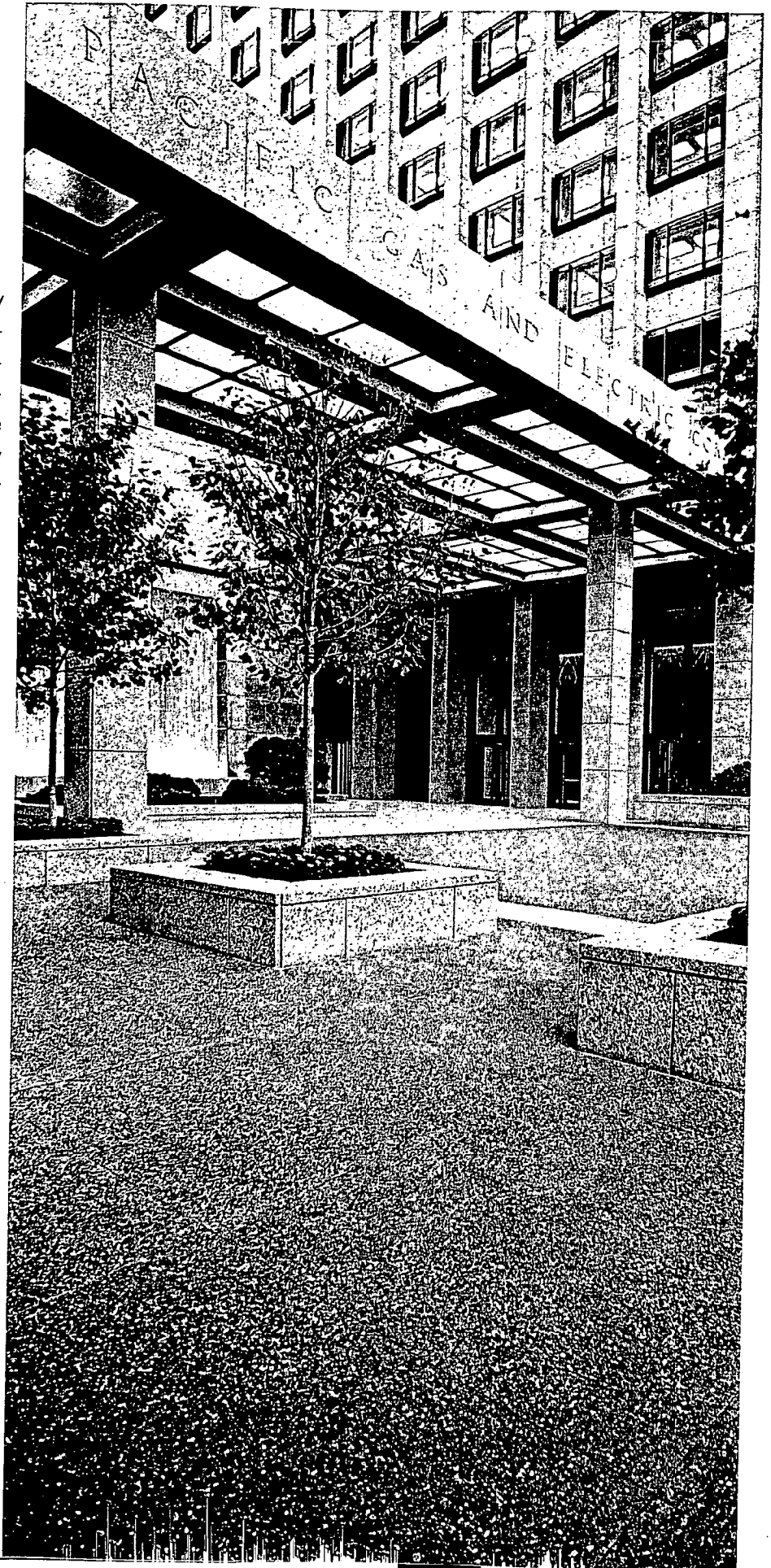
We gratefully acknowledge the dedication and splendid performance of our employees which contributed greatly to our successful year.

The Review of 1971 which follows contains a more detailed description of our operations during the past year.

For the Board of Directors

A handwritten signature in cursive script, appearing to read "J. S. Sibley". The signature is written in dark ink and is positioned below the text "For the Board of Directors".

Backdrop for this landscaped entry plaza to the Company's new Headquarters building is a waterfall cascading 26 feet into a granite basin, symbolizing PG&E's hydroelectric heritage in the Sierra Nevada. The Company completed its move into the 34-story tower in November and its corporate address is now 77 Beale Street. The former General Office building is now occupied mainly by San Francisco Division staff.



REVIEW OF 1971

HIGHLIGHTS	1971	1970	Increase
Operating Revenues	\$1,260,345,000	\$1,103,258,000	14.2%
Net Income	\$ 193,114,000	\$ 166,219,000	16.2%
Earnings Per Common Share	\$2.75	\$2.47	11.3%
Dividends Declared Per Common Share	\$1.64	\$1.50	9.3%
Total Assets	\$4,633,809,000	\$4,318,832,000	7.3%
Capital Expenditures	\$ 451,851,000	\$ 415,331,000	8.8%
Sales of Electricity to Customers (KWH)	45,978,192,000	42,213,539,000	8.9%
Sales of Gas to Customers (MCF)	745,919,000	673,804,000	10.7%
Total Customers	5,002,529	4,864,378	2.8%
Number of Employees	25,349	23,569	7.6%
Number of Stockholders	254,828	247,821	2.8%



Research to protect our environment

takes many shapes and requires many skills. ABOVE: One of the few women meteorologists in the country supervises a staff of five professional meteorologists and two technicians who make detailed studies of weather conditions at proposed sites for nuclear power plants and provide weather forecasts for operating departments. AT RIGHT: Two PG&E marine biologists with scuba gear prepare to take a survey of marine life on the ocean floor near a Company power plant. In addition to doing its own research, PG&E helps underwrite cooperative research programs in such fields as gasification of coal, "fast breeder" nuclear power reactors, magneto-hydrodynamics and underground transmission.



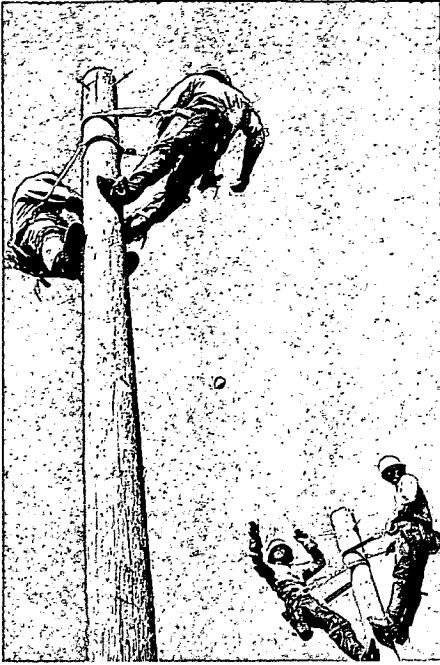
FINANCIAL Operating revenues for 1971 reached \$1 billion 260 million, an increase of \$157 million, or 14.2%, over 1970. Electric revenues were 62.7% of the total, gas revenues, 37.1%, and water and steam, the small balance. The \$157 million increase in revenues resulted from an 8.9% increase in electric sales, a 10.7% increase in gas sales, and higher electric and gas rates. As shown in detail on page 19, sales of electricity to residential and commercial customers increased substantially, whereas the sales increase of electricity to our industrial customers was moderated by the general economic slowdown. Agricultural power sales decreased as a result of above-normal precipitation. Sales of gas to our residential customers increased 16%, mainly because of colder-than-normal weather in 1971, as contrasted to warmer-than-normal weather the prior year. Commercial gas sales also increased substantially, as did sales to industrial customers, several of whom switched from other fuels to clean-burning natural gas in order to meet air pollution control standards.

Operating expenses amounted to \$993 million, an increase of \$121 million, or 14% over the prior year. Of this increase, \$45 million was for increased cost of purchased gas, \$22 million for higher Federal income taxes, and \$12 million for increased purchases of electric power from others.

