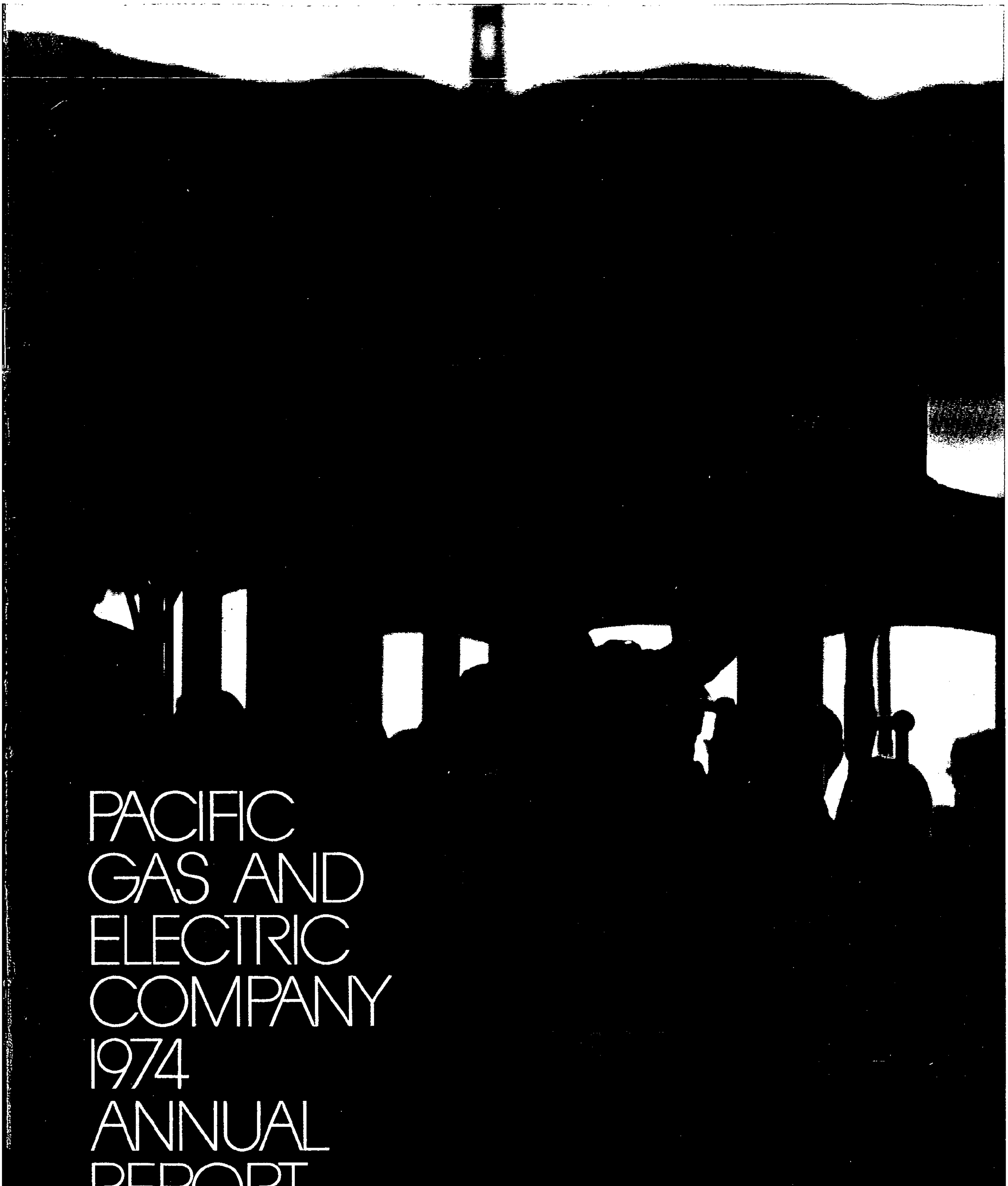

PACIFIC
GAS AND
ELECTRIC
COMPANY
1974
ANNUAL
REPORT

COVER: A cable car pauses momentarily on a San Francisco hilltop. As twilight gives way to darkness, a tower of the Golden Gate Bridge reflects the last rays of sunlight. These historic landmarks symbolize the Bay Area, commercial center of PG&E's service territory.

