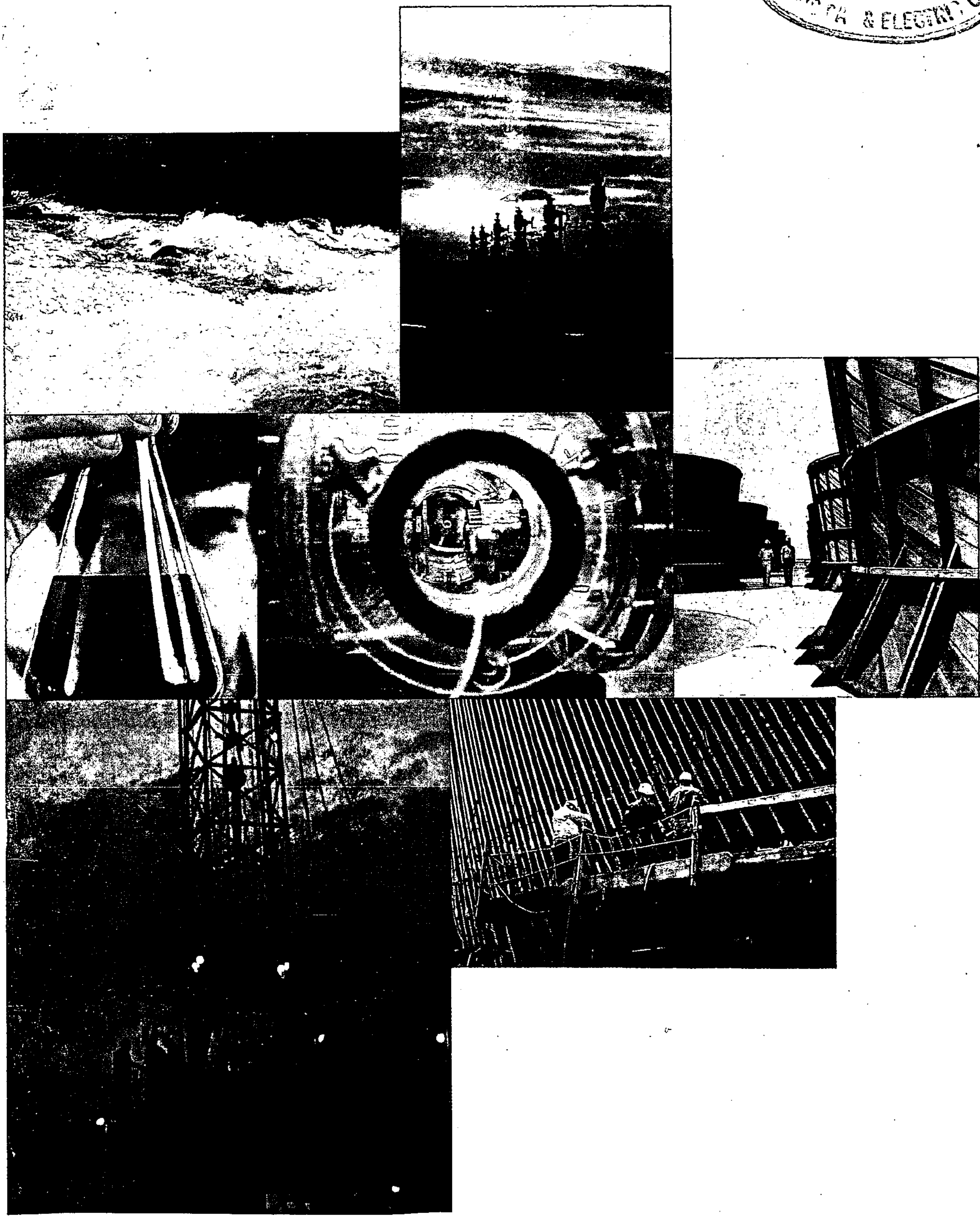
Pacific Gas and Electric Company 1973 Annual Report



COVER: The diverse energy resources available to Northern and Central California are being supplemented through PG&E's efforts to develop new sources of energy supply.

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Highlights

	1973	1972	Increase (Decrease)
Operating Revenues	$1,490,156,000	$1,350,613,000	10 %
Net Income	$ 243,607,000	$ 215,344,000	13 %
Earnings Available for Common	$ 206,925,000	$ 184,235,000	12 %
Earnings Per Common Share	$3.23	$3.02	7 %
Dividends Per Common Share	$1.78	$1.72	3 %
Total Assets	$5,471,097,000	$4,993,094,000	10 %
Capital Expenditures	$ 565,539,000	$ 543,640,000	4 %
Sales of Electricity to Customers (KWH)	50,667,205,000	48,355,023,000	5 %
Sales of Gas to Customers (MCF)	708,668,000	736,236,000	(4)%
Total Customers	5,307,667	5,160,690	3 %
Number of Stockholders	268,678	258,384	4 %
Number of Employees	26,415	25,661	3 %

To Stockholders

During the year 1973 the Company made good progress in most aspects of its business. Earnings per share of common stock reached a new high of $3.23, up 21 cents, or 7%, from 1972 earnings. The Company benefited from above-average hydroelectric conditions during the year and from the higher gas rates authorized by the California Public Utilities Commission early in 1973.

In recognition of greater earnings and the increased investment of common stockholders through retained earnings, the common stock dividend was raised in January to 47 cents per share, effective with the April 15, 1974 payment. This was an increase of 2½ cents per share over the quarterly rate in effect since the first quarter of last year, bringing the annual rate to $1.88 per share.

Although the impact of energy conservation measures was felt toward the end of the year, the growth in electric sales approximated the historical trend. Gas sales were down only slightly, mainly because of supply limitations. The Company successfully accomplished the financing of its large construction program, which in general was carried forward on schedule.

Of considerable concern throughout the year were the rapidly escalating costs of oil and natural gas and the difficulties encountered in endeavoring to obtain adequate amounts of fuel oil for future electric generation. Fortunately, from the standpoint of the financial integrity of the Company, the CPUC has established special procedures for prompt rate adjustments to offset fuel cost increases of this type, which amounted to $74.5 million in gas rates and $109.2 million in electric rates in 1973. In January of 1974 an electric rate increase of $63.6 million was granted to cover increased fuel costs. The Company has also filed for gas rate increases of $156 million annually to offset a new round of natural gas cost increases scheduled to take effect at midyear.

In addition to the unprecedented increases in the cost of oil and natural gas, virtually all other costs of doing business are also continuing to rise. In order to compensate for this inflation and to obtain a reasonable rate of return on an expanding rate base, the Company applied in August 1973 for increases in its electric, gas and steam rates aggregating $233 million. The requested increases are based upon estimates of revenues and expenses for the "test year" 1975. These estimates will be adjusted to reflect the results of energy conservation programs that have been placed in effect since last August.

The Company continues its worldwide search for the large additional supplies of fuel oil needed currently and in the near future. The total requirements for 1974 have not been fully met, and allocations of additional oil under the regulations of the Federal Energy Office may be necessary.

Because of the increasing difficulty in obtaining adequate supplies of fuel oil, the CPUC has ordered, and the Company is carrying out, a conservation program urging customers to conserve both electric and gas energy. The program calls for percentage reductions and also prescribes limitations on certain specified uses. The conservation that is being accomplished by this program, together with an excellent hydro outlook for 1974, has alleviated, but not eliminated, the shortfall in fuel oil supply for 1974.

Satisfying the growing needs for all forms of primary energy will be a continuing challenge in the years ahead. The Company's combination of energy resources for electric generation is well diversified. Company-generated and purchased hydroelectric energy accounted for almost one-half of total electric generation in 1973, with the balance coming from thermal plants, fueled by natural gas, oil, nuclear energy and geothermal steam.

It is anticipated that in the relatively near future coal will become a primary energy resource of significance as a source of gas supply for both electric and gas operations. For the long-term future the most important primary energy resource for the generation of electric energy will be nuclear fuel. The Company expects to bring its first large nuclear generating unit into commercial operation next year, and a second unit of the same size the following year. The construction of additional nuclear generating capacity is a Company objective of the highest priority.

The energy shortage to date has not had a serious operational impact on the Company's gas business. However, the level of service to interruptible industrial customers has declined, largely as a result of allocation by the Federal Power Commission of a portion of the Company's contracted gas supply to other gas distribution companies. The gas supplies still available to the Company are adequate to take care of residential and other firm customers for the next several years.

Present prospects for supplemental gas supplies include more natural gas from Canada, where substantial proven reserves are under contract and where additional reserves in the far north are being developed with the financial assistance of the Company. Exploration ventures have also been undertaken in Alaska and the Rocky Mountain area of the United States. The Company is continuing to study the feasibility of synthetic natural gas made from oil feedstocks or coal. It is also investigating potential supplies of liquefied natural gas that would be transported from overseas sources by refrigerated tankers.

There is a natural tendency, with the nation in the throes of an energy shortage, to be concerned about the adequacy of the resource base for gas and electric utilities to take care of the normal load growth of their customers. However, the established and potential reserves of oil, gas, coal, oil shale, tar sands, and nuclear fuels available on this continent alone should provide an adequate resource base for the long-term future. The electric and gas industries are employing their financial and technical resources to support comprehensive research and development programs to improve the economic extraction, processing and utilization of these vast energy resources. Consequently, we are confident that in the years ahead we will be able to supplement our presently available energy supplies in an orderly and efficient manner.

Among the most promising research and development projects now in progress are the breeder reactor, which would greatly multiply the supplies of fissionable fuel for nuclear power plants, and new processes for the conversion of coal and oil into gas of a quality equal to natural gas.