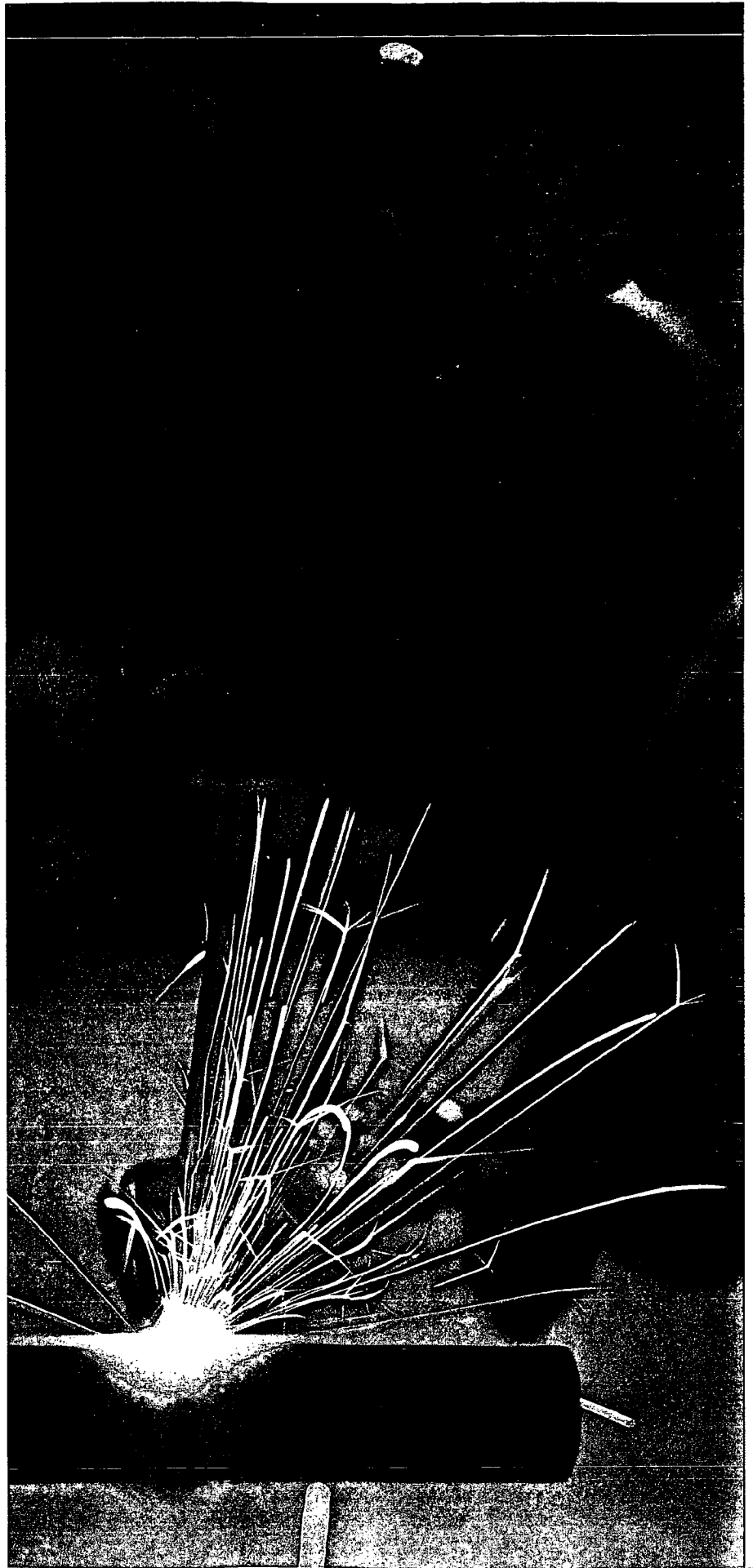
Income from operations increased \$36 million and other income increased \$7 million. After deductions for higher interest charges and preferred dividends, the balance available for the common stockholders increased \$20 million, or 14%. Earnings per common share were \$2.75, an increase of 28 cents, or 11.3% over the prior year, on a greater average number of shares outstanding.

The common stock dividend for the first quarter of 1971 was increased to 41 cents per share by the Board of Directors on March 17. This was 3½ cents higher than the previous quarterly rate of 37½ cents per share and represents a 14-cent annual increase over the \$1.50 rate previously in effect. The dividend was increased to reflect the improved earnings outlook, and to give recognition to the common stockholders' increasing investment in the Company through reinvested earnings. For the year 1971, 28.8% of the common dividends was excludable from taxable income for Federal income tax purposes, as stockholders previously have been advised.

In 1971 the Company sold four security issues totaling \$380 million. In February the Company sold at competitive bidding \$150 million of 32-year mortgage bonds at a cost of 7.97%. In April 3,000,000 shares of \$25 par value preferred stock were sold on a negotiated basis at a cost of 7.60%. In May an additional 881,074 shares of \$25 par value preferred stock were sold on a negotiated basis at a cost of 8.33% in order to refund \$23,789,000 of 3% bonds which matured on June 1. In October \$125 million of 32-year bonds were sold at competitive bidding at a cost of 7.62%. The proceeds of these issues, together with funds available from internal sources, were used to finance the year's \$452 million expansion program, to retire all short-term indebtedness, and to refund the maturing bond issue.



Training programs develop skills and increase advancement opportunities for many employees. The Company's policy of hiring and promoting on the basis of merit and experience is furthered by the many training programs available to employees. These include graduate studies and short courses at local colleges and universities, on- and off-the-job training sessions, supervisory workshops and management training courses ranging in time from one week to nine months. ABOVE: Future linemen gain confidence by playing catch while at the top of poles. AT RIGHT: An apprentice at the Company's welding school learns techniques necessary to make gas pipe welds that will pass rigid safety tests.



At the end of 1971 the Company's total capitalization was \$4.3 billion, consisting of 53.7% mortgage bonds, 10.8% preferred stock, and 35.5% common stock equity. The \$465 million of outstanding preferred stock was owned by 86,237 stockholders, while the outstanding common stock, consisting of 61,086,000 shares, was owned by 168,591 stockholders. More than one-half of the Company's stockholders reside in California.

RATES In order for the Company to compete successfully for capital to finance its record construction program, the Company must maintain a level of earnings that will produce a fair and reasonable return on investment in utility facilities. Earnings at this level will enable the Company to preserve the high quality of its securities and to sustain a reasonable earnings growth.

The Company's operating and capital costs continued to rise at a rapid pace during the year. For example, the price the Company pays for natural gas from its three sources of supply increased by \$46 million on an annual basis. To offset these increased natural gas costs, the Company applied to the California Public Utilities Commission for authority to increase its rates. The Commission, after hearings, authorized the Company to increase its rates by \$34 million to gas customers, and by \$12 million to electric customers (in order to recover the higher cost of gas used as fuel in electric generating plants).

As described in last year's annual report to stockholders, the Commission in early 1971 authorized the Company to increase its electric rates by \$51.6 million annually. The Commission stated that this increase was designed to permit the Company to earn, after all operating expenses, a 7.5% rate of return on its investment in electric facilities. The new rates were effective February 13, 1971 and resulted in increased electric revenues of \$45 million for the year.

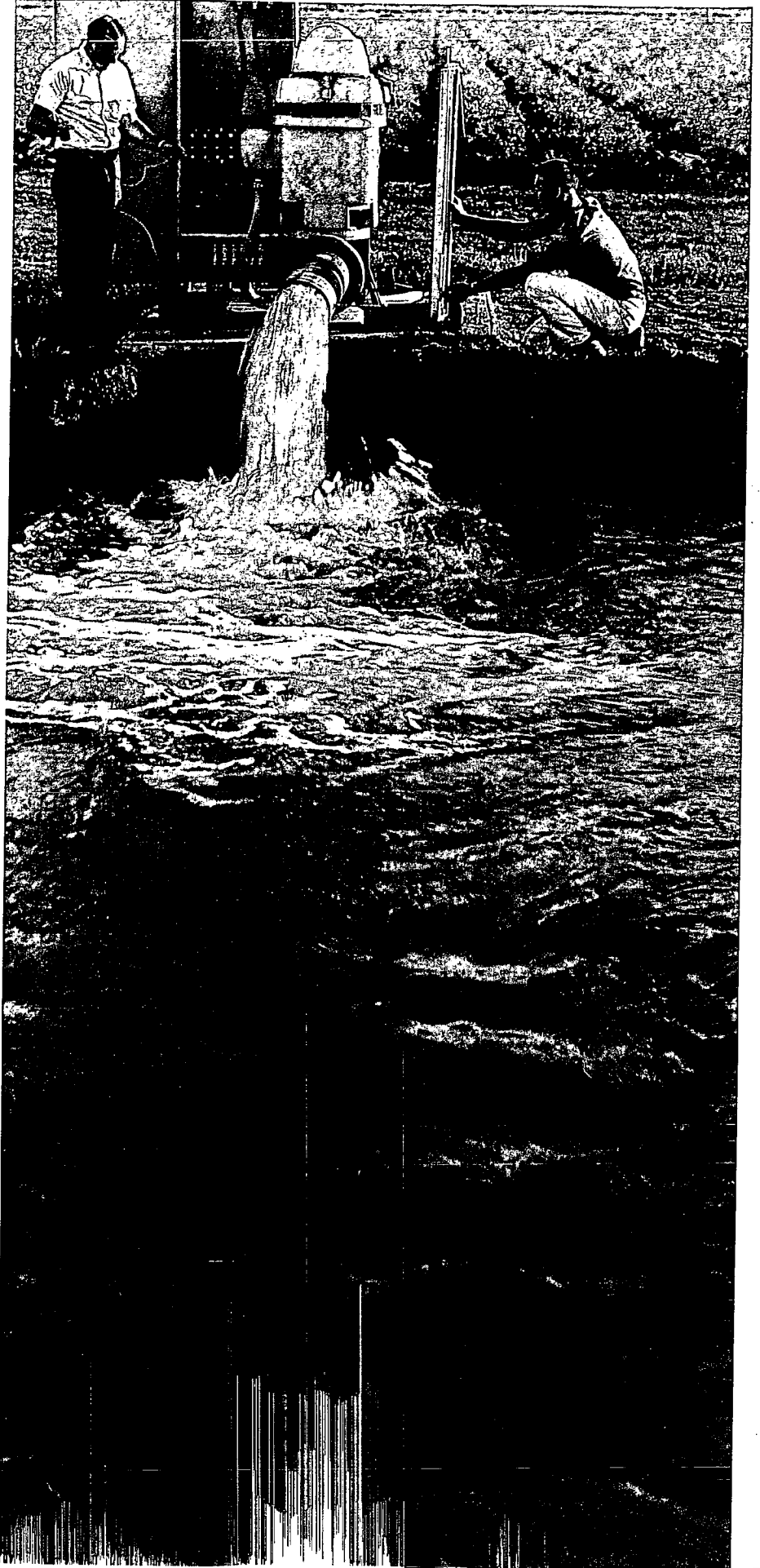
The Company on February 1, 1972 applied to the Commission for authority to increase its gas rates by \$69 million annually. The request for higher rates arises because of continual increases in financing and operating costs other than the higher cost of natural gas previously described. The rate of return being earned by the Company on its investment in gas facilities is far below the 7.3% rate of return last allowed by the Commission in January 1970. Since then the average cost of debt and equity securities has increased to the point where a rate of return higher than 7.3% is necessary.