CONTENTS

Highlights

	1974	1973	Increase (Decrease)
Operating Revenues	$1,726,755,000	$1,490,156,000	16 %
Net Income	$ 261,237,000	$ 243,607,000	7 %
Earnings Available for Common	$ 215,984,000	$ 206,925,000	4 %
Earnings Per Common Share	$3.27	$3.23	1 %
Dividends Per Common Share	$1.88	$1.78	6 %
Total Assets	$6,019,481,000	$5,389,620,000	12 %
Capital Expenditures	$ 645,660,000	$ 565,539,000	14 %
Sales of Electricity to Customers (KWH)	50,261,946,000	50,667,205,000	(1)%
Sales of Gas to Customers (MCF)	671,550,000	708,668,000	(5)%
Total Customers	5,448,660	5,307,667	3 %
Number of Stockholders	288,599	268,678	7 %
Number of Employees	26,333	26,415	—

[redacted]

To Stockholders

Your Company in 1974 had a reasonably satisfactory year despite the fact that our industry generally had many difficulties with the availability and cost of fuel supplies and the adequacy of earnings.

Earnings per share for the twelve months ended December 31, 1974 were $3.27, an increase of 4 cents, or 1%, from 1973 earnings. Greater than normal hydroelectric generation reduced substantially the amount of expensive fuel oil that would have been needed for steam-electric generation. This benefit offset in part the effects of continued record high inflation, lack of sales growth and the high cost of financing our construction program.

The Board of Directors declared a dividend of 47 cents per share of common stock for each quarter of 1974, bringing the annual rate to $1.88 per share. This was the fifty-fifth consecutive year of quarterly common dividend payments.

A satisfactory rate of growth of earnings in the future depends upon adequate and timely rate relief. The higher fuel costs for electric generation which the Company is paying are being largely recovered through periodic fuel adjustments of our rate schedules. In August 1973 the Company filed a request with the California Public Utilities Commission for a general increase of $233 million annually in its electric, gas and steam rates to cover higher costs other than increases in the purchase price of fuel oil and natural gas. Our request was based on estimates of revenues and expenses for 1975, with the expectation that the rates applied would become effective prior to the beginning of that year. However, costs have risen considerably beyond those expense estimates and the rate proceeding has taken much longer than anticipated. Public hearings are only now drawing to a close, and until a decision is issued the Company's earnings will be depressed. The delay is expected to result in an inadequate level of earnings for the current year.

In February 1975 the Company filed an application for an additional general increase in its electric and gas rates in the amount of $497 million annually based upon 1976 as the test year. The Company has also filed since the first of the year for $105 million in gas offset increases and for a fuel cost adjustment of $103 million.

During 1974 a new record peak electric demand of 11,649,000 kilowatts was recorded, an increase of 7% over the previous year. However, the combination of energy conservation, which the Company is encouraging, and economic recession resulted in a decrease in sales to our electric customers of 1% during 1974, as compared with a 5% increase the previous year. For the same reasons, and also because of limitations of gas supply for interruptible customers, natural gas sales declined 5% during 1974, following a 4% decline in 1973.

The Company raised $637 million during 1974 through the sale of common and preferred stock and mortgage bonds. Construction continued last year on enlargement of underground gas storage facilities and new electric generating plants, including the Company's two nuclear units at Diablo Canyon. These two units are scheduled for commercial operation in 1976 and 1977.

In the decade of the 1960's the utility industry experienced continuous sales growth and relatively moderate inflation and had access to adequate energy resources. The decade of the 1970's, however, has thus far seen shortages and substantial increases in the cost of primary energy resources and other raw materials and sharp increases in all other costs of doing business. With today's critical shortages, the Company, like other utilities must participate in extensive procurement and research activities to develop new primary energy resources, as well as to improve the utilization of those already available.