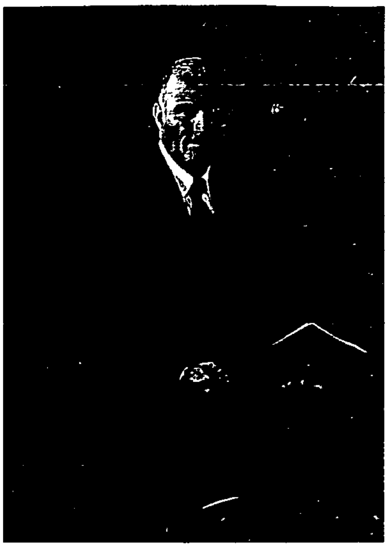
These additional energy supplies will be needed to achieve the cleaner environment and strengthened economy that we all desire, even though the rate of future growth may well be moderated by an enduring conservation ethic that will emerge from the current period of stringent self-discipline. In constructing the facilities necessary to achieve these goals, we intend to work cooperatively and constructively with other organizations, private and governmental, which are interested in preserving and enhancing our environment.

We look forward with confidence to continuing to meet the growing requirements for electric and gas energy in the great and economically diversified area of California that we serve. In doing so, we hope to contribute to its betterment as a place in which to live and work.

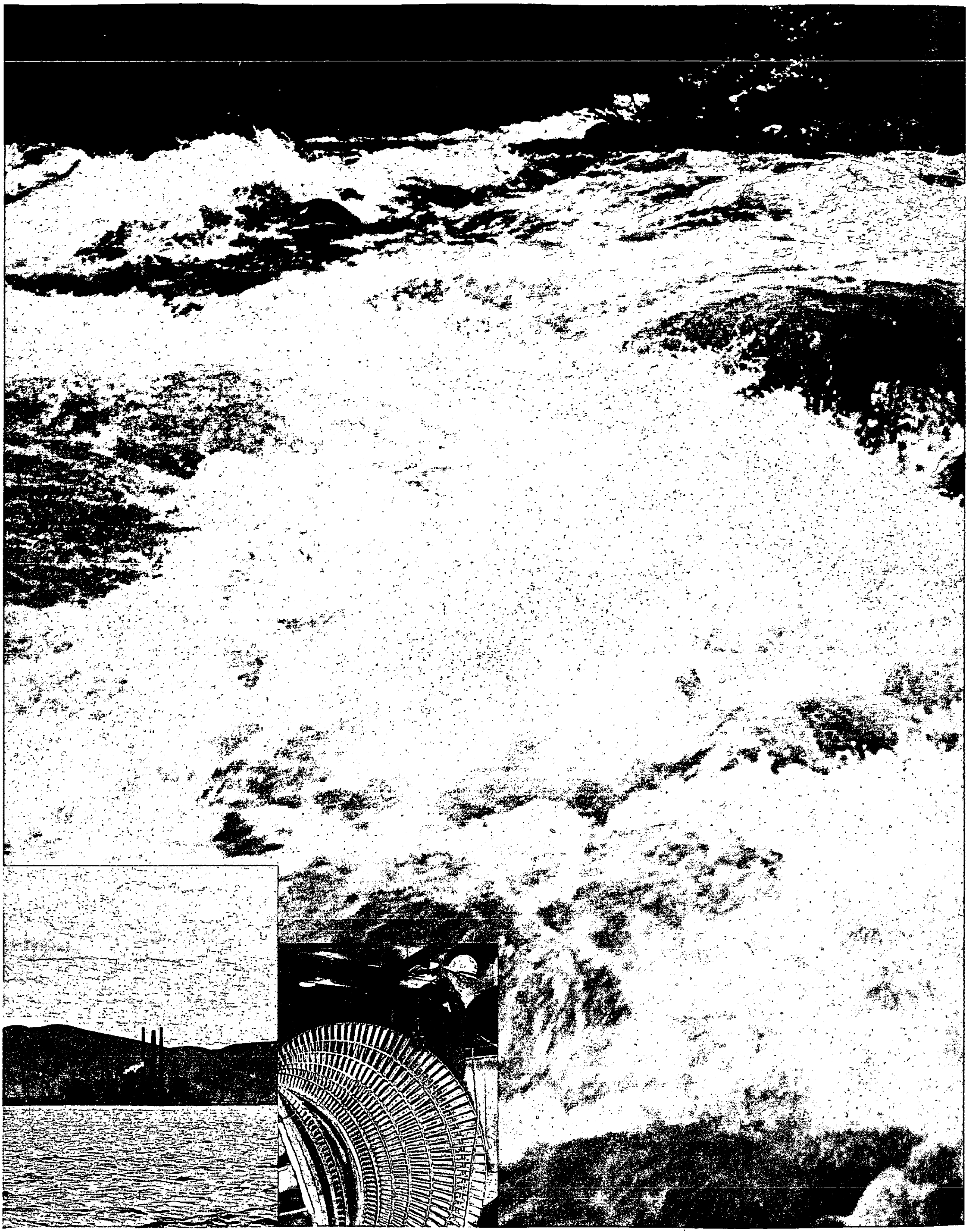
The Company's progress in the past year, and determined efforts to maintain high standards of courteous and reliable service during this difficult period of energy shortage, reflect most favorably upon the Company's industrious and dedicated employees.

S L Sibley

For the Board of Directors
February 28, 1974



S. L. Sibley, Chairman of the Board and Chief Executive Officer



Diverse natural resources available to our service territory have traditionally provided a strong base for electric power generation

PG&E has met its energy needs through use of hydroelectric resources, thermal electric generation and geothermal steam.

Rivers of Northern California are a significant source of power to our service area. In 1973 hydroelectric energy provided the Company with 42% of its total system requirements.

Oil and natural gas are used in the Company's thermal electric generating facilities. The growing shortage of natural gas required increased reliance on oil during 1973.

Geothermal steam at the Geysers occurs at high temperature and pressure, and is directly usable as a source of energy. It now supports 396,000 kilowatts of generating capability from ten units located at the Geysers Power Plant in Sonoma County. Further development of the site to add more generating capability is under way.

Financial

Operating revenues for 1973 reached $1 billion 490 million, an increase of $140 million, or 10.3%, over 1972. Electric revenues contributed 63.4% of the total, gas revenues 36.4%, and water and steam sales the small remainder. As shown on page 17, total sales of electricity increased about 5%, reflecting the generally high level of economic activity within the Company's service territory throughout most of 1973. Because the statewide program to conserve electric energy was in effect only during the last two months of 1973, it did not have a substantial effect on the year's total increase in electric sales. Although sales of gas to residential and other firm customers increased, total sales of natural gas declined slightly because of limitations on supply to the Company.

Operating expenses amounted to $1 billion 173 million, an increase of $103 million, or 9.6%, above the prior year. Nearly half of this amount was attributable to increases in the price of natural gas and fuel oil purchased by the Company.

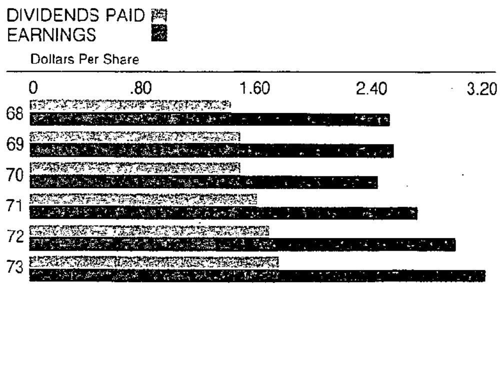
Net income for 1973 amounted to $244 million, an increase of $28 million over 1972. After preferred dividend requirements, the balance available for the common stockholders increased $23 million to $207 million. Earnings per common share were $3.23, an increase of 21 cents, or 7%, over the prior year, on a greater average number of shares outstanding during 1973.

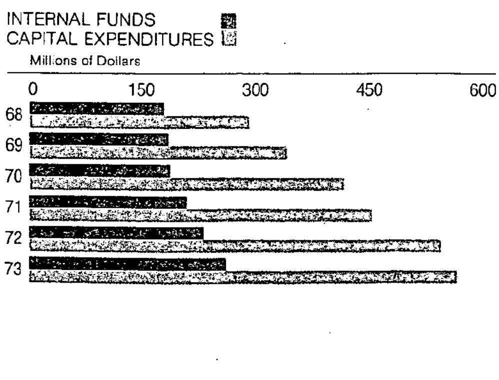
The common stock dividend was raised by 1½ cents per share in the first quarter of 1973 and by 2½ cents per share for the dividend payable April 15, 1974. The annual dividend rate now in effect is $1.88 per share.

In November the Company announced a Dividend Reinvestment Plan for its common shareholders, effective with the January 15, 1974 common stock dividend payment. The Plan gives them the opportunity to reinvest common stock dividends in additional shares of PG&E common stock, and also provides for the purchase of shares through voluntary cash contributions. Information about the Plan may be obtained from the Company's Transfer Agent.

Funds provided for construction and plant expenditures during 1973 amounted to $566 million, of which slightly less than half was derived from reinvested earnings and depreciation charges. The balance was financed with the proceeds of four security issues. Common stockholders of record on March 6, 1973 were offered the right to subscribe for 4,072,409 additional shares of common stock in the ratio of one new share for each fifteen then held. The subscription price of $25.65 produced net proceeds to the Company of approximately $103 million. In June $150 million of 32-year bonds were sold at competitive bidding at a cost to the Company of 7.87%. In October 2,000,000 shares of $25 par value preferred stock were sold on a negotiated basis at a cost of 7.49%. The Company's 1973 external financing program was completed in November by the sale at competitive bidding of an additional $150 million of 32-year bonds at a cost of 7.85%.

At year end the Company's total capitalization was $5 billion, consisting of 51.1% mortgage bonds, 12.4% preferred stock and 36.5% common stock equity. The 24,598,025 shares of outstanding preferred stock were owned by 94,442 stockholders, and the 65,158,538 shares of outstanding common stock were owned by 174,236 stockholders, a majority of whom are California residents.