The Company is seeking authorization for a "fuel adjustment clause" to effect offsetting changes in electric rates when changes occur in the cost of fossil fuels used to produce electricity.

ELECTRIC SERVICE Net electric system output in 1971 amounted to 54.7 billion kilowatt hours, an increase of 6.6% over the preceding year. The Company's 65 hydroelectric generating plants, together with power purchased under long-term contracts from other hydroelectric producers, principally public water conservation agencies within the PG&E service area, accounted for 54% of the total system output. The remaining 46% was produced by the Company's steam-electric generating plants.



Service provided by PG&E employees takes many forms. TOP: Customer service clerks, using special head-phones, are trained to answer a wide range of inquiries from customers. ABOVE: A gas serviceman rekindles a pilot light for a customer. AT RIGHT: Because of the large agricultural pumping load, the efficiency of irrigation pumps is of prime concern to the Company and its farm customers. PG&E has a staff of pump testers who check irrigation pumps to make sure they are making the most efficient use of electric energy.



The Company's 2,676,000 electric customers required 9,713,000 kilowatts on August 10, 1971, a record peak demand on the Company's system. At the time of the peak the Company had available more than 1,500,000 kilowatts in reserve generating capacity.

During the year two 53,000 kilowatt units of geothermal generating capacity were added to the system. The total generating capacity available to the Company at year end was 12,020,000 kilowatts consisting of 9,576,000 kilowatts from Company plants and 2,444,000 kilowatts available under firm contracts with other producers. To serve the growing demand for electricity, the Company currently has ten electric generating units totaling 5,433,000 kilowatts under construction or scheduled. Besides the units shown in the following table, other additions to generating capacity, including more geothermal units, are contemplated prior to 1980.

CAPACITY ADDITIONS—KW

Completion Date	Pittsburg (Fossil)	The Geysers (Geothermal)	Diablo Canyon (Nuclear)	Mendocino (Nuclear)	Total
1972	735,000	106,000			841,000
1973		106,000			106,000
1974		106,000	1,060,000		1,166,000
1975			1,060,000		1,060,000
1978				1,130,000	1,130,000
1979				1,130,000	1,130,000
Total	735,000	318,000	2,120,000	2,260,000	5,433,000

As the foregoing table shows, nuclear-fueled generating plants comprise the bulk of the additions to capacity in the future. Two nuclear units are being constructed on the coast at the Diablo Canyon site 170 miles south of San Francisco and two are planned at the Mendocino site which is 100 miles north of San Francisco. Both sites can accommodate additional units. The first 1,060,000 kilowatt unit at Diablo Canyon is approximately 35% completed, and the substructure for the second unit at this site has been completed. The Company has filed an application with the Atomic Energy Commission and the California Public Utilities Commission for authorization to construct the two 1,130,000 kilowatt units at the Mendocino site.

In addition, the Company has filed comprehensive environmental reports with the Atomic Energy Commission for both the proposed Mendocino site and the Diablo Canyon site. These reports, and supplemental reports yet to be filed, are required to enable the AEC to evaluate the total environmental impact of these nuclear plants pursuant to the National Environmental Policy Act.



Services to the community extend far beyond delivering reliable and economic energy. TOP: A million kite-safety comic books are distributed free to youngsters each year in order to warn children of the hazards of flying kites near power lines; Company employees help in publicizing and distributing these booklets. ABOVE: Civic betterment projects spring from hundreds of "Congresses for Community Progress" which PG&E Area Services personnel help stage. AT RIGHT: Cooking schools and nutritional classes are conducted by Company home economists for schoolchildren, underprivileged groups, the handicapped, elderly, and many others.



GAS SERVICE The Company obtains natural gas from three sources of supply: the southwestern United States, Canada, and local fields within California. In 1971 the Company purchased a total of 1 trillion 5 billion cubic feet of natural gas from these sources to meet the demands of its customers and for use as fuel in its steam-electric generating plants. Of the total gas purchased, 41% was obtained from the Southwest through El Paso Natural Gas Company, 34% from Canada via the Alberta-California pipeline, and the remaining 25% from California producers. The Company paid an average 34.3 cents per MCF for this gas, an increase of 8% over the 31.9 cents per MCF paid in 1970.

The Company's 2,318,000 gas customers required a record daily sendout of 3.8 billion cubic feet of gas on December 17. Although it was necessary to curtail some of the interruptible loads on that day, the Company had a substantial margin of supply above the requirements of its residential, commercial and other firm customers.

As reported in last year's annual report to stockholders, applications were filed during December 1970 and January 1971 with the National Energy Board of Canada and the Federal Power Commission for authorization to import an additional 200 million cubic feet of gas per day from Canada. The National Energy Board, after public hearings, denied the requests of all applicants to export additional volumes of gas at that time. In the Board's judgment there were at the time of the hearing insufficient proven reserves of natural gas in Canada, in addition to the exports already authorized, to meet that country's long-term future requirements. However, there is a reasonable expectancy that current exploratory activities in Canada will result in additional discoveries which would warrant approval of additional gas for export.

Because of the increasing demand for natural gas in the United States and the coincident decline in reserves, the Company has encountered increased competition from other purchasers of gas in its efforts to acquire additional gas reserves. In order to acquire these reserves, it has become necessary for the Company to assist in the financing of the exploration and development of new gas sources, both in Canada and in the United States.

These exploration and development costs, together with the higher costs of transporting the gas to our customers from more distant locations, mean that higher prices for this clean and economic fuel are in prospect.

ENVIRONMENT For many years the Company has been involved in efforts to enhance the surroundings in which it operates. These efforts include air quality controls at our steam plants; undergrounding of electric distribution lines; constructing substations with lower silhouettes, ornamental walls and landscaping; designing more attractive transmission towers; and constructing pleasing office buildings, service centers and other utility facilities.

The Company has managed its hydroelectric watershed lands, which include 150 lakes and 225 miles of streams, along sound conservation principles. It has developed numerous public camping and picnic areas on these lands and has established tree farms and participated in fish planting programs.



Land management for conservation and public recreation are two features of the Company's land use policy. TOP: Evergreen seedlings are checked by a Company forester on a tree farm operated on PG&E watershed land. Scientific forest management practices maximize the hydroelectric potential of these watersheds. ABOVE: Urban parks and play areas are being developed along transmission rights of way in many cities. AT RIGHT: Campers at Silver Lake enjoy one of the hundreds of campsites and picnic areas PG&E has developed for public use on its hydroelectric properties.



On a number of electric transmission corridors that run through urban areas, PG&E has provided land, equipment and assistance for the development of mini-parks and recreation areas. Over 99% of all new residential subdivisions in our system are being provided electric service with underground facilities. Existing overhead distribution lines in high density and certain other urban areas are being converted to underground by a long-range program for which the 1972 budget is \$10 million.

The Company is continuing in its efforts to operate its steam-electric power plants with a minimum intrusion on the environment. Clean-burning natural gas currently produces most of the electricity generated in these plants and low sulfur fuel oil the remainder. In addition, the Company has made extensive modifications in the operation of its boilers to reduce stack emissions.