A joint electric utility-government project to develop a liquid metal fast breeder reactor is among the more important of these activities. We also contribute to the Electric Power Research Institute, which is currently supporting research on over 320 projects directed toward meeting the near and intermediate-term electric operating requirements of utilities, and to the American Gas Association for research on numerous projects, including the production of high heating value gas from coal.

The Company also carries on considerable research at its own San Ramon research facility. Projects currently under way focus on minimizing the environmental impact and further increasing the safety, reliability and efficiency of the Company's operating equipment.

The Company continues its efforts to develop additional supplies of natural gas. Through its various subsidiaries, it is funding exploration in Canada and Alaska with loans to producers and advance payments on proven reserves, and in the Rocky Mountains by direct participation in exploration ventures.

In order to relieve some of the demand for fossil fuel, the Company's construction program will stress nuclear, geothermal and hydroelectric plants through 1981. Only 28% of the 5.7 million kilowatts of proposed generating capacity will be fossil-fueled plants. As a result of this program, the percentage of such generating capacity in relation to total generating capacity available to the Company will drop from its present 56% to approximately 45% by 1981. The Company hopes to be able after 1981 to rely primarily on large nuclear base load units to meet its new electric energy requirements, thus lessening the Company's dependence on oil and furthering the national objective of independence from foreign sources of fuel.

In spite of these difficult times for the industry, we were able to complete our required financing and record a successful year of operation while striving continually to improve the quality of service to our customers.

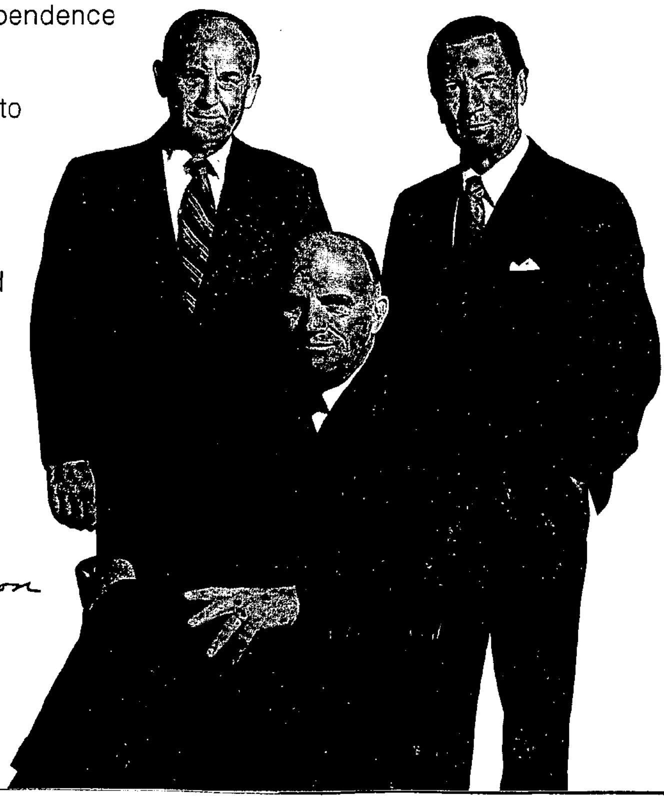
We acknowledge with sincere appreciation the industrious and dedicated efforts of the Company's employees in meeting the challenges of 1974.

S L Sibley
Chairman of the Board

John F Bonner
President

Richard H. Peterson
Vice Chairman of the Board

For the Board of Directors, February 28, 1975



Financial

Operating revenues for 1974 amounted to $1 billion 727 million, an increase of $237 million, or 16%, over 1973. Electric revenues contributed about 64% of the total, and gas revenues 36%. The increase in total revenues resulted primarily from higher rates authorized by the California Public Utilities Commission during the year and from customer growth.