Rates

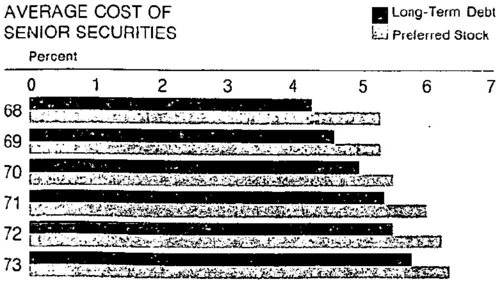
In order for the Company to compete successfully for capital to finance its growing construction program, the Company must realize a fair and reasonable return on investment in utility facilities. Such a return will provide an appropriate earnings growth rate and will enable the Company to maintain the high quality of its securities, thereby minimizing the cost of service to customers. In recent years it has not been possible to sustain a satisfactory level of earnings without rate increases.

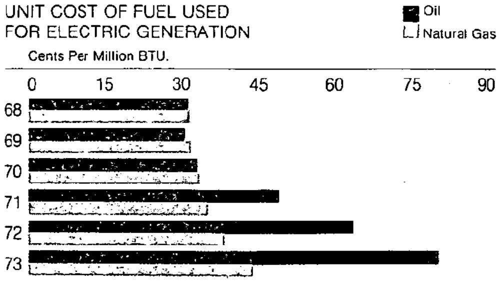
Increased costs of capital and fuel supplies and higher operating expenses made it necessary for the Company to request increases in its rate schedules several times during the year.

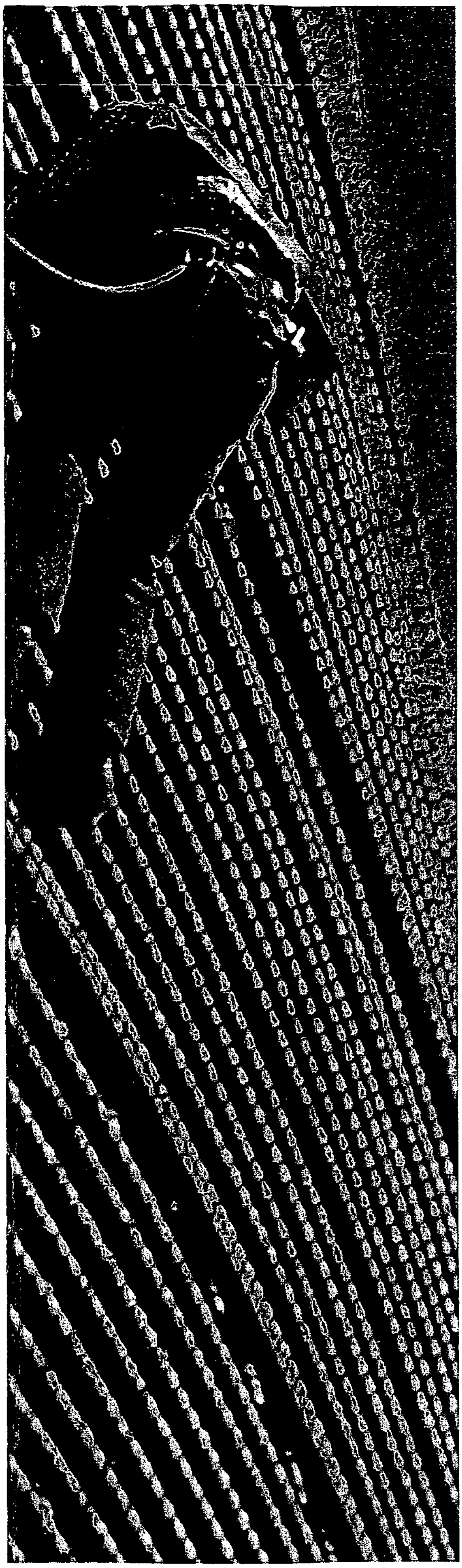
The prices the Company pays for natural gas from its three sources of supply were increased by $74 million on an annual basis during 1973. The Company sought the California Public Utilities Commission's authorization to increase its gas rates to recover these higher gas costs. Although the increases were eventually authorized, the decisions were several months late, and consequently did not fully offset the added costs incurred in 1973. In January 1974 the Company applied for an additional gas rate increase of $156 million annually to offset increased prices to be paid suppliers beginning at midyear.

In early 1973 the Commission authorized the Company to incorporate in its electric rate schedules a fuel cost adjustment clause to adjust the Company's rates periodically by amounts commensurate with increases or decreases in the cost of natural gas and fuel oil used for electric generation. The fuel cost adjustment clause also offsets increased costs to the Company for the progressively greater consumption of fuel oil, the more expensive of the two fuels. During 1973 the Commission permitted the Company to increase its rates by $109 million annually through the use of this adjustment clause. An additional increase of $63 million annually was placed in effect in January 1974.

In August 1973 the Company applied to the Commission for authority to increase its electric, gas, and steam rate schedules by $233 million annually, based on the level of sales and expenses expected in 1975. The request for higher rates arises because of continual increases in capital and operating costs. The rate of return requested in this application is 8.9% on the Company's investment in utility facilities. Hearings on this rate application commenced in February of 1974.







Concerted efforts on many fronts are combating the present energy shortage

Nuclear plant construction is nearing completion at Diablo Canyon. Safety in plant design is exemplified by the many layers of reinforcing steel rods which, together with poured concrete, will form the housing for reactor components. Two units, each with a capability of 1,060,000 kilowatts, will begin operation in 1975 and 1976, respectively. Efforts are progressing to locate and secure additional sites for future nuclear generation.

Underground gas storage helps to meet seasonal load variations. MacDonald Island storage field, pictured at sunset, builds to a maximum of 84 billion cubic feet of usable storage during the summer months and delivers 473 million cubic feet per day during high-demand periods in December and January. A 60-well drilling program presently near completion will increase withdrawal rates to 1.7 billion cubic feet per day.

Natural gas exploration by subsidiary companies is being conducted in western Canada, Alaska and the Rocky Mountains. Through these efforts the Company has acquired the purchase rights to additional natural gas supplies.

Shipments of fuel oil have arrived from countries throughout the world to supplement fuel supplies needed for electric generation. In response to increasingly scarce supplies of oil, the Company is modifying its generating plants to burn a wider variety of fuel oils. An expansion program is currently under way to increase maximum storage capacity of fuel oil to 15.5 million barrels by year end 1974.

Electric

Electric system output in 1973 amounted to 60.6 billion kilowatt hours, an increase of about 2.5% over the preceding year. The Company's thermal electric generating plants produced 53% of this total. The Company's 65 hydroelectric generating plants, together with power purchased from other hydroelectric producers, principally public water conservation agencies within the Company's service area, accounted for most of the remaining 47%. Most of this power was purchased under long-term contracts. A record peak demand of 10.9 million kilowatts was served on July 26, 1973 with an ample margin of reserve generating capacity. At year end the Company had 2,855,000 electric customers, an increase of 87,000.

During the year two 53,000 kilowatt units of geothermal generating capacity were added to the Company's electric system. These additions increased the generating capacity available to the Company to 13,073,000 kilowatts at year end. This total consisted of 10,476,300 kilowatts from Company plants and 2,596,700 kilowatts available under firm contracts from other producers.

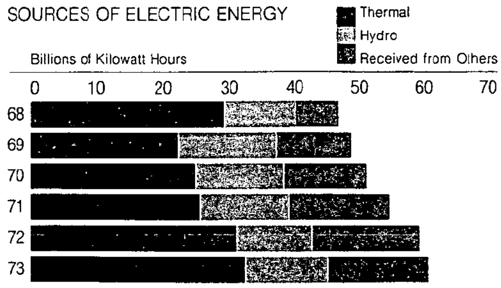
To serve the demand for electricity in the future the Company currently has fifteen electric generating units under construction or scheduled totaling nearly 5 million kilowatts, of which 78% will be non-fossil fueled. The largest additions to plant capacity will be two nuclear units at the Diablo Canyon site, 170 miles south of San Francisco. The first 1,060,000 kilowatt unit is more than 80% completed, and the second unit is approximately 45% completed. Six additional geothermal generating units, providing 622,000 kilowatts of capacity, expected to be placed in operation within the next five years, will bring the Company's total generating capacity in the Geysers area to more than one million kilowatts.

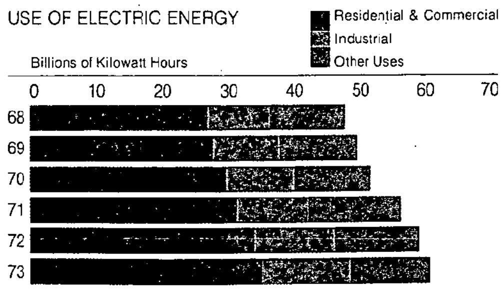
PLANNED CAPACITY ADDITIONS—KW
1974-1978

Completion Date	Geothermal	Nuclear	Fossil	Total
1974	106,000			106,000
1975		1,060,000	208,000	1,268,000
1976	216,000	1,060,000	100,000	1,376,000
1977	190,000			190,000
1978	110,000		800,000	910,000
Total	622,000	2,120,000	1,108,000	3,850,000

In addition to the capacity shown in the table, planning is well advanced for more geothermal, nuclear and fossil fueled generating facilities and for the 1,125,000 kilowatt Helms Pumped Storage Project on the Kings River, scheduled for completion by 1980. Also, a substantial part of the initial capacity and energy of Sacramento Municipal Utility District's Rancho Seco nuclear unit, which is expected to begin operation in 1974, will be available to the Company for a period of years.

As natural gas availability for electric generation has diminished, due in large part to the gas allocation orders of the Federal Power Commission, the Company's thermal generating plants have required greater amounts of fuel oil. By 1975 it is estimated that nearly all of the Company's fossil fuel requirements will be met by oil supplies. To provide adequate supplies of oil, the Company is currently engaged in a worldwide fuel oil procurement program. The Company is also modifying its thermal





generating plants to accept a wider variety of fuel oils and is constructing additional storage capacity to handle much larger quantities of oil. Coal gasification for fuel for new thermal plants is under active consideration, and further expansion of nuclear power is planned.