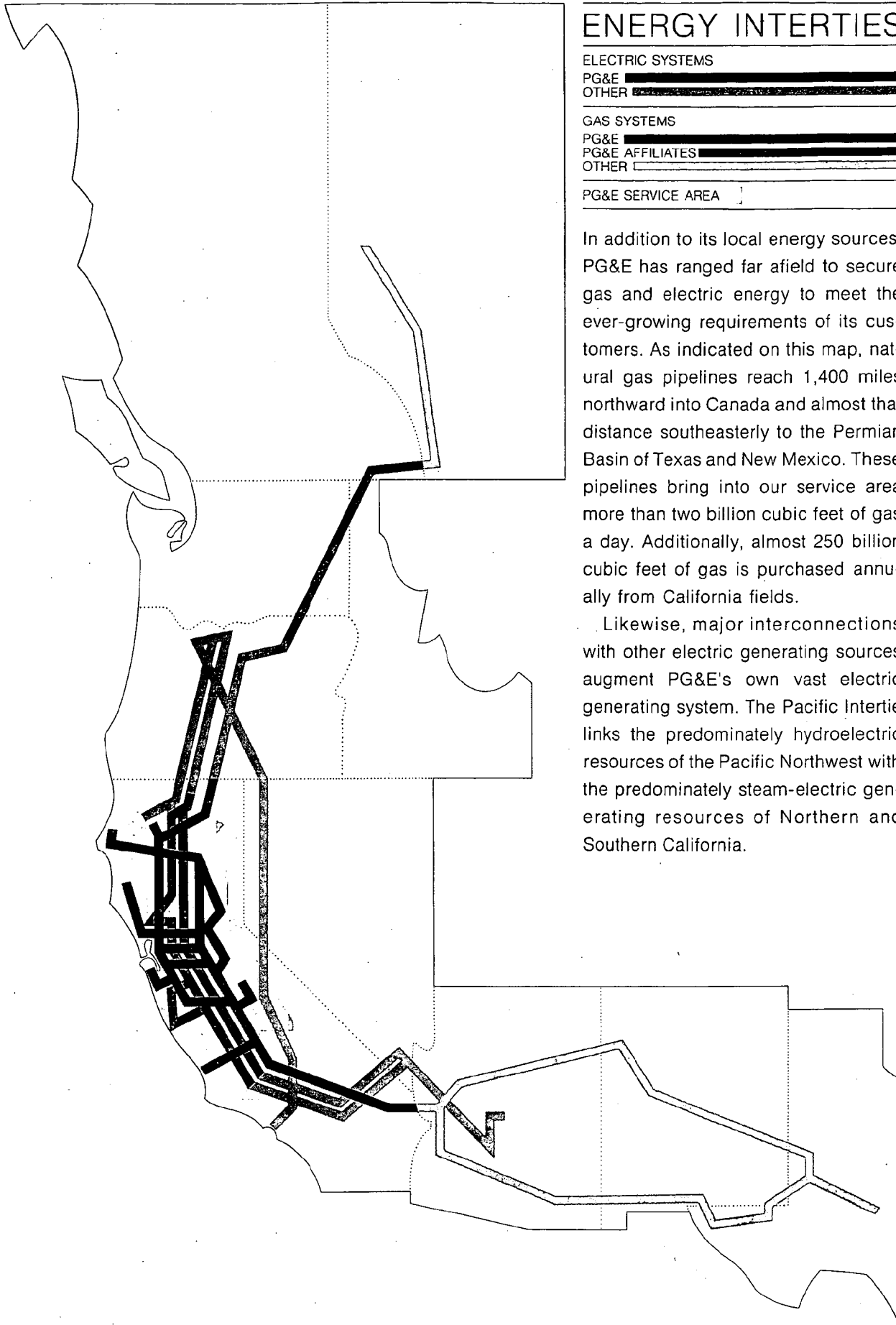
For two decades PG&E has been making scientific studies of the effects of discharging the cooling water from its steam-electric power plants into the natural bodies of water from which they are drawn. These studies have developed data which enable generating plants to be designed and operated without harmful effect on aquatic life due to warm water discharges. PG&E also makes detailed studies of the flora and fauna in the areas where it proposes to build nuclear-fueled power plants so that they can be constructed and operated with no adverse impact on the various eco-systems.

EMPLOYEES The Company has strengthened its programs to provide entry jobs and merited advancement for members of all minority groups. The percentage of its work force consisting of racial minorities has more than doubled in the past six years and minority employment now totals 3,754. More than one out of every four men and women hired at PG&E since 1968 has been of a minority race. Our strong affirmative action programs have resulted in a high retention of these employees.

At year end the Company had 25,349 employees. Approximately 72% are represented by the International Brotherhood of Electrical Workers, AFL-CIO, and 7% by the Engineers and Scientists of California, with each of whom a 6% general wage increase became effective July 1, 1971. Appropriate wage and salary adjustments were made for employees not covered by the bargaining units. As a result, wages and other benefits were increased by \$17.5 million annually, of which about 60% is chargeable to operations and the balance to construction.



OFFICER CHANGES On March 17 the Board of Directors elected J. Dean Worthington, formerly Vice President - Engineering, to the position of Senior Vice President. Ferd F. Mautz was elected Vice President - Engineering to succeed Mr. Worthington. At the same meeting the Board created the new position of Vice President - Planning and Research and elected Barton W. Shackelford to fill the new position.

On December 1, 1971, E. Howard Fisher retired from the position of Vice President - Gas Operations, and Edward F. Sibley, formerly Manager of Gas System Design, was elected to succeed Mr. Fisher. Effective the same date, John A. Sproul was elected Vice President - Gas Supply, a new position created by the Board.



ENERGY INTERTIES

ELECTRIC SYSTEMS

PG&E 
 OTHER 

GAS SYSTEMS

PG&E 
 PG&E AFFILIATES 
 OTHER 

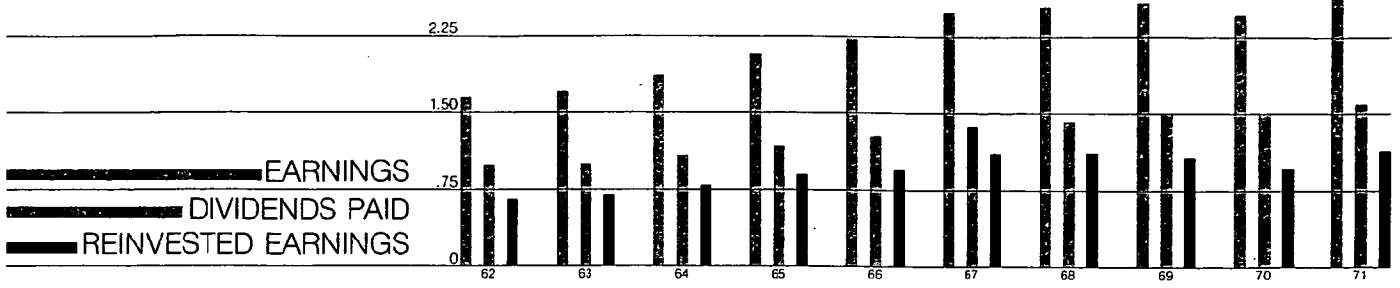
PG&E SERVICE AREA 

In addition to its local energy sources, PG&E has ranged far afield to secure gas and electric energy to meet the ever-growing requirements of its customers. As indicated on this map, natural gas pipelines reach 1,400 miles northward into Canada and almost that distance southeasterly to the Permian Basin of Texas and New Mexico. These pipelines bring into our service area more than two billion cubic feet of gas a day. Additionally, almost 250 billion cubic feet of gas is purchased annually from California fields.

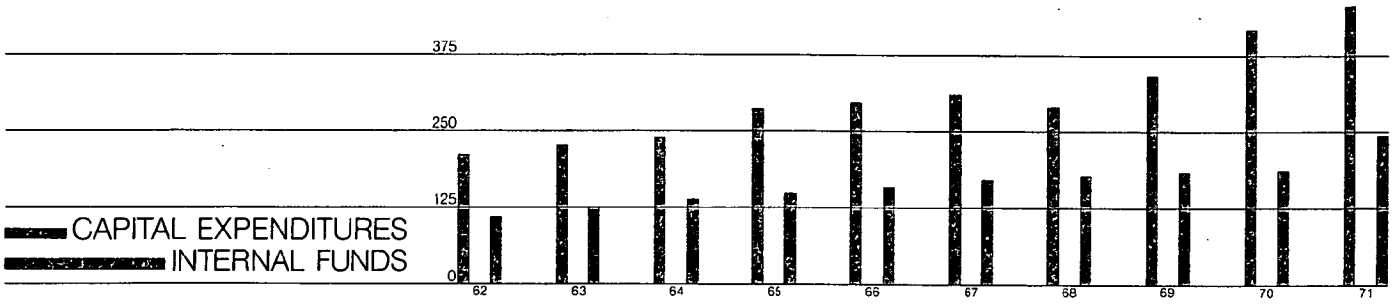
Likewise, major interconnections with other electric generating sources augment PG&E's own vast electric generating system. The Pacific Intertie links the predominately hydroelectric resources of the Pacific Northwest with the predominately steam-electric generating resources of Northern and Southern California.

1971
FINANCIAL
STATEMENTS

DOLLARS PER SHARE 3.00

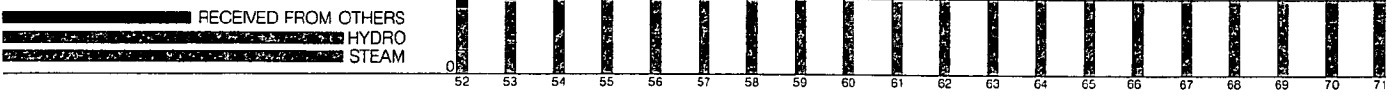


MILLIONS OF DOLLARS 500



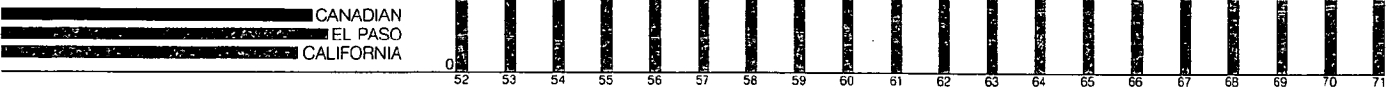
BILLIONS OF KILOWATT-HOURS 60

ELECTRIC SYSTEM OUTPUT



BILLIONS OF CUBIC FEET 1100

NATURAL GAS PURCHASED BY SOURCES



REVENUES AND SALES Pacific Gas and Electric Company • Electric and Gas Departments by Classes of Service