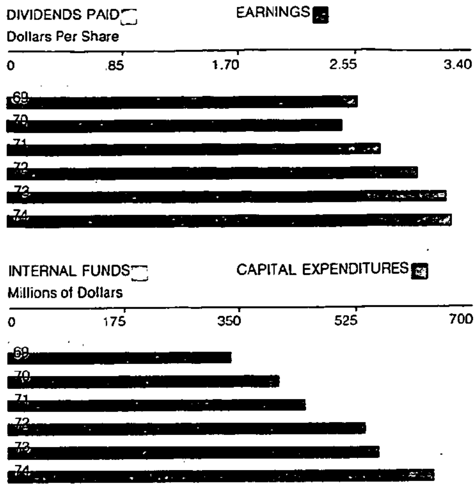
Operating expenses were $1 billion 396 million, an increase of $224 million, or 19%, over 1973. More than one third of this increase was attributable to the rapid increase in both the price and quantity of fuel oil used for electric generation as natural gas supply for this purpose declined. The exceptionally wet winter of 1973-74 produced favorable hydroelectric generating conditions, which reduced dependence on high cost fuel oil during the first three quarters of the year.

Net income for the year amounted to $261 million, an increase of about $17 million over 1973. After preferred dividend requirements of $45 million, there remained $216 million available for the common stockholder, equivalent to $3.27 a share on an average of 66,145,789 shares of common stock outstanding in 1974.

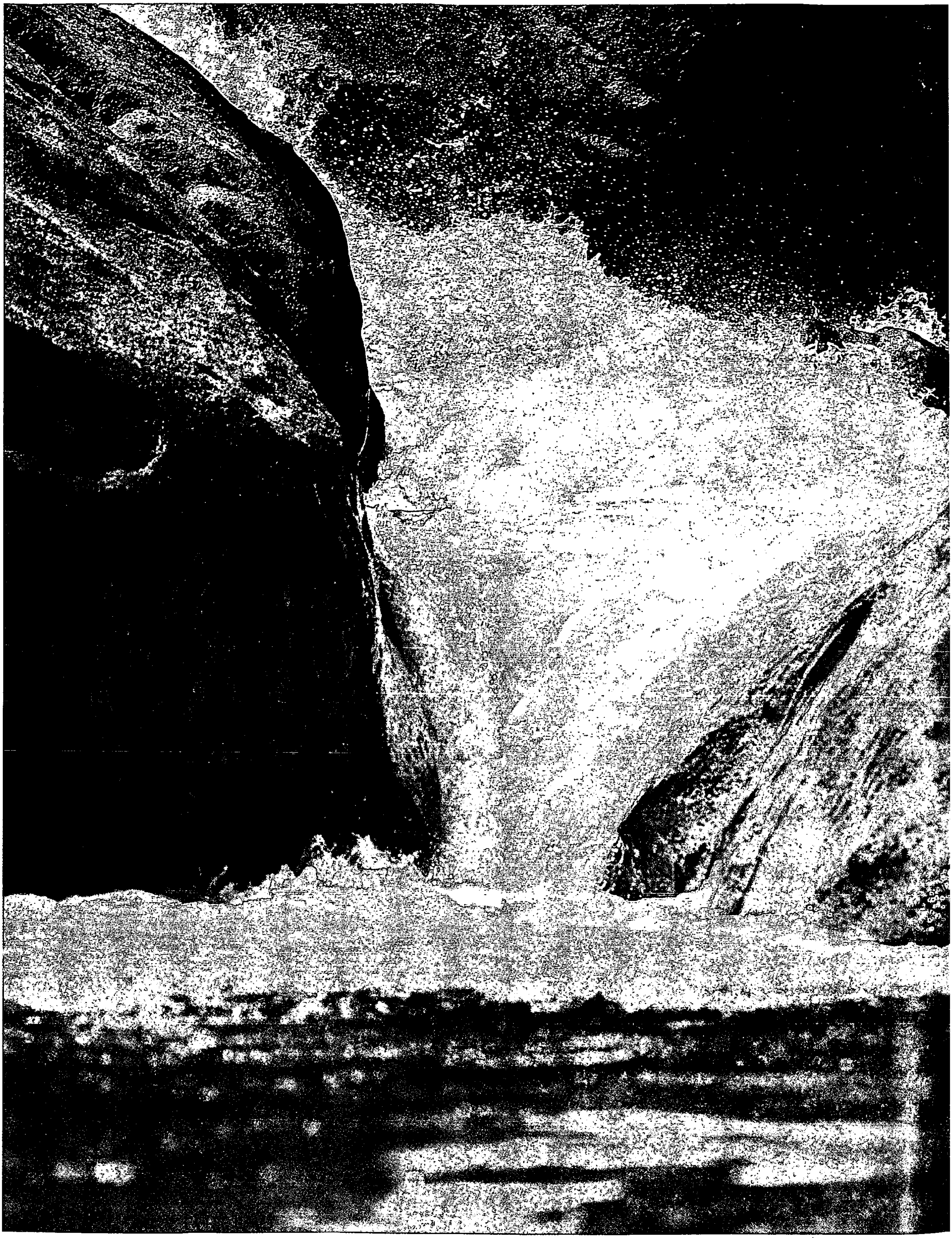
The common stock dividend was raised 2½ cents a share beginning with the April 15, 1974 quarterly payment. The annual dividend rate now in effect is $1.88 per share. Dividends declared on the common stock during the year amounted to $125 million, or 58% of the total earnings available for common stock. The retained earnings of $91 million were invested in Company facilities, which will provide an increased earnings base for common stockholders in the future.