In addition to its own research efforts, the Company is participating in the electric industry's greatly expanded research and development program through its contributions to the Electric Power Research Institute. This comprehensive program, which includes such projects as development of the fast breeder reactor, research programs in pollution control, underground transmission, and fusion reactor development, will contribute to the power technology of the future.

Gas

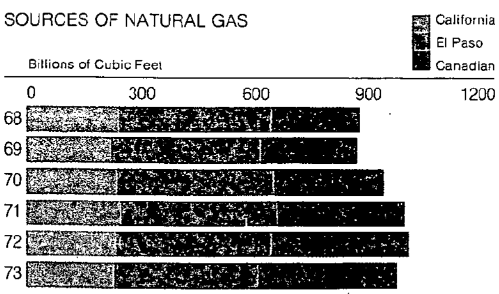
The Company obtains natural gas from three sources: the southwestern United States, Canada and local fields within California. In 1973 the Company purchased 984 billion cubic feet of natural gas for its customers and for use as fuel in its thermal electric generating plants. Of the total gas purchased, 38% was obtained from the Southwest through El Paso Natural Gas Company, 38% from Canada via the Alberta-California pipeline and the remaining 24% from California producers. The Company paid an average price of 42 cents per thousand cubic feet for this gas in 1973, an increase of 12.9% over the 37.2 cents per thousand cubic feet paid in 1972.

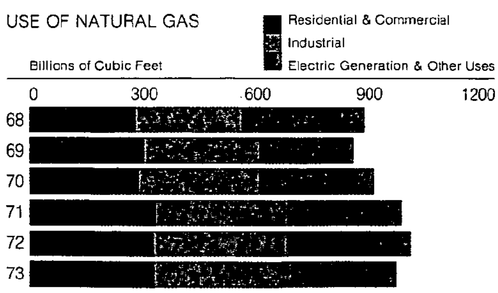
The Company's gas customers required a maximum daily sendout of 3.4 billion cubic feet on January 25. The Company currently has an adequate supply of natural gas to serve the requirements of its firm customers for several years. Interruptible customers will be subject to increasing curtailment in the years ahead. At the end of the year the Company had 2,444,000 gas customers in all categories.

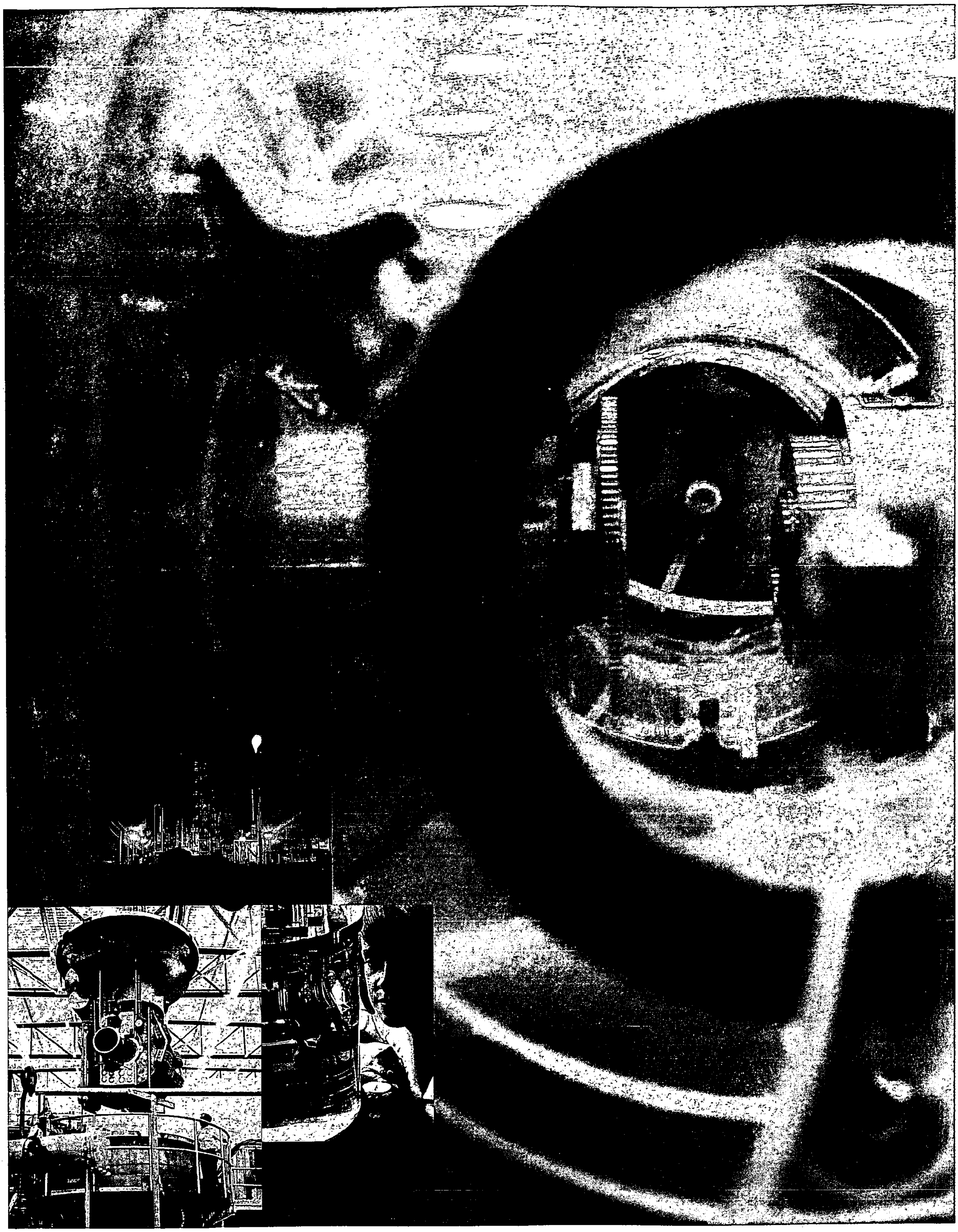
Continued demand for natural gas in the face of declining gas reserves has resulted in expanded programs to secure additional gas supplies. To this end, the Company is continuing its support of natural gas exploration through its subsidiaries. Currently, exploratory drilling programs in which the Company has an interest are under way in the North Slope of Alaska, the Mackenzie River Delta and other Northwest regions of Canada, and within the Rocky Mountain States of Utah, Colorado, Montana and Wyoming.

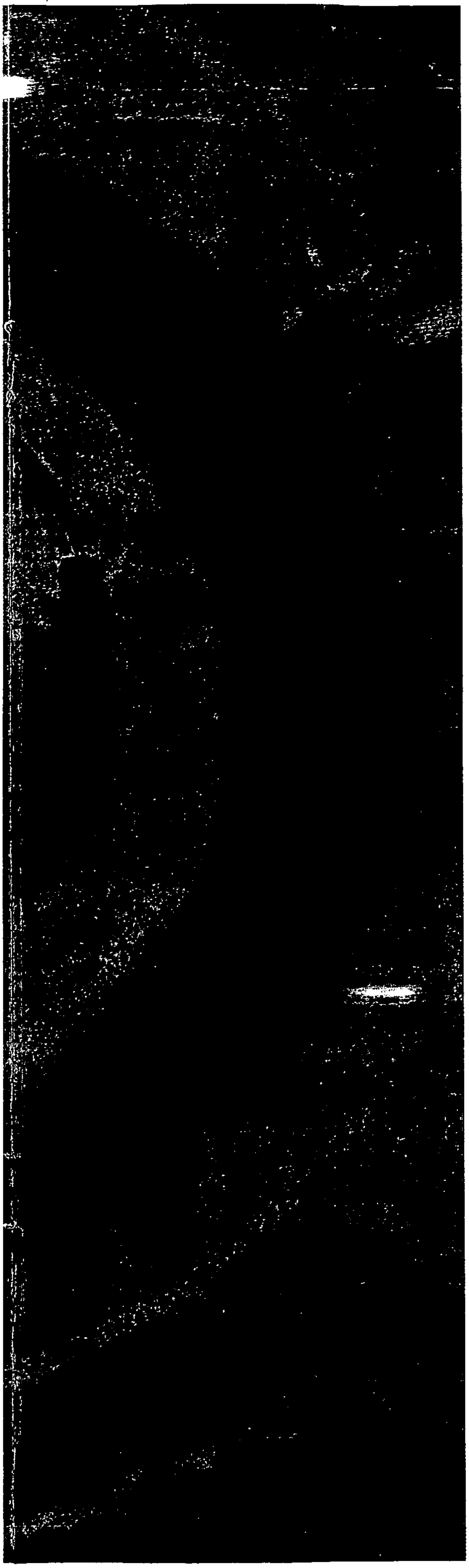
In research and development programs, Company engineers, scientists, and geologists are seeking new methods of supplying gas to the Company's service territory. They are investigating, among other things, the long range feasibility of converting coal to gas, the importation of liquefied natural gas and the production of synthetic gas from oil.

The Company is assisting in funding several coal gasification pilot projects which are part of a joint research and development program of the United States Government and the American Gas Association. In addition to the Company's gas exploration program in Canada and Alaska, the Company is participating in the Gas Arctic-Northwest Project Study Group, which is planning to construct a pipeline to bring gas from Northern Canada and Alaska to the United States.









The Company is contributing to the development of reliable and safe energy sources for the future

Nuclear research, focusing on new types of nuclear reactors, such as the liquid metal fast breeder reactor and the magnetically confined fusion reactor, will provide additional power supply potential.

The fast breeder will be a new generation of reactors that will produce more fuel than is consumed. Research on the development of high quality breeder reactor fuel rods is shown in the large photograph.

The Company is also supporting utility industry efforts to develop magnetically confined nuclear fusion reactors. The laboratory model, pictured at lower left, magnetically confines the extremely hot gases needed to permit fusion reactions to take place. The principal advantages of fusion are an inexhaustible supply of fuel from the hydrogen in water and an environmentally clean by-product, helium.