ELECTRIC DEPARTMENT REVENUES:	Thousands			
	1971	1970	Increase (Decrease)	
			Amount	Percent
Residential	\$297,784	\$260,069	\$37,715	14.5 %
Commercial	278,541	247,829	30,712	12.4
Industrial (1000 KW demand or over)	107,293	98,071	9,222	9.4
Agricultural Power	56,427	53,339	3,088	5.8
Public Street and Highway Lighting	13,892	12,520	1,372	11.0
Other Electric Utilities	20,077	12,675	7,402	58.4
Miscellaneous	16,032	18,701	(2,669)	(14.3)
TOTAL	\$790,046	\$703,204	\$86,842	12.3 %
SALES – KWH:				
Residential	13,700,235	12,575,722	1,124,513	8.9 %
Commercial	14,066,023	13,208,252	857,771	6.5
Industrial (1000 KW demand or over)	10,993,780	10,630,113	363,667	3.4
Agricultural Power	3,670,930	3,737,285	(66,355)	(1.8)
Public Street and Highway Lighting	360,372	356,417	3,955	1.1
Other Electric Utilities	3,186,852	1,705,750	1,481,102	86.8
Total Sales to Customers	45,978,192	42,213,539	3,764,653	8.9
Delivered for the Account of Others	4,891,903	4,558,712	333,191	7.3
TOTAL	50,870,095	46,772,251	4,097,844	8.8 %

GAS DEPARTMENT

REVENUES:				
Residential	\$229,755	\$192,647	\$37,108	19.3 %
Commercial	59,088	50,017	9,071	18.1
Industrial	155,253	133,142	22,111	16.6
Other Gas Utilities	23,640	21,921	1,719	7.8
Miscellaneous	227	180	47	26.1
TOTAL	\$467,963	\$397,907	\$70,056	17.6 %
SALES – MCF:				
Residential	259,130	223,874	35,256	15.7 %
Commercial	79,952	70,957	8,995	12.7
Industrial	350,216	317,449	32,767	10.3
Other Gas Utilities	56,621	61,524	(4,903)	(8.0)
Total Sales to Customers	745,919	673,804	72,115	10.7
Company Use (Electric generation)	215,942	215,357	585	0.3
TOTAL	961,861	889,161	72,700	8.2 %

FIVE YEARS IN BRIEF Pacific Gas and Electric Company

	Thousands				
SOURCES OF INCOME:	1971	1970	1969	1968	1967
Electric Revenues	\$ 790,046	\$ 703,204	\$ 671,990	\$ 646,831	\$599,876
Gas Revenues	467,963	397,907	380,197	356,374	342,685
Other Operating Revenues	2,336	2,147	2,124	2,010	2,486
Other Income and Income Deductions—Net	42,896	35,608	23,062	21,251	21,089
TOTAL	\$1,303,241	\$1,138,866	\$1,077,373	\$1,026,466	\$966,136
DISPOSITION OF INCOME:					
Natural Gas Purchased	\$ 337,675	\$ 292,222	\$ 259,781	\$ 254,470	\$230,843
Power Purchased	49,171	36,785	25,084	15,087	18,562
Other Production	30,602	25,511	26,845	31,580	29,037
Transmission	14,471	12,855	11,331	10,823	9,529
Distribution	54,611	50,318	46,770	43,869	42,028
Customer Accounts	42,848	38,205	34,722	32,071	30,694
Marketing	10,474	10,187	9,884	9,372	9,095
Administrative and General	60,615	50,838	45,935	41,383	36,383
Maintenance	62,980	56,430	53,066	45,995	44,757
Depreciation	131,326	122,218	115,474	109,063	102,118
Taxes	198,659	176,397	194,111	189,114	180,622
Interest	116,695	100,681	84,621	75,815	68,117
Dividends on Preferred Stock	25,399	18,559	18,336	18,336	18,336
Dividends on Common Stock	100,181	89,868	88,106	85,168	82,231
Reinvested Earnings	67,534	57,792	63,307	64,320	63,784
TOTAL	\$1,303,241	\$1,138,866	\$1,077,373	\$1,026,466	\$966,136
AVERAGE NUMBER OF SHARES OF					
COMMON STOCK OUTSTANDING—(Thousands)	61,086	59,728	58,737	58,737	58,737
EARNINGS PER SHARE OF COMMON STOCK	\$2.75	\$2.47	\$2.58	\$2.55	\$2.49
DIVIDENDS PER SHARE OF COMMON STOCK:					
Declared Basis	\$1.64	\$1.50	\$1.50	\$1.45	\$1.40
Paid Basis	1.60½	1.50	1.50	1.42½	1.37½

TAXES AND FRANCHISE PAYMENTS Pacific Gas and Electric Company

	Thousands		
LOCAL TAXES AND FRANCHISE PAYMENTS:	1971	1970	Increase (Decrease)
Ad Valorem Property Taxes	\$110,761	\$108,345	\$ 2,416
Franchise Payments	7,604	6,926	678
TOTAL	118,365	115,271	3,094
STATE TAXES:			
Corporation Franchise: Current	8,196	11,274	(3,078)
Corporation Franchise: Deferred	(251)	(251)	—
Unemployment Insurance	978	1,589	(611)
Automobile	1,164	1,131	33
TOTAL	10,087	13,743	(3,656)
CITY AND STATE SALES AND USE TAXES	9,220	7,305	1,915
FEDERAL TAXES:			
Corporation Income: Current	75,704	53,986	21,718
Corporation Income: Deferred	(2,694)	(2,694)	—
Unemployment Insurance	382	419	(37)
Insurance Contributions	9,927	8,775	1,152
Other	98	89	9
TOTAL	83,417	60,575	22,842
TOTAL TAXES AND FRANCHISE PAYMENTS	\$221,089	\$196,894	\$24,195
CHARGED TO:			
Expense as Taxes	\$198,659	\$176,397	\$22,262
Expense as Franchise Payments	7,604	6,926	678
Utility Plant and Other Accounts	14,826	13,571	1,255
TOTAL TAXES AND FRANCHISE PAYMENTS	\$221,089	\$196,894	\$24,195

COMPARATIVE STATISTICS Pacific Gas and Electric Company

PER SHARE OF COMMON STOCK ⁽¹⁾ :	1971	1970	1969
Earnings	\$ 2.75	\$ 2.47	\$ 2.58
Dividends Declared	\$ 1.64	\$ 1.50	\$ 1.50
Dividend Payout Ratio	59.7%	60.9%	58.2%
Book Value (End of Year)	\$24.91	\$23.66	\$22.79
Market Price— High	36 ³ / ₈	35	39 ¹ / ₂
Market Price— Low	28 ³ / ₈	22 ¹ / ₂	29 ¹ / ₂
Market Price— Close	32 ³ / ₈	34 ⁵ / ₈	32 ³ / ₄
CAPITAL EXPENDITURES (Thousands):			
Electric Department	\$355,242	\$297,930	\$240,468
Gas Department	60,432	68,320	61,428
Other	36,177	49,081	38,094
TOTAL	\$451,851	\$415,331	\$339,990
DEPRECIATION RESERVE RATIO	24.5%	24.3%	24.2%
ELECTRIC STATISTICS:			
Net System Output (Millions of KWH)	54,665	51,277	48,885
Net System Output— In percent			
Hydroelectric Plants	25.6%	26.9%	31.4%
Steam-electric Plants	46.5	48.6	45.2
Received from Other Producers	27.9	24.5	23.4
Net System Load	100.0%	100.0%	100.0%
Number of Generating Plants			
Hydroelectric Plants	65	65	65
Steam-electric Plants	12	12	12
Total	77	77	77
System Capability — KW			
Hydroelectric Plants	2,514,300	2,514,300	2,514,300
Steam-electric Plants	7,062,000	6,942,400	6,962,400
From Other Producers	2,444,400	2,110,800	1,551,600
Total	12,020,700	11,567,500	11,028,300
Net System Peak Demand	9,713,000	8,807,723	8,277,100
Total Customers (End of Year)	2,675,942	2,597,314	2,536,703
Customers Per Mile of Distribution Line	35.4	34.8	34.5
Average Annual Residential Consumption — KWH	6,048	5,697	5,545
GAS STATISTICS:			
Total Natural Gas Purchased (Thousands MCF)	1,004,547	950,652	878,484
Sources of Gas Purchased— In percent			
From California	24.8%	25.2%	25.2%
From Other States	41.2	43.7	45.3
From Canada	34.0	31.1	29.5
Total	100.0%	100.0%	100.0%
Average Cost of Gas Purchased — MCF			
From California	31.7¢	30.2¢	29.9¢
From Other States (at California-Arizona border)	37.5	33.9	31.4
From Canada (at California-Oregon border)	32.7	30.4	28.2
Average — All Sources	34.3¢	31.9¢	30.1¢
Peak Day Sendout — MCF	3,798,462	3,633,341	3,445,626
Total Customers (End of Year)	2,317,686	2,258,285	2,208,046
Customers per Mile of Gas Distribution Main	95.0	94.1	94.0
Average Annual Residential Consumption — MCF	121.7	107.7	116.2

⁽¹⁾After giving effect to 1961 3-for-1 common stock split.