Construction expenditures amounted to $646 million during 1974. Substantial additional funds were required for the retirement of the Series L bonds, sinking fund purchases, and for fuel oil inventory buildup.

The financing program for 1974 consisted of five security offerings. Three of the offerings were mortgage bonds. In May the Company sold $150 million of 32-year first and refunding mortgage bonds at a cost to the Company of 9.30%. In October the Company sold $150 million of 8-year first and refunding mortgage bonds at a cost of 9.99%, and in December $170 million of 32-year bonds were sold at a 9.80% cost to the Company. All three bond offerings reflected unprecedented costs to the Company for debt securities.



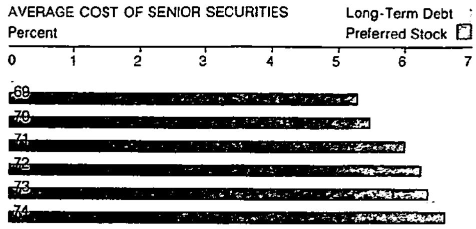
Considerable snow in California's Sierra Nevada during the winter of 1973-1974 provided the Company with its best year for hydroelectric power generation. Approximately 60% of the electricity available to the Company was either generated in Company owned hydroelectric plants or purchased under contracts with other hydroelectric producers.

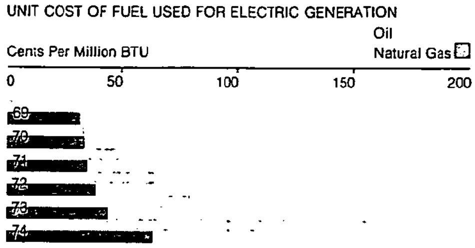


In March 1974 three million shares of $25 par value redeemable first preferred stock were sold on a negotiated basis at a cost to the Company of 8.66%.

Common stockholders of record on October 1, 1974 were offered the right to subscribe for 5,923,503 additional shares of common stock in the ratio of one new share for each eleven then held. The subscription price of $16 produced net proceeds to the Company of approximately $93 million.

The Company's total capitalization at year end was $5 billion 646 million. This consisted of 52.3% mortgage bonds, 12.2% preferred stock and 35.5% common stock equity. The 27,598,025 shares of outstanding preferred stock were owned by 100,115 stockholders, and the 71,082,041 shares of outstanding common stock were owned by 188,484 stockholders. A majority of these stockholders are California residents.