Alternative fossil fuel processes offer additional gas and oil from large reserves of coal and oil shale. Laboratory analysis of the end products indicates that their physical and chemical makeup will be similar to conventional gas and oil used today. Coal gasification and extraction of oil from shale are processes currently under study by Company engineers and scientists. The Company, as part of a gas industry effort, has contributed to the construction and current operation of a coal gasification pilot plant near Chicago, as shown in the night-time photograph at left.

Personnel

In September the Company added two new members to the Board of Directors with the election of Richard P. Cooley, President and Chief Executive Officer of Wells Fargo Bank, and Doris F. Leonard, an internationally known conservationist.

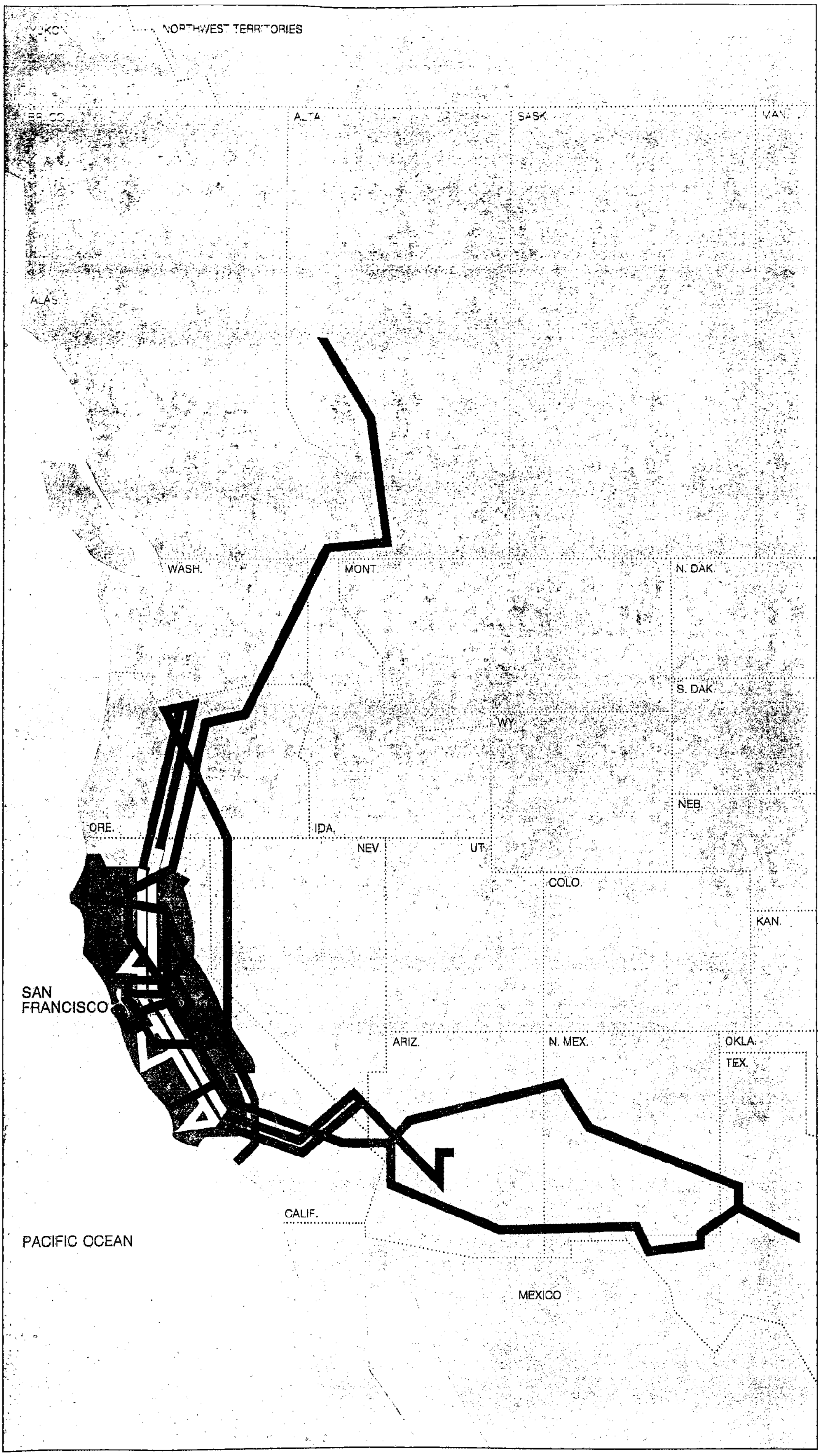
On December 5 Stanley T. Skinner was elected Treasurer of the Company to succeed Theodore M. Welp, who resigned to take a position with another utility company.

At the end of 1973 the Company had 26,415 employees. Approximately 72% were represented by the International Brotherhood of Electrical Workers, Local 1245, and 7% were represented by the Engineers and Scientists of California. Labor agreements with both of these unions including working conditions, wages, and benefit programs expired at year end, and negotiations with both unions were still in progress in late February.

As a result of the Company's Affirmative Action Program, over 5,100 minority employees were on the payroll at the end of the year, representing 19.4% of our total employment compared with a minority working-age population in PG&E's service area of 22.8%.

Women employees have continued to enter new career areas in larger numbers. A 20% increase in the number of women in professional and management positions occurred during 1973, as well as substantial increases in those entering technical career areas. The Company's recruitment efforts for professional employees continue to attract increasing numbers of academically trained women. They have joined us in such positions as engineer, lawyer, accountant, customer service representative, computer programmer and analyst. Through our training and development programs they should become an important source of future management talent.

A significant addition to the Affirmative Action Program was the Company's Voluntary Agreement with the United States Equal Employment Opportunity Commission. The agreement provides for training programs to improve the prospects for promotions of qualified minorities and women, and also expands the opportunities for women to work in the physical forces. This agreement was the first of its kind to be signed by the EEOC and a private company.



Energy Interties

ELECTRIC SYSTEMS
PG&E
OTHER

GAS SYSTEMS
PG&E
PG&E AFFILIATES
OTHER

PG&E SERVICE AREA

To supplement its local energy resources, PG&E has ranged far afield for natural gas and electricity to meet its customer requirements. As indicated on this map, natural gas pipelines reach 1,400 miles northward into Canada and almost an equal distance southeasterly to the Permian Basin of Texas and New Mexico.

PG&E's electric generating system is augmented by major interconnections with other sources. The Pacific Intertie links the great hydroelectric plants of the Columbia River Basin with the large thermal generating facilities in Northern and Southern California.

Coastal port facilities near Company plants are capable of being expanded to receive worldwide fuel oil shipments for electric generation. They will give our service territory direct links to foreign and domestic energy supplies.

Five Years in Brief Pacific Gas and Electric Company

	1973	1972	1971	1970	1969
	Thousands				
SOURCES OF INCOME:					
Electric Revenues	$ 944,855	$ 854,446	$ 790,046	$ 703,204	$ 671,990
Gas Revenues	542,656	493,789	467,963	397,907	380,197
Water and Steam Revenues	2,645	2,378	2,336	2,147	2,124
Other Income — Net	69,748	64,355	42,896	35,608	23,062
TOTAL	$1,559,904	$1,414,968	$1,303,241	$1,138,866	$1,077,373
DISPOSITION OF INCOME:					
Natural Gas	$ 406,444	$ 373,528	$ 337,675	$ 292,222	$ 259,781
Fuel Oil	35,799	16,545	10,503	6,412	8,504
Power Purchased	44,831	52,007	49,171	36,785	25,084
Other Production	28,846	23,778	20,099	19,099	18,341
Transmission	16,854	15,627	14,471	12,855	11,331
Distribution	67,738	60,415	54,611	50,318	46,770
Customer Accounts	55,501	46,719	42,848	38,205	34,722
Marketing	6,600	10,282	10,474	10,187	9,884
Administrative and General	81,496	69,922	60,615	50,838	45,935
Maintenance	77,083	66,913	62,980	56,430	53,066
Depreciation	158,329	142,461	131,326	122,218	115,474
Federal Income Taxes	55,913	60,905	75,637	52,774	73,251
State Income Taxes	16,646	12,869	8,136	10,872	10,680
Property Taxes	107,791	107,957	107,036	105,480	103,381
Other Taxes	12,765	9,774	7,850	7,271	6,799
Interest	143,661	129,922	116,695	100,681	84,621
Preferred Dividend Requirements	36,682	31,109	25,399	18,559	18,336
Common Dividends	114,171	105,068	100,181	89,868	88,106
Reinvested Earnings	92,754	79,167	67,534	57,792	63,307
TOTAL	$1,559,904	$1,414,968	$1,303,241	$1,138,866	$1,077,373
AVERAGE COMMON SHARES OUTSTANDING (Thousands)	64,140	61,086	61,086	59,728	58,737
EARNINGS PER COMMON SHARE	$3.23	$3.02	$2.75	$2.47	$2.58
DIVIDENDS PER COMMON SHARE					
Declared	$1.78	$1.72	$1.64	$1.50	$1.50
Paid	1.76½	1.70	1.60½	1.50	1.50