1968	1967	1966	1965	1964	1963	1962	1961
\$ 2.55	\$ 2.49	\$ 2.23	\$ 2.23	\$ 1.87	\$ 1.70	\$ 1.64	\$ 1.52
\$ 1.45	\$ 1.40	\$ 1.30	\$ 1.20	\$ 1.10	\$ 1.00	\$ 1.00	\$.93
57.0%	56.3%	58.4%	57.8%	58.9%	59.0%	61.2%	61.3%
\$21.71	\$20.62	\$19.53	\$16.44	\$17.54	\$16.23	\$15.51	\$14.85
38 $\frac{7}{8}$	38	36 $\frac{3}{4}$	40 $\frac{3}{8}$	35 $\frac{3}{8}$	34 $\frac{5}{8}$	36 $\frac{7}{8}$	36
30 $\frac{3}{4}$	31 $\frac{5}{8}$	27	33 $\frac{7}{8}$	30 $\frac{5}{8}$	30 $\frac{1}{8}$	25	24 $\frac{1}{2}$
38 $\frac{1}{8}$	35 $\frac{5}{8}$	35 $\frac{3}{4}$	36 $\frac{1}{2}$	34 $\frac{1}{4}$	31 $\frac{1}{4}$	31 $\frac{7}{8}$	34
\$200,763	\$235,707	\$220,241	\$218,479	\$181,810	\$167,438	\$147,379	\$139,468
58,834	50,536	55,596	46,057	40,484	43,568	46,337	75,587
29,803	24,748	21,292	22,172	17,777	15,070	16,009	13,031
\$289,400	\$310,991	\$297,129	\$286,708	\$240,071	\$226,076	\$209,725	\$228,086
24.0%	23.7%	23.4%	23.3%	22.9%	22.3%	21.7%	21.4%
46,994	43,663	41,392	38,190	36,204	32,739	30,821	29,494
23.8%	32.9%	26.6%	34.1%	24.9%	33.4%	35.2%	24.8%
62.2	47.1	61.4	50.3	64.7	54.0	57.1	71.3
14.0	20.0	12.0	15.6	10.4	12.6	7.7	3.9
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
64	66	66	68	64	64	62	62
13	13	14	14	14	14	14	14
77	79	80	82	78	78	76	76
2,397,300	2,429,800	2,371,300	2,365,600	2,067,000	2,067,000	1,966,500	1,952,500
7,064,600	6,289,600	5,447,300	5,447,300	5,244,300	4,596,800	4,210,600	3,885,600
1,146,600	1,131,900	1,007,400	790,600	825,200	600,000	550,000	530,000
10,608,500	9,851,300	8,826,000	8,603,500	8,136,500	7,263,800	6,727,100	6,368,100
8,126,200	7,757,900	7,146,500	6,686,400	6,144,600	5,750,400	5,345,700	5,198,000
2,483,480	2,429,306	2,383,907	2,323,896	2,254,267	2,177,610	2,103,569	2,038,687
34.3	34.0	33.8	33.5	33.2	32.5	31.9	31.4
5,181	5,000	4,661	4,454	4,249	4,038	3,828	3,664
888,075	802,221	808,062	749,410	736,598	653,787	611,983	580,585
27.5%	26.3%	31.0%	29.1%	31.0%	34.7%	28.6%	30.9%
45.5	48.3	48.6	50.7	49.3	45.9	52.1	67.9
27.0	25.4	20.4	20.2	19.7	19.4	19.3	1.2
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30.3¢	30.2¢	30.1¢	29.8¢	30.0¢	30.0¢	30.2¢	30.2¢
27.9	28.4	29.4	29.6	30.1	33.3	34.6	32.7
28.0	29.3	31.2	33.6	34.4	37.1	35.4	34.5
28.6¢	29.1¢	30.0¢	30.5¢	30.9¢	32.9¢	33.5¢	32.0¢
3,338,669	3,363,503	3,032,844	3,110,309	2,775,582	2,779,629	2,497,276	2,271,482
2,160,569	2,110,510	2,064,045	2,008,623	1,944,503	1,874,743	1,803,989	1,745,030
93.8	93.5	93.5	93.3	92.8	92.5	91.3	91.4
109.7	112.4	107.5	110.6	113.1	108.3	108.1	104.2

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

44 MONTGOMERY STREET
SAN FRANCISCO 94104

February 15, 1972

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

We have examined the balance sheet of Pacific Gas and Electric Company as of December 31, 1971 and 1970 and the related statements of income, reinvested earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the Company at December 31, 1971 and 1970 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

STATEMENT OF CHANGES IN FINANCIAL POSITION Pacific Gas and Electric Company
For the Years Ended December 31, 1971 and 1970

FUNDS PROVIDED:	Thousands	
	1971	1970
Funds Derived from Operations:		
Net Income	\$193,114	\$166,219
Non-Fund Items in Net Income:		
Depreciation (including charges to other accounts)	139,070	129,504
Gain on Bonds Purchased for Sinking Fund	(9,767)	(14,099)
Other—Net	(2,354)	(4,879)
Total Funds Derived from Operations*	320,063	276,745
Common Stock Sold—Net	—	49,060
Preferred Stock Sold—Net	104,077	17,639
Mortgage Bonds Sold—Net	273,353	174,183
Utility Plant Sold and Salvaged	18,214	18,885
Increase in Short-term Borrowing	—	55,350
Other Changes—Net	2,690	977
TOTAL	\$718,397	\$592,839
FUNDS APPLIED:		
Capital Expenditures*	\$451,851	\$415,331
Mortgage Bonds Retired (at cost)	44,246	39,390
Dividends—Preferred and Common Stock	124,179	108,204
Decrease in Short-term Borrowing	63,550	—
Increase in Other Working Capital Items	34,571	29,914
TOTAL	\$718,397	\$592,839

*Includes allowance for funds used during construction.

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

STATEMENT OF INCOME Pacific Gas and Electric Company • For the Years Ended December 31, 1971 and 1970

	Thousands	
	1971	1970
OPERATING REVENUES:		
Electric	\$ 790,046	\$ 703,204
Gas	467,963	397,907
Other	2,336	2,147
TOTAL	1,260,345	1,103,258
OPERATING EXPENSES:		
Operation:		
Natural Gas Purchased	337,675	292,222
Power Purchased	49,171	36,785
Other Production	30,602	25,511
Transmission	14,471	12,855
Distribution	54,611	50,318
Customer Accounts	42,848	38,205
Marketing	10,474	10,187
Administrative and General	60,615	50,838
Total	600,467	516,921
Maintenance	62,980	56,430
Depreciation (Note 1)	131,326	122,218
Federal Income Taxes (Note 1)	75,637	52,774
Other Taxes	123,022	123,623
TOTAL	993,432	871,966
OPERATING INCOME	266,913	231,292
OTHER INCOME AND INCOME DEDUCTIONS:		
Allowance For Funds Used During Construction (Note 1)	25,888	18,153
Gain on Bonds Purchased For Sinking Fund (Note 1)	9,767	14,099
Other—Net	7,241	3,356
TOTAL	309,809	266,900
INTEREST CHARGES:		
Interest On Mortgage Bonds	114,898	96,247
Amortization of Net Bond Discount and Expense and Miscellaneous Interest (Note 1)	1,797	4,434
TOTAL	116,695	100,681
NET INCOME	\$ 193,114	\$ 166,219
EARNINGS PER COMMON SHARE	\$2.75	\$2.47

STATEMENT OF REINVESTED EARNINGS Pacific Gas and Electric Company
For the Years Ended December 31, 1971 and 1970

	Thousands	
	1971	1970
BALANCE, JANUARY 1	\$ 641,515	\$ 583,500
NET INCOME	193,114	166,219
TOTAL	834,629	749,719
DIVIDENDS DECLARED—CASH:		
Preferred Stock	23,998	18,336
Common Stock—Per Share: 1971—\$1.64; 1970—\$1.50	100,181	89,868
TOTAL	124,179	108,204
BALANCE, DECEMBER 31	\$ 710,450	\$ 641,515

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

BALANCE SHEET Pacific Gas and Electric Company • December 31, 1971 and 1970

ASSETS

	Thousands	
	1971	1970
UTILITY PLANT—At original cost: (Note 1)		
Electric	\$3,796,512	\$3,619,306
Gas	1,155,013	1,105,398
Other Departments and Common	322,966	293,480
Construction Work in Progress	459,855	308,369
Total Utility Plant	5,734,346	5,326,553
Accumulated Depreciation	1,403,462	1,296,338
UTILITY PLANT—NET	4,330,884	4,030,215
INVESTMENTS—At cost:		
Subsidiaries (Notes 1, 2 and 4)	31,969	24,777
Nonutility Property and Other	4,083	4,056
TOTAL INVESTMENTS	36,052	28,833
CURRENT ASSETS:		
Cash	23,938	23,645
Temporary Cash Investments — at cost	46,812	—
Accounts Receivable (less allowance for uncollectible accounts: 1971, \$2,188; 1970, \$2,272)	110,851	104,425
Materials and Supplies — at average cost	37,018	29,122
Gas Stored Underground — at average cost	23,663	20,111
Prepayments	14,221	70,479
TOTAL CURRENT ASSETS	256,503	247,782
DEFERRED DEBITS:		
Unamortized Bond Discount and Expense— Net (Note 1)	9,124	8,068
Other	1,246	3,934
TOTAL DEFERRED DEBITS	10,370	12,002
TOTAL	\$4,633,809	\$4,318,832