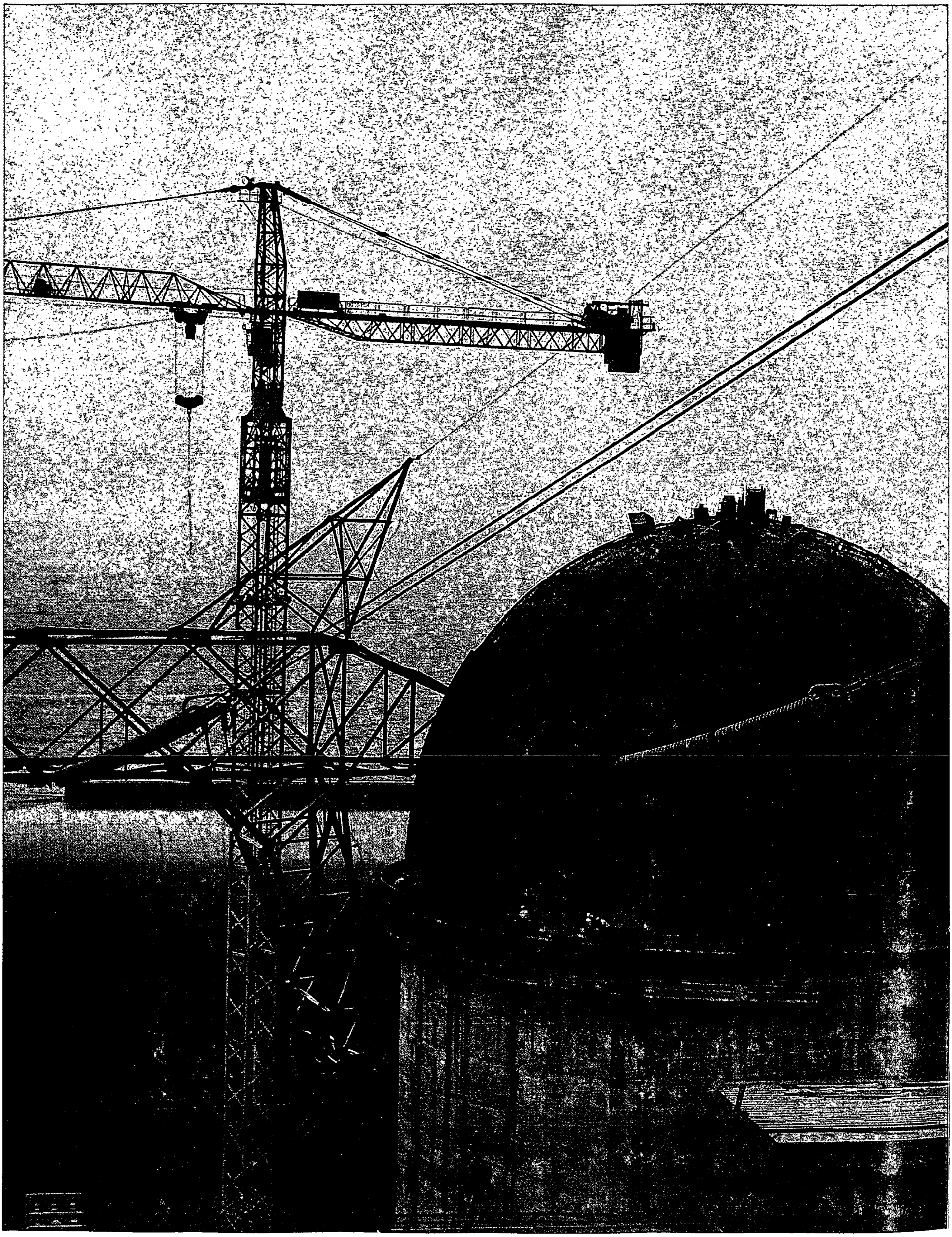
Rates

In order for the Company to maintain its financial integrity, it must earn a fair and reasonable rate of return on its capital investment in plant. Rates must be adequate to produce revenues which will be sufficient to attract the capital necessary to expand our system to meet the increasing needs of our customers. The California Public Utilities Commission has allowed the Company to pass through a large part of the increase in gas and oil costs to our customers in a timely manner; however, the delays experienced in obtaining general rate relief have depressed the Company's earnings.

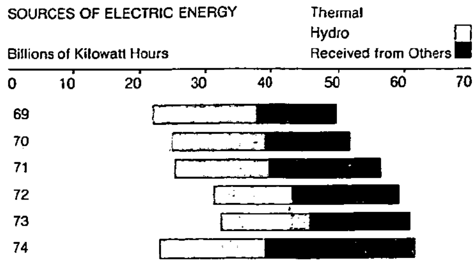
The Letter to Stockholders comments on the Company's rate proceedings now before the California Public Utilities Commission.