Revenues and Sales Pacific Gas and Electric Company

	Thousands 1973	1972	Increase (Decrease) Amount	Percent
ELECTRIC DEPARTMENT REVENUES:				
Residential	$355,635	$321,692	$33,943	10.6%
Commercial	338,629	304,537	34,092	11.2
Industrial (1000 KW demand or over)	140,420	120,743	19,677	16.3
Agricultural Power	59,796	63,197	(3,401)	(5.4)
Public Street and Highway Lighting	16,191	14,896	1,295	8.7
Other Electric Utilities	15,466	11,695	3,771	32.2
Miscellaneous	18,718	17,686	1,032	5.8
TOTAL	$944,855	$854,446	$90,409	10.6%
SALES — KWH:				
Residential	15,557,882	14,574,577	983,305	6.7%
Commercial	16,258,430	15,265,100	993,330	6.5
Industrial (1000 KW demand or over)	13,514,558	12,581,962	932,596	7.4
Agricultural Power	3,287,606	4,125,328	(837,722)	(20.3)
Public Street and Highway Lighting	405,634	381,453	24,181	6.3
Other Electric Utilities	1,643,095	1,426,603	216,492	15.2
Total Sales to Customers	50,667,205	48,355,023	2,312,182	4.8
Delivered for the Account of Others	5,031,026	5,130,406	(99,380)	(1.9)
TOTAL	55,698,231	53,485,429	2,212,802	4.1%
GAS DEPARTMENT REVENUES:				
Residential	$264,473	$236,698	$27,775	11.7%
Commercial	69,020	60,987	8,033	13.2
Industrial	200,915	169,761	31,154	18.4
Other Gas Utilities	7,571	25,861	(18,290)	(70.7)
Miscellaneous	677	482	195	40.5
TOTAL	$542,656	$493,789	$48,867	9.9%
SALES — MCF:				
Residential	255,388	253,631	1,757	0.7%
Commercial	79,826	78,558	1,268	1.6
Industrial	362,006	353,270	8,735	2.5
Other Gas Utilities	11,449	50,777	(39,328)	(77.5)
Total Sales to Customers	708,668	736,236	(27,568)	(3.7)
Company Use (Electric generation)	246,169	255,500	(9,331)	(3.7)
TOTAL	954,837	991,736	(36,899)	(3.7)%

Comparative Statistics Pacific Gas and Electric Company

	1973	1972	1971	1970	1969
PER COMMON SHARE:					
Earnings	$ 3.23	$ 3.02	$ 2.75	$ 2.47	$ 2.58
Dividends Declared	$ 1.78	$ 1.72	$ 1.64	$ 1.50	$ 1.50
Dividend Payout Ratio	55.1%	57.0%	59.7%	60.9%	58.2%
Book Value (End of Year)	$27.80	$26.36	$24.91	$23.66	$22.79
Market Price—High	32⅝	33⅜	36⅜	35	39½
Market Price—Low	21½	26⅜	28⅜	22½	29½
Market Price—Close	22⅞	32⅝	32⅜	34⅝	32¾
CAPITAL EXPENDITURES (Thousands):					
Electric Department	$444,344	$432,781	$355,242	$297,930	$240,468
Gas Department	89,186	71,345	60,432	68,320	61,428
Other	32,009	39,514	36,177	49,081	38,094
TOTAL	$565,539	$543,640	$451,851	$415,331	$339,990
ELECTRIC STATISTICS:					
Net System Output (Millions of KWH)	60,572	59,124	54,665	51,277	48,885
Net System Output—Percent					
Hydroelectric Plants	21.5%	19.8%	25.6%	26.9%	31.4%
Thermal Electric Plants	53.4	52.7	46.5	48.6	45.2
Other Producers	25.1	27.5	27.9	24.5	23.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
System Capability—KW					
Hydroelectric Plants	2,529,300	2,529,300	2,514,300	2,514,300	2,514,300
Thermal Electric Plants	7,947,000	7,888,000	7,062,000	6,942,400	6,962,400
Other Producers	2,596,700	2,540,600	2,444,400	2,110,800	1,551,600
Total	13,073,000	12,957,900	12,020,700	11,567,500	11,028,300
Net System Peak Demand—KW	10,867,800	10,469,800	9,713,000	8,807,700	8,227,100
Average Annual Residential Consumption—KWH	6,417	6,213	6,048	5,697	5,545
Total Customers (End of Year)	2,854,585	2,767,978	2,675,942	2,597,314	2,536,703
Customers Per Mile of Distribution Line	36.5	36.0	35.4	34.8	34.5
GAS STATISTICS:					
Gas Purchased (Thousands of MCF)	984,061	1,015,319	1,004,547	950,652	878,484
Sources of Gas Purchased—Percent					
From California	23.6%	23.5%	24.8%	25.2%	25.2%
From Other States	38.4	40.3	41.2	43.7	45.3
From Canada	38.0	36.2	34.0	31.1	29.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Average Cost of Gas Purchased—MCF					
From California	37.0¢	33.7¢	31.7¢	30.2¢	29.9¢
From Other States (at Calif.-Ariz. border)	43.0	39.4	37.5	33.9	31.4
From Canada (at Calif.-Ore. border)	44.1	36.9	32.7	30.4	28.2
Average	42.0¢	37.2¢	34.3¢	31.9¢	30.1¢
Peak Day Sendout—MCF	3,423,896	3,918,844	3,798,462	3,633,341	3,445,626
Average Annual Residential Consumption—MCF	113.4	115.7	121.7	107.7	116.2
Total Customers (End of Year)	2,443,889	2,383,609	2,317,686	2,258,285	2,208,046
Customers Per Mile of Distribution Main	95.9	95.6	95.0	94.1	94.0

1968	1967	1966	1965	1964	1963
$ 2.55	$ 2.49	$ 2.23	$ 2.08	$ 1.87	$ 1.70
$ 1.45	$ 1.40	$ 1.30	$ 1.20	$ 1.10	$ 1.00
57.0%	56.3%	58.4%	57.8%	58.9%	59.0%
$21.71	$20.62	$19.53	$18.44	$17.54	$16.23
38⅞	38	36¾	40⅜	35⅜	34⅝
30¾	31⅝	27	33⅞	30⅝	30⅛
38⅛	35⅝	35¾	36½	34¼	31¼
$200,763	$235,707	$220,241	$218,479	$181,810	$167,438
58,834	50,536	55,596	46,057	40,484	43,568
29,803	24,748	21,292	22,172	17,777	15,070
$289,400	$310,991	$297,129	$286,708	$240,071	$226,076
46,994	43,663	41,392	38,190	36,204	32,739
23.8%	32.9%	26.6%	34.1%	24.9%	33.4%
62.2	47.1	61.4	50.3	64.7	54.0
14.0	20.0	12.0	15.6	10.4	12.6
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2,397,300	2,429,800	2,371,300	2,365,600	2,067,000	2,067,000
7,064,600	6,289,600	5,447,300	5,447,300	5,244,300	4,596,800
1,146,600	1,131,900	1,007,400	790,600	825,200	600,000
10,608,500	9,851,300	8,826,000	8,603,500	8,136,500	7,263,800
8,126,200	7,757,900	7,146,500	6,686,400	6,144,600	5,750,400
5,181	5,000	4,661	4,454	4,249	4,038
2,483,480	2,429,306	2,383,907	2,323,896	2,254,267	2,177,610
34.3	34.0	33.8	33.5	33.2	32.5
888,075	802,221	808,062	749,410	736,598	653,787
27.5%	26.3%	31.0%	29.1%	31.0%	34.7%
45.5	48.3	48.6	50.7	49.3	45.9
27.0	25.4	20.4	20.2	19.7	19.4
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30.3¢	30.2¢	30.1¢	29.8¢	30.0¢	30.0¢
27.9	28.4	29.4	29.6	30.1	33.3
28.0	29.3	31.2	33.6	34.4	37.1
28.6¢	29.1¢	30.0¢	30.5¢	30.9¢	32.9¢
3,338,669	3,363,503	3,032,844	3,110,309	2,775,582	2,779,629
109.7	112.4	107.5	110.6	113.1	108.3
1,160,569	2,110,510	2,064,045	2,008,623	1,944,503	1,874,743
93.8	93.5	93.5	93.3	92.8	92.5

Statement of Income

Pacific Gas and Electric Company
For the Years Ended December 31, 1973 and 1972

	1973 (Thousands)	1972 (Thousands)
OPERATING REVENUES:		
Electric	$ 944,855	$ 854,446
Gas	542,656	493,789
Other	2,645	2,378
TOTAL	1,490,156	1,350,613
OPERATING EXPENSES:		
Operation:		
Natural Gas	406,444	373,528
Fuel Oil	35,799	16,545
Power Purchased	44,831	52,007
Other Production	28,846	23,778
Transmission	16,854	15,627
Distribution	67,738	60,415
Customer Accounts	55,501	46,719
Marketing	6,600	10,282
Administrative and General	81,496	69,922
Total	744,109	668,823
Maintenance	77,083	66,913
Depreciation (Note 1)	158,329	142,461
Federal Income Taxes (Note 1)	55,913	60,905
State Income Taxes (Note 1)	16,646	12,869
Other Taxes	120,556	117,731
TOTAL	1,172,636	1,069,702
OPERATING INCOME	317,520	280,911
OTHER INCOME AND INCOME DEDUCTIONS:		
Allowance for Funds Used During Construction (Note 1)	44,133	38,084
Gain on Bonds Purchased for Sinking Fund (Note 1)	10,100	9,819
Other—net (Note 1)	15,515	16,452
TOTAL	69,748	64,355
INCOME BEFORE INTEREST CHARGES	387,268	345,266
INTEREST CHARGES:		
Interest on Mortgage Bonds	137,984	127,633
Miscellaneous Interest and Amortization of Bond Discount, Premium and Expense (Note 1)	5,677	2,289
TOTAL	143,661	129,922
NET INCOME	243,607	215,344
PREFERRED DIVIDEND REQUIREMENTS	36,682	31,109
EARNINGS AVAILABLE FOR COMMON	$ 206,925	$ 184,235
AVERAGE COMMON SHARES OUTSTANDING (Thousands)	64,140	61,086
EARNINGS PER COMMON SHARE (Note 1)	$3.23	$3.02
DIVIDENDS DECLARED PER COMMON SHARE	$1.78	$1.72