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

BALANCE SHEET Pacific Gas and Electric Company • December 31, 1971 and 1970

LIABILITIES

	Thousands	
	1971	1970
CAPITALIZATION:		
Common Stock (Note 3) (Schedule 1)	\$ 610,861	\$ 610,861
Excess of Premiums Over Discount and Expense On Outstanding Shares (Note 3)	200,216	193,166
Reinvested Earnings	710,450	641,515
Common Stock Equity	1,521,527	1,445,542
Preferred Stock (Note 3) (Schedule 1)	464,951	367,924
Total	1,986,478	1,813,466
Mortgage Bonds (Note 4) (Schedule 2)	2,304,027	2,063,121
TOTAL CAPITALIZATION	4,290,505	3,876,587
CURRENT LIABILITIES:		
Notes Payable	—	63,550
Accounts Payable	93,807	87,315
Customer Deposits	6,851	6,072
Taxes Accrued	46,297	82,955
Interest Accrued	11,101	9,701
Dividends Payable	25,045	22,908
Mortgage Bonds—Current portion (Note 4) (Schedule 2)	11,021	30,940
TOTAL CURRENT LIABILITIES	194,122	303,441
CUSTOMER ADVANCES FOR CONSTRUCTION	24,980	17,725
DEFERRED CREDITS	3,438	3,971
RESERVE FOR INSURANCE AND CASUALTIES	3,914	3,409
CONTRIBUTIONS IN AID OF CONSTRUCTION	64,641	58,545
ACCUMULATED DEFERRED TAXES ON INCOME—Accelerated amortization	52,209	55,154
TOTAL	\$4,633,809	\$4,318,832

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

CAPITAL STOCK Pacific Gas and Electric Company • December 31, 1971 — Schedule 1

Description	Shares Authorized	Thousands	
		Outstanding — Held by Public	Amount
COMMON, PAR VALUE \$10 PER SHARE	75,000	61,086	\$ 610,861
PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE: (Note 3)			
REDEEMABLE:			
9.28%	707	707	\$ 17,674
9%	881	881	22,027
8.16%	3,000	3,000	75,000
5%	2,861	2,861	71,524
5% — Series A	1,750	1,719	42,985
4.80%	1,517	1,517	37,934
4.50%	1,128	1,128	28,186
4.36%	1,000	1,000	25,000
Unclassified in series	11,371	—	—
TOTAL REDEEMABLE	24,215	12,813	320,330
NON-REDEEMABLE:			
6%	4,212	4,212	105,292
5½%	1,173	1,173	29,329
5%	400	400	10,000
TOTAL NON-REDEEMABLE	5,785	5,785	144,621
TOTAL PREFERRED	30,000	18,598	\$ 464,951

MORTGAGE BONDS Pacific Gas and Electric Company • December 31, 1971 — Schedule 2

Maturity	Interest Rate	Series	Thousands	
			Outstanding — Held by Public	Held in Treasury
Jun. 1, 1974	3	L	\$ 109,101	
Dec. 1, 1975	3	O	2,000	
Jun. 1, 1976	2⅞	T	43,522	
Dec. 1, 1977	3	N	47,962	
Dec. 1, 1978	3¾	CC	56,860	
Dec. 1, 1979	3	M	73,635	
Dec. 1, 1980	2⅞	Q	52,701	
Jun. 1, 1981	2¾	P	21,437	
Jun. 1, 1982	3⅞	R	64,673	
Jun. 1, 1983	3	S	59,023	\$ 368
Jun. 1, 1984	3⅞	X	46,740	2,786
Dec. 1, 1984	3⅞	W	33,991	3,303
Dec. 1, 1985	3⅞	U	33,979	1,757
Dec. 1, 1986	4½	AA	29,283	
Dec. 1, 1987	3⅞	Y	28,527	2,373
Dec. 1, 1988	3⅞	Z	13,772	115
Jun. 1, 1989	5	BB	57,700	
Jun. 1, 1990	4½	DD	49,302	
Jun. 1, 1991	5	EE	59,815	
Jun. 1, 1992	4⅞	FF	51,494	
Jun. 1, 1993	4½	GG	56,232	425
Jun. 1, 1994	4⅞	HH	57,188	
Jun. 1, 1995	4¼	II	49,058	332
Jun. 1, 1996	4½	JJ	62,238	459
Dec. 1, 1996	4½	KK	61,175	275
Jun. 1, 1997	4⅞	LL	68,890	
Jun. 1, 1998	5⅞	MM	72,000	
Dec. 1, 1998	5¾	NN	75,750	
Jun. 1, 1999	5½	OO	77,000	
Dec. 1, 1999	6⅞	PP	80,000	
Jun. 1, 2000	6⅞	QQ	50,000	
Dec. 1, 2000	6¾	RR	60,000	
Jun. 1, 2001	7½	SS	80,000	
Dec. 1, 2001	9	TT	80,000	
Jun. 1, 2002	8⅞	UU	75,000	
Dec. 1, 2002	8⅞	VV	100,000	
Jun. 1, 2003	8	WW	150,000	
Dec. 1, 2003	7½	XX	125,000	
TOTAL MORTGAGE BONDS			2,315,048	\$12,193
Mortgage Bonds Included In Current Liabilities (Note 4)			11,021	
Mortgage Bonds Included In Capitalization			\$2,304,027	

NOTE: The amount of Mortgage Bonds (First and Refunding) currently authorized (\$3 billion) may be increased from time to time by the Board of Directors. Additional bonds of other series may be issued subject to provisions of the related bond indenture. The accompanying notes to financial statements are an integral part of these schedules.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES: The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the Federal Power Commission and adopted by the California Public Utilities Commission.

The cost of additions to utility plant and replacements of retirement units of property is capitalized. Cost includes labor, material, and similar items and indirect charges for engineering, supervision, transportation, etc. The Company capitalizes an allowance for funds used during construction equivalent to the cost of capital devoted to plant under construction. Research and development costs related to specific construction projects and a portion of general engineering research are capitalized. Other research and development costs are charged to expense as incurred. Replacement of minor items of property is included in maintenance expenses. Costs of depreciable units of plant retired are eliminated from utility plant accounts and such costs plus removal expenses and less salvage are charged to accumulated depreciation.

For financial statement purposes, depreciation of utility plant is computed on a straight-line remaining life basis at rates based on the estimated useful lives of properties. For federal income tax purposes the Company computes depreciation using the most liberalized methods allowed by the Treasury Department. In accordance with requirements of the California Public Utilities Commission, the Company includes in net income the current tax reductions arising from such depreciation computations.

Federal and state taxes on income are allocated to Operating Expenses and Other Income And Income Deductions. Investment tax credits are applied currently as a reduction of federal income tax expense.

Bond issuance premium or discount and related expenses are being amortized over the lives of the issues to which they pertain. Redemption premium and any unamortized balance of bond issuance premium or discount and related expenses at the time of redemption are being amortized over the lives of the refunding issues.

Gain on reacquisition of bonds to satisfy sinking fund requirements is credited to Other Income And Income Deductions in the year of acquisition. Federal income taxes on such gain are recognized over the average life of remaining property. The Federal Power Commission has initiated proposed accounting rulemaking that would change the accounting for such gains. This proposal would require, among other things, that the gain or loss from reacquisition of long-term debt be amortized over the remaining life of the related debt securities.

The assets, revenues, and earnings of subsidiaries are not significant in relation to those of the Company. The Company's investment in subsidiaries is generally stated at cost. Income is recognized as dividends are received.

NOTE 2 SUBSIDIARIES: The Company's equity in the net assets of its subsidiaries as of December 31, 1971 and

1970 was \$33,876,000 and \$26,594,000 and in the results of operations for the years ended December 31, 1971 and 1970 was \$1,775,000 and \$2,254,000, respectively. Dividend income was \$2,121,000 and \$1,313,000 for the years 1971 and 1970.

NOTE 3 CAPITAL STOCK: Additions consisted of: 1971 — preferred stock—\$97,027,000, representing the par value of 3,881,074 shares sold; 1970 — common stock — \$23,495,000, representing the par value of 2,349,467 shares sold; preferred stock — \$17,674,000, representing the par value of 706,960 shares sold. Additions to the excess of premiums over discount and expenses on outstanding shares consisted of: 1971 — \$7,050,000; 1970 — \$25,530,000, representing the excess of net proceeds over par value of preferred and common stock sold.

Preferred stock outstanding at December 31, 1971, included 12,813,200 shares subject to redemption, in whole or in part, at the option of the Company upon payment of the redemption price plus accumulated and unpaid dividends to the date fixed for redemption. The redemption premium per share declines in accordance with terms of the specific issue. At December 31, 1971, the redemption price per share was \$26.00 to \$29.875. The involuntary liquidation preference of the preferred stock is par value (\$25) plus accrued dividends.

NOTE 4 MORTGAGE BONDS: All real properties and substantially all personal properties are subject to the lien of the mortgage. Securities representing investments in subsidiaries are pledged as collateral for the bonds.