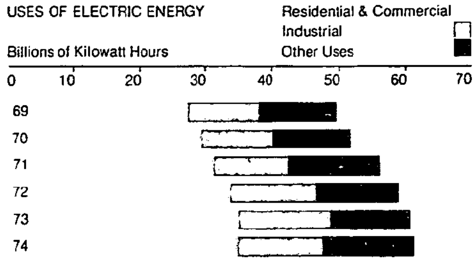
During 1974 rising costs of both fuel oil and natural gas purchased for electric generation, as well as natural gas purchased for customer use, were responsible for a number of rate increases totaling $495 million. Of this amount $188 million was authorized as fuel cost adjustments of the Company's electric rate schedules. The remaining $307 million was authorized to offset increased costs of natural gas purchased from El Paso Natural Gas Company and from producers in Canada and California. The largest portion of this amount resulted from a decision by the Canadian Government to

Spring runoff high in the Sierra is the source from which the Company generates much of its hydroelectric power. These small streams and falls coalesce to build powerful rivers in lower elevations where Company plants convert this energy into electricity.



increase the border price of gas exported to the United States effective January 1975 to one dollar per thousand cubic feet, an increase of about 67%. Even with the substantial rate increases granted and requested, the Company's rates will remain among the lowest in the nation.





Regulation

The Company is subject to regulation by the California Public Utilities Commission, which establishes rates, regulates security issues, and prescribes rates of depreciation and uniform systems of accounts. The Company is also subject to regulation by the Federal Power Commission under the Federal Power Act. The FPC has authority to regulate electric resale and interstate transmission rates, acquisition and disposition of certain property, licensing of hydroelectric projects, and accounting. The FPC also exercises jurisdiction under the Natural Gas Act over the operations of two of the Company's subsidiaries, Pacific Gas Transmission Company and Standard Pacific Gas Line Inc.

Electric

The Company's electric system output in 1974 totaled 60.9 billion kilowatt hours, an increase of less than 1% over last year. Excellent water conditions in California and the Pacific Northwest increased the hydroelectric energy available to the Company by about 30% over last year and resulted in approximately 60% of the total system energy being provided by generation at the Company's hydroelectric plants and by purchases from other hydroelectric producers. Thermal-electric generation at Company plants accounted for the remainder.

On July 25 a record peak demand of 11.6 million kilowatts occurred with ample margin of reserve generation capability available. This was an increase of 7% over the 1973 peak demand. Future growth in both peak demand and sales are anticipated because of the continuing increase in customers being served. At year end the Company had 2,936,000 electric customers, which was an increase of 82,000 over 1973.

At the time of peak demand for 1974, total generating capability available to the Company was 13,292,600 kilowatts conservatively based upon adverse water conditions. This total consisted of

Construction continues on Diablo Canyon Nuclear Unit 2. When both Units 1 and 2 are in operation, they will provide the Company with 2,120,000 kilowatts of generating capability and substitute uranium for the equivalent of 24 million barrels of low-sulfur fuel annually.

10,343,900 kilowatts from Company plants and 2,948,700 kilowatts available under firm contracts with other producers.

Planned Capacity Additions—Kilowatts 1975-1981

Completion Date	Hydroelectric	Geothermal	Nuclear	Fossil	Total
1975		106,000		208,000	314,000
1976			1,060,000	164,000	1,224,000
1977		271,000	1,060,000		1,331,000
1978		135,000		87,000	222,000
1979		110,000		120,000	230,000
1980		110,000		990,000	1,100,000
1981	1,125,000	110,000			1,235,000
	1,125,000	842,000	2,120,000	1,569,000	5,656,000