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

Balance Sheet

Pacific Gas and Electric Company
December 31, 1973 and 1972

	Thousands 1973	Thousands 1972
ASSETS		
UTILITY PLANT—At Original Cost (Note 1):		
Electric	$4,334,948	$4,073,748
Gas	1,297,128	1,218,016
Other Departments and Common	356,419	334,273
Construction Work in Progress	759,911	607,764
Total Utility Plant	6,748,406	6,233,801
Accumulated Depreciation (Note 1)	1,638,529	1,518,239
UTILITY PLANT—NET	5,109,877	4,715,562
INVESTMENTS:		
Subsidiaries (Notes 1 and 3)	42,764	39,123
Nonutility Property and Other—at cost	2,980	4,112
TOTAL INVESTMENTS	45,744	43,235
CURRENT ASSETS:		
Cash	29,250	25,604
Temporary Cash Investments—at cost	33,843	—
Accounts Receivable (less allowance for uncollectible accounts: 1973, $3,062; 1972, $2,567)	130,799	122,997
Materials and Supplies (Note 1)	27,784	25,680
Fuel Oil (Notes 1 and 4)	49,883	14,711
Gas Stored Underground (Note 1)	27,042	23,863
Prepayments	10,155	14,702
TOTAL CURRENT ASSETS	308,756	227,557
DEFERRED DEBITS:		
Unamortized Bond Expense (Note 1)	5,163	5,527
Other—net	1,557	1,213
TOTAL DEFERRED DEBITS	6,720	6,740
TOTAL	$5,471,097	$4,993,094
LIABILITIES		
CAPITALIZATION:		
Common Stock (Schedule I) (Note 2)	$ 651,585	$ 610,861
Excess of Premiums Over Discounts and Expenses on Outstanding Shares (Note 2)	275,506	208,704
Reinvested Earnings	884,376	790,460
Common Stock Equity	1,811,467	1,610,025
Preferred Stock (Schedule I) (Note 2)	614,951	564,951
Total	2,426,418	2,174,976
Mortgage Bonds (Schedule II) (Notes 1 and 3)	2,539,014	2,389,973
TOTAL CAPITALIZATION	4,965,432	4,564,949
CURRENT LIABILITIES:		
Short-term Notes	—	54,000
Accounts Payable	95,145	90,279
Taxes Accrued	38,279	41,018
Dividends Payable	28,996	26,267
Mortgage Bonds—current portion (Schedule II) (Note 3)	130,162	14,720
Other	35,320	37,312
TOTAL CURRENT LIABILITIES	327,902	263,596
CUSTOMER ADVANCES FOR CONSTRUCTION	37,573	31,442
RESERVES AND DEFERRED CREDITS	12,395	10,100
CONTRIBUTIONS IN AID OF CONSTRUCTION	81,477	73,744
ACCUMULATED DEFERRED TAXES ON INCOME—Accelerated Amortization	46,318	49,263
TOTAL	$5,471,097	$4,993,094

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

Statement of Reinvested Earnings

Pacific Gas and Electric Company • For the Years Ended December 31, 1973 and 1972

	Thousands 1973	1972
BALANCE, JANUARY 1	$790,460	$710,450
NET INCOME	243,607	215,344
TOTAL	1,034,067	925,794
DIVIDENDS DECLARED ON CAPITAL STOCK—CASH:		
Preferred	35,520	30,266
Common	114,171	105,068
TOTAL	149,691	135,334
BALANCE, DECEMBER 31	$884,376	$790,460

Statement of Changes in Financial Position

Pacific Gas and Electric Company • For the Years Ended December 31, 1973 and 1972

	Thousands 1973	1972
FUNDS PROVIDED:		
Funds Derived from Operations:		
Net Income	$243,607	$215,344
Non-fund Items in Net Income:		
Depreciation (including charges to other accounts)	168,074	150,855
Gain on Bonds Purchased for Sinking Fund	(10,100)	(9,819)
Allowance for Funds Used During Construction	(44,133)	(38,084)
Other—net	(3,646)	(8,674)
Total Funds Derived from Operations	353,802	309,622
Common Stock Sold—net proceeds	102,991	—
Preferred Stock Sold—net proceeds	54,535	108,488
Mortgage Bonds Sold—net proceeds	295,762	123,610
Utility Plant Sold and Salvaged	12,110	17,193
Decrease in Working Capital Items (a)	—	98,420
Other Changes—net	—	4,774
TOTAL	$819,200	$662,107
FUNDS APPLIED:		
Capital Expenditures	$565,539	$543,640
Allowance for Funds Used During Construction	(44,133)	(38,084)
Funds Used for Capital Expenditures	521,406	505,556
Mortgage Bonds Purchased for Sinking Fund (at cost)	21,618	21,217
Mortgage Bonds Maturing within One Year	109,101	—
Dividends—preferred and common stock	149,691	135,334
Increase in Working Capital Items (a)	16,893	—
Other Changes—net	491	—
TOTAL	$819,200	$662,107
(a) Changes in Working Capital—funds applied (funds provided):		
Temporary Cash Investments	$ 33,843	$ (46,812)
Fuel Oil	35,172	5,068
Short-term Borrowing	54,000	(54,000)
Mortgage Bonds—current portion	(115,442)	(3,699)
Other Changes in Working Capital—net	9,320	1,023
Total Working Capital—increase (decrease)	$ 16,893	$ (98,420)

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

Schedule I Capital Stock

Pacific Gas and Electric Company
December 31, 1973

	Redemption Price	Shares Authorized (Thousands)	Outstanding - Held by Public: Shares (Thousands)	Outstanding - Held by Public: Amount (Thousands)
COMMON, PAR VALUE $10 PER SHARE (Note 2)		75,000	65,159	$651,585
PREFERRED, CUMULATIVE, PAR VALUE $25 PER SHARE: (Note 2)				
REDEEMABLE:				
9.28%	$28.00	707	707	$ 17,674
9%	29.875	881	881	22,027
8.20%	30.00	2,000	2,000	50,000
8.16%	29.375	3,000	3,000	75,000
8%	30.00	2,000	2,000	50,000
7.84%	29.50	2,000	2,000	50,000
5%	26.75	2,861	2,861	71,524
5% — Series A	26.75	1,750	1,719	42,985
4.80%	27.25	1,517	1,517	37,934
4.50%	26.00	1,128	1,128	28,186
4.36%	26.00	1,000	1,000	25,000
Unclassified in Series		5,371	—	—
TOTAL REDEEMABLE		24,215	18,813	470,330
NON-REDEEMABLE:				
6%		4,212	4,212	105,292
5.50%		1,173	1,173	29,329
5%		400	400	10,000
TOTAL NON-REDEEMABLE		5,785	5,785	144,621
TOTAL PREFERRED		30,000	24,598	$614,951

Schedule II Mortgage Bonds

Pacific Gas and Electric Company
December 31, 1973

Maturity	Interest Rate (%)	Series	Held in Treasury (Thousands)	Outstanding Held by Public (Thousands)
1974	3	L		$109,101
1975	3	O		2,000
1976	2⅞	T		43,522
1977	3	N		47,962
1978	3¾	CC		56,860
1979	3	M		73,635
1980	2⅞	Q		52,701
1981	2¾	P		21,387
1982	3⅛	R		64,673
1983	3	S		58,289
1984	3⅛	X	$ 37	37,913
1984	3⅛	W	95	25,540
1985	3⅜	U	125	26,879
1986	4½	AA		29,283
1987	3⅜	Y	1,313	22,128
1988	3⅜	Z	120	8,772
1989	5	BB		57,700
1990	4½	DD		49,302
1991	5	EE		59,815
1992	4⅝	FF		51,490
1993	4½	GG		56,232
1994	4⅜	HH	$ 186	$ 54,254
1995	4¼	II	750	35,189
1996	4½	JJ	1,186	58,579
1996	4½	KK	1,339	55,543
1997	4⅝	LL		68,795
1998	5⅜	MM		72,000
1998	5¾	NN		75,750
1999	5½	OO		77,000
1999	6⅞	PP		80,000
2000	6⅝	QQ		50,000
2000	6¾	RR		60,000
2001	7½	SS		80,000
2001	9	TT		80,000
2002	8⅝	UU		75,000
2002	8⅞	VV		100,000
2003	8	WW		150,000
2003	7½	XX		125,000
2004	7½	YY		125,000
2005	7¾	ZZ		150,000
2005	7¾	73A		150,000
TOTAL MORTGAGE BONDS			$5,151	2,677,294
Mortgage Bonds Included in Current Liabilities (Note 3)				130,162
Unamortized (Premium) Discount				8,118
Mortgage Bonds Included in Capitalization				$2,539,014

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

Notes to Financial Statements

Pacific Gas and Electric Company • December 31, 1973 and 1972

NOTE 1 SUMMARY OF SIGNIFICANT 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 such items as engineering, supervision and transportation. An allowance for funds used during construction is included in construction work in progress and credited to other income. A composite rate (7½% in 1973 and 1972) is applied to construction work in progress, which assumes that funds used for construction were provided by debt and preferred and common equity. This accounting practice results in the inclusion in construction work in progress of amounts considered by the California Public Utilities Commission as an appropriate cost of funds for the purpose of establishing rates for utility charges to customers. 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. Revenue from residential and commercial customers is recorded as meters are read on a cycle basis throughout each month. Costs of repairing major units of property and replacement of minor items of property are included in the income statement as maintenance. 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. The Company's inventories of materials and supplies, fuel oil, and gas stored underground are valued at average cost.

Investment tax credits (1973, $12,490,000; 1972, $11,530,000) are applied currently as a reduction of Federal income tax expense. 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. The annual provisions for depreciation, expressed as a percentage of the average balances of depreciable plant, were 3.0% for 1973 and 2.9% for 1972. For Federal income tax purposes the Company computes depreciation generally 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 differences arising from timing differences which are principally depreciation, allowance for funds used during construction, overhead costs of construction and gain on bonds purchased for sinking fund. Such tax differences are reflected in customer rates authorized by the Commission.

Bond issuance premium or discount and related expenses are being amortized over the lives of the issues to which they pertain. Gain on reacquisition of bonds to satisfy sinking fund requirements is credited to other income in the year of acquisition in accordance with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants. Similar recognition of such gain is made by the California Public Utilities Commission in its rate-making proceedings. The Federal income tax on such gain is recognized over the average life of remaining property.