The Company is required, according to provisions of the First and Refunding Mortgage, to make semiannual sinking fund payments on February 1 and August 1 of each year for the retirement of the bonds of any series equal to 1/2 of one percent of the aggregate bonded indebtedness outstanding on the next preceding May 31 or November 30. Sinking fund payments due in 1972 for bonds outstanding at December 31, 1971, amounted to \$23,214,000. This amount, less treasury bonds of \$12,193,000, is included in current liabilities. During the year 1971, the principal amounts of bonds issued and retired were \$275,000,000 and \$54,013,000, respectively.

NOTE 5 COMMITMENTS AND CONTINGENT LIABILITIES: Capital expenditures for the year 1972 are estimated at \$520,000,000.

The Company provides retirement and savings plans for substantially all employees. The costs of the retirement plan and the savings plan (including amounts charged to construction) for the years 1971 and 1970 were \$18,688,000 and \$17,092,000. At December 31, 1971 and 1970, the Company had fully funded or accrued the actuarially computed value of all vested benefits provided under the retirement plan.

BOARD OF DIRECTORS

John F. Bonner	San Francisco
Ransom M. Cook*	San Francisco
James F. Crafts	San Francisco
Charles de Bretteville	San Francisco
Rudolph J. Drews	San Francisco
Alfred W. Eames, Jr.	San Francisco
Robert H. Gerdes*	San Francisco
Walter A. Haas*	San Francisco
James M. Hait	San Jose
Elliott McAllister*	San Francisco
Leon S. Peters	Fresno
Richard H. Peterson	San Francisco
Porter Sesnon*	San Francisco
S. L. Sibley*	San Francisco
Emmett G. Solomon	San Francisco

*Member Executive Committee

EXECUTIVE OFFICERS

S. L. Sibley	President and Chief Executive Officer
Robert H. Gerdes	Chairman of the Executive Committee
John F. Bonner	Executive Vice President
Richard H. Peterson	Executive Vice President
C. E. Ginochio	Senior Vice President
J. Dean Worthington	Senior Vice President
Donald L. Bell	Vice President—Finance
H. P. Braun	Vice President—Electric Operations
Joseph Y. DeYoung	Vice President—Commercial Operations
Robert R. Gros	Vice President—Public Relations
F. F. Mautz	Vice President—Engineering
Frederick W. Mielke, Jr.	Vice President and Assistant to the President
Richard K. Miller	Vice President—Personnel and General Services
Frank A. Peter	Vice President and Comptroller
John F. Roberts, Jr.	Vice President—Rates and Valuation
Frederick T. Searls	Vice President and General Counsel
C. H. Sedam	Vice President—General Construction
Barton W. Shackelford	Vice President—Planning and Research
E. F. Sibley	Vice President—Gas Operations
John A. Sproul	Vice President—Gas Supply
John F. Taylor	Secretary
Theodore M. Welp	Treasurer

* * * * *

A. H. Catherall	Assistant Secretary and Assistant Treasurer
A. J. Duffy	Assistant Treasurer
D. B. Allison	Assistant Secretary
J. N. Gehre	Assistant Secretary

DEPARTMENTAL ORGANIZATION January 1, 1972

ELECTRIC OPERATIONS

Managers:

H. R. Daniels, Hydro Generation
 Harold J. Erling, System Protection
 T. R. Ferry, Communications
 Elmer F. Kaprielian, Power Control
 Paul Matthew, Steam Generation
 H. J. Stefanetti, Transmission and Distribution
 J. N. Ylarraz, Substations

GAS OPERATIONS

Managers:

E. C. Drew, Gas Utilization
 J. A. Fairchild, Gas Distribution
 S. A. Haavik, Natural Gas Production
 I. C. Odom, Gas System Planning
 F. J. Parsons, Gas Control
 H. P. Prudhomme, Pipe Line Operations
 C. J. Tateosian, Gas System Design

GAS SUPPLY

Manager:

Robert W. Brooks, Gas Procurement

ENGINEERING

Thomas A. Bettersworth, Chief Electric
 Distribution Engineer
 Richard V. Bettinger, Chief Civil Engineer
 Kenneth L. C. Dorking, Chief, Design-Drafting
 William R. Johnson, Chief Electric Generation
 and Transmission Engineer
 Douglas V. Kelly, Chief Mechanical Engineer
 James J. McCann, Chief, Engineering Services

PLANNING AND RESEARCH

R. F. Cayot, Chief, Engineering Research
 Elmer E. Hall, Chief Siting Engineer
 G. A. Maneatis, Chief Computer Application
 Engineer
 H. R. Perry, Chief Planning Engineer

RATES AND VALUATION

Managers:

S. M. Andrew, Economics and Statistics
 H. E. Crowhurst, Jr., Valuation
 W. M. Gallavan, Rate

COMPTROLLER

James W. Hall, Assistant Comptroller
 K. S. Taylor, Assistant Comptroller

Managers:

R. W. Beck, Corporate Accounting
 Frank Cortese, Jr., Disbursement Accounting
 John L. Counce, Computer Operations
 H. W. Gleason, Income Tax
 N. D. Hennings, Plant Accounting
 R. E. Palmer, Property Tax
 E. M. Schroeder, Customer Accounting

CLAIMS AND SAFETY DEPARTMENT

R. W. White, Manager

MATERIALS DEPARTMENT

Raymond P. Benton, Manager

PUBLIC RELATIONS

Managers:

W. A. Hynes, Public Activities
 A. J. McCollum, Public Information

INFORMATION SYSTEMS

John R. Kleespies, General Information
 Systems Manager

Managers:

Roger W. Barbey, Information Systems
 Development
 Ho-Nien Liu, Computerized Systems
 Technology
 Dexter Stoner, Computer Support Systems

FINANCE

Managers:

J. A. Crockwell, Insurance
 Earl C. Suess, Internal Auditing

TREASURER

Managers:

A. H. Catherall, Treasury Operations
 J. T. Doudiet, Financial Planning and Analysis
 E. C. Paddock, Credit and Collection

PERSONNEL AND GENERAL SERVICES

Managers:

Thomas V. Adams, Personnel Relations
 I. Wayland Bonbright, Industrial Relations
 Nolan H. Daines, Land
 Gerald P. Larson, Automotive and Equipment

GENERAL CONSTRUCTION

Managers:

M. H. Chandler, Station Construction
 Hugo Irons, General Construction Services
 Robert F. Irons, Field Office Operations
 Joe Pirtz, Civil-Hydro and Gas Construction
 C. Gordon Sparrowe, Line Construction

COMMERCIAL OPERATIONS

Managers:

Stanley O. Blois, Commercial, Industrial and
 Agricultural Marketing
 Walter Blumst, Marketing Research and
 Services
 Albert B. Cook, Commercial
 Walter D. Howell, General Marketing
 Allen D. Owen, Customer Services
 R. L. Sawyer, Jr., Residential Marketing
 J. S. Walsh, Area Services

LAW DEPARTMENT

John C. Morrissey, Associate General Counsel
 Assistant General Counsel:
 William B. Kuder William E. Johns
 Malcolm H. Furbush Charles T. Van Deusen
 Malcolm A. MacKillop Philip A. Crane, Jr.

OFFICE OF THE PRESIDENT

Ralph B. Dewey, Assistant to the President

**GOVERNMENTAL AND PUBLIC AFFAIRS
DEPARTMENT**

A. R. Todd, Manager

DIVISION MANAGERS

COAST VALLEYS: W. L. Murray, Salinas
 COLGATE: Grant N. Radford, Marysville
 DE SABLE: C. Robert Martin, Chico
 DRUM: William D. Laughlin, Auburn
 EAST BAY: W. D. Skinner, Oakland
 HUMBOLDT: V. C. Novarino, Eureka
 NORTH BAY: J. Galen Foster, San Rafael

SACRAMENTO: Stanley E. Howatt, Sacramento
 SAN FRANCISCO: John H. Black,
 San Francisco
 SAN JOAQUIN: Earl E. Foley, Fresno
 SAN JOSE: Ellis B. Langley, Jr., San Jose
 SHASTA: Vernon H. Lind, Red Bluff
 STOCKTON: Howard M. McKinley, Stockton

STOCKHOLDERS' CALENDAR

Schedule of Dividend Payment Dates—1972

COMMON STOCK	PREFERRED STOCK
January 15	February 15
April 15	May 15
July 15	August 15
October 16	November 15

STOCK EXCHANGE LISTINGS

Common stock of the Company is listed on the New York, Pacific Coast and Honolulu Stock Exchanges.

Preferred stocks of the Company are listed on the American and Pacific Coast Stock Exchanges.

ANNUAL MEETING

The Management will solicit proxies for the annual meeting to be held at the office of the Company, 77 Beale Street, San Francisco, California, on Tuesday, April 25, 1972 at 2:00 p.m. 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 23, 1972.

STOCK TRANSFER AGENTS

Office of the Company (W. Roby, Transfer Agent), San Francisco; Bankers Trust Company, New York

REGISTRARS OF STOCK

Wells Fargo Bank, N.A., San Francisco; Chemical Bank, New York

EXECUTIVE OFFICES

Pacific Gas and Electric Company,
77 Beale Street, San Francisco,
California 94106

The 1971 Financial Statements are printed on 100% recycled paper.

4:00 AM

8:00 AM

12:00

4:00 PM

8:00 PM

12:00

MILLION CUBIC FEET PER HOUR

200

180

160

140

120

100

80

60

40

20

0

24 HOUR WINTER GAS SENDOUT

24 HOUR SUMMER GAS SENDOUT