The Company provides retirement and savings fund plans for substantially all employees. The cost of these plans, charged to expense and utility plant, was $29,175,000 for 1973 and $20,715,000 for 1972. Retirement plan costs are accrued in accordance with an actuarial cost method. The retirement plan is funded through contracts with insurance companies and a bank trust fund. At December 31, 1973, the Company had fully funded the actuarially computed value of all vested benefits and past service costs provided under the retirement plan.

Investments in subsidiaries are stated at the equity method (cost adjusted for equity in undistributed earnings). The assets, revenues, and earnings of the subsidiaries are not material in relation to those of the Company. Prior to 1972, investments in subsidiaries were generally stated at cost and income was realized as dividends were received. In 1972, the Company changed its method of accounting for investments in subsidiaries from the cost to the equity method. The equity in undistributed earnings was not material and the equity in income, including undistributed earnings for prior years, was included in other income for the year 1972. The change in method was made to comply with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants.

Earnings per common share are computed by dividing earnings available for common stock by the weighted average number of common shares outstanding. The weighted average number of common shares outstanding is computed by dividing the aggregate of the number of common shares outstanding at the beginning of each month during each year by twelve.

NOTE 2 CAPITAL STOCK: The redeemable preferred stock outstanding is 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. The involuntary liquidation preference of the preferred stock is par value ($25) plus accrued dividends.

During 1973, 4,072,409 shares of common stock with a par value of $40,724,000 were sold in March and 2,000,000 shares of 8.20% redeemable preferred stock with a par value of $50,000,000 were sold in October. During 1972, 2,000,000 shares of 7.84% redeemable preferred stock with a par value of $50,000,000 were sold in April and 2,000,000 shares of 8% redeemable preferred stock with a par value of $50,000,000 were sold in December.

Additions to the excess of premiums over discounts and expenses on outstanding shares consisted of: 1973—$66,802,000; 1972—$8,488,000, representing the excess of net proceeds over par value of preferred and common stock sold.

NOTE 3 MORTGAGE BONDS: The First and Refunding Mortgage Bonds are issued in series, bear annual interest from 2¾% to 9% and mature from June 1, 1974 to December 1, 2005. Subject to indenture provisions as to earnings coverages and bondable property available for security, additional bonds may be issued up to an outstanding aggregate amount of $3,000,000,000. The Board of Directors may from time to time increase the amount authorized. 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 ½ of one percent of the aggregate bonded indebtedness outstanding on the preceding November 30 and May 31, respectively.

Bonds of any series may be used to satisfy this requirement. Sinking fund payments due in 1974 for bonds outstanding at December 31, 1973, will amount to $26,212,000. This amount, less treasury bonds of $5,151,000 plus Series L Bonds of $109,101,000 maturing on June 1, 1974, is included in current liabilities. During the year 1973, bonds in the principal amount of $300,000,000 were sold, and bonds of various series in principal amounts aggregating $31,718,000 were reacquired for retirement through the operation of the sinking fund.

NOTE 4 COMMITMENTS AND CONTINGENCIES: Capital expenditures for the year 1974 are estimated at $640 million.

During 1973, the Company entered into agreements to charter oil tankers for transporting fuel oil for electric generation. As a result, charter payments of about $3 million were included in fuel oil purchase costs in 1973, and it is expected that charter payments of approximately $20 million annually will be incurred during the remaining terms of these agreements (substantially all of which expire in 1976). Such added fuel costs are expected to be reflected in customer rates under the fuel cost adjustment provisions authorized by the California Public Utilities Commission.

Accountants' Opinion

HASKINS & SELLS

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, 1973 and 1972 and the related statements of income, reinvested earnings, and changes in financial position for each of 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, 1973 and 1972 and the results of its operations and the changes in its financial position for each of the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

San Francisco, California
February 11, 1974

Haskins & Sells

Departmental Organization

ELECTRIC OPERATIONS
Managers:
D. H. Colwell
System Protection
H. R. Daniels
Hydro Generation
T. R. Ferry, Communications
E. F. Kaprielian, Power Control
P. Matthew, Steam Generation
H. J. Stefanetti
Transmission and Distribution
J. N. Ylarraz, Substations

GAS OPERATIONS
Managers:
C. E. Lanthier, 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
Managers:
D. E. Fissell, Exploration
J. K. A. Harral, Gas Resources
D. L. McLeod, Gas Purchase

ENGINEERING
Chiefs:
T. A. Bettersworth
Electric Distribution Engineer
R. V. Bettinger, Civil Engineer
L. C. Dorking
Design-Drafting
W. R. Johnson
Electric Generation and
Transmission Engineer
D. V. Kelly
Mechanical and Nuclear
Engineer
J. J. McCann
Engineering Services

PLANNING AND RESEARCH
Chiefs:
R. F. Cayot
Engineering Research
E. E. Hall, Siting Engineer
G. A. Maneatis
Computer Application
Engineer
H. R. Perry, Planning Engineer

RATES AND VALUATION
Managers:
S. M. Andrew
Economics and Statistics
H. E. Crowhurst, Jr., Valuation
W. M. Gallavan, Rate

COMPTROLLER
J. W. Hall, Asst. Comptroller
K. S. Taylor, Asst. Comptroller
Managers:
R. W. Beck
Corporate Accounting
A. W. Defoe
Disbursement Accounting
H. W. Gleason, Income Tax
L. M. Gustafson
Computer Operations
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
R. P. Benton, Manager

PUBLIC RELATIONS
Managers:
A. J. McCollum
Public Information
R. W. Newell, Public Activities

INFORMATION SYSTEMS
J. R. Kleespies, General
Information Systems Mgr.
Managers:
R. W. Barbey, Information
Systems Technology
H. N. Liu, Computerized
Systems Technology
L. J. Okonski, Information
Systems Maintenance
D. Stoner, Computer
Support Services

FINANCE
Managers:
J. A. Crockwell, Insurance
E. C. Suess, Internal Auditing

TREASURER
Managers:
A. H. Catherall, Treasury
Operations
W. M. Cracknell
Credit and Collection
J. T. Doudiet, Financial
Planning and Analysis

PERSONNEL AND GENERAL SERVICES
Managers:
T. V. Adams
Personnel Relations
I. W. Bonbright
Industrial Relations
N. H. Daines, Land
G. P. Larson
Automotive and Equipment

GENERAL CONSTRUCTION
Managers:
M. H. Chandler
Station Construction
H. G. Cooke, General
Construction Personnel
R. F. Irons, General
Construction Services
J. Pirtz, Civil-Hydro
& Gas Construction
C. G. Sparrowe
Line Construction

COMMERCIAL OPERATIONS
Managers:
S. O. Blois, Commercial,
Industrial and Agricultural
Marketing
W. Blumst, Marketing
Research and Services
W. C. Brune, Jr., Area Services
J. S. Cooper, Commercial
A. D. Owen
Customer Services
R. L. Sawyier, Jr.
Residential Marketing

LAW DEPARTMENT
J. C. Morrissey, Associate
General Counsel
Assistant General Counsel:
W. B. Kuder
M. H. Furbush
M. A. MacKillop
W. E. Johns
C. T. Van Deusen
P. A. Crane, Jr.

OFFICE OF THE CHAIRMAN OF THE BOARD
R. B. Dewey
Assistant to the Chairman
of the Board

GOVERNMENTAL AND PUBLIC AFFAIRS DEPARTMENT
A. R. Todd, Manager

Division Managers

COAST VALLEYS:
W. L. Murray, Salinas
COLGATE:
G. N. Radford, Marysville
DE SABLA:
C. R. Martin, Chico
DRUM:
R. E. Metzker, Auburn
EAST BAY:
W. D. Skinner, Oakland
HUMBOLDT:
*C. F. Clifton, Jr., Eureka
NORTH BAY:
J. G. Foster, San Rafael
SACRAMENTO:
S. E. Howatt, Sacramento
SAN FRANCISCO:
J. H. Black, San Francisco
SAN JOAQUIN:
E. E. Foley, Fresno
SAN JOSE:
V. H. Lind, San Jose
SHASTA:
F. C. Marks, Red Bluff
STOCKTON:
H. M. McKinley, Stockton

*Succeeded V. C. Novarino who died January 9, 1974.

Board of Directors

John F. Bonner	San Francisco
Ransom M. Cook*	San Francisco
Richard P. Cooley	San Francisco
C. Raymond Dahl	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
Doris F. Leonard	Berkeley
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
†Member Audit Committee

Executive Officers

S. L. Sibley	Chairman of the Board and Chief Executive Officer
John F. Bonner	President and Chief Operating Officer
Richard H. Peterson	Vice Chairman of the Board
Robert H. Gerdes	Chairman of the Executive Committee
J. Dean Worthington	Senior Vice President
Donald L. Bell	Vice President—Finance
H. P. Braun	Vice President—Electric Operations
Joseph Y. De Young	Vice President—Commercial Operations
Robert R. Gros	Vice President—Public Relations
Ellis B. Langley, Jr.	Vice President—Division Operations
F. F. Mautz	Vice President—Engineering
Frederick W. Mielke, Jr.	Vice President and Assistant to the Chairman of the Board
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
Stanley T. Skinner	Treasurer
John F. Taylor	Secretary

* * * * * * * * *

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

1974 DIVIDEND PAYMENTS

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

STOCK EXCHANGE LISTINGS

Common stock of the Company is listed on the New York, Pacific and Honolulu Stock Exchanges. Preferred stocks of the Company are listed on the American and Pacific 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 23, 1974 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 21, 1974.

STOCK TRANSFER AGENT

Office of the Company (W.Roby, Transfer Agent), San Francisco

REGISTRAR OF STOCK

Wells Fargo Bank, N.A., San Francisco

EXECUTIVE OFFICE

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