As shown in the table, during the coming seven years the Company will add more than 5.6 million kilowatts of electric generating capacity in order to serve our customers' demands. In seeking to become less dependent upon fossil fuels, additional generating capacity will come primarily from nuclear, geothermal and hydroelectric plants. The largest additions will be the two nuclear units at Diablo Canyon, with commercial operation of Unit 1 scheduled for 1976 and Unit 2 for 1977. The Company's geothermal generating capacity will total more than 1,200,000 kilowatts in the Geysers area by 1981. The 1,125,000 kilowatt Helms Pumped Storage Project on the Kings River is scheduled for operation by 1981. This major new hydroelectric facility will generate power at periods of peak demand by releasing water through a new tunnel and underground plant between two existing Company-owned reservoirs. At periods of low electric demand by our customers, water will be pumped back from the lower to the upper reservoir for reuse in periods of high demand. The fossil capacity additions shown in the table are planned to be gas turbine and combined cycle units.

In December the Company completed a third 500,000 volt transmission line connection with Southern California Edison Company. Fifty-three miles in length, it will add dependability and flexibility in the

PG&E's electric generating system is augmented by major transmission 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.

transmission of power between the Company system and the southern part of California.

For many years natural gas was a major source of fuel for electric generation. As a result of gas allocation orders by the Federal Power Commission and a denial by the Canadian Government in 1971 of applications for additional exports to the United States, the Company has had to rely more heavily on oil as boiler fuel. Our oil requirements increased from 2.6 million barrels in 1972 to over 11 million barrels in 1974.

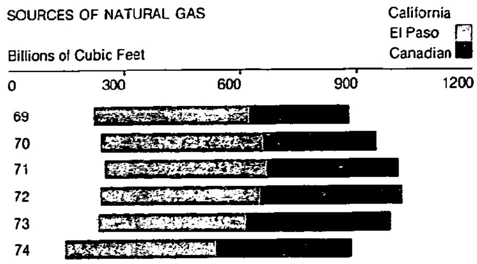
The Company has been engaged in an extensive fuel oil supply procurement program to secure fuel needs for the next several years. Our storage capacity was increased from 8 million barrels to about 16 million barrels during 1974. Storage capacity will be further enlarged to 17.5 million barrels by the end of 1975.

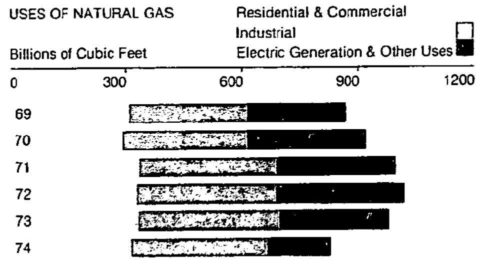
In addition to conducting its own research at its San Ramon research facility, the Company is participating in the Electric Power Research Institute, which is directing a $230 million electric utility industry research program. We are confident these efforts will contribute significantly to the power technology of the future.

Gas

During 1974 the Company purchased 877 billion cubic feet of natural gas for its customers and as fuel for generating electricity in our thermal-electric plants. The Company obtained this energy from three sources: the southwestern United States, through facilities of El Paso Natural Gas Company; Canada, through the 600 mile pipeline of its subsidiary, Pacific Gas Transmission Company; and California producers, through the Company's own facilities. Of the gas purchased during the year, 44% was obtained from the Southwest, 39% came from Canada, and the remaining 17% was from California producers. During the year the Company paid an average price from all sources of 57 cents per thousand cubic feet, an increase of 36% over the 42 cents per thousand cubic feet paid in 1973.

Federal allocation of natural gas and export limitations of Canadian gas have not only increased our dependence on fuel oils for electric





The utility industry requires vast sums of money for the facilities necessary to provide reliable and safe forms of energy to the public. The Company has a large investment in pipelines which deliver natural gas to our customers in Northern California. This transmission line, 36 inches in diameter, extends 300 miles through our service area and carries approximately one billion cubic feet of natural gas per day.

generation and significantly increased operating expenses, but have also further reduced the level of sales to interruptible gas customers. Sales to interruptible customers declined 5% in 1974.

At present the Company has an adequate supply of natural gas under contract to meet the requirements of our firm customers for a number of years. However, Company steam plants and interruptible customers have been and will continue to be subject to greater curtailment each year unless substantial and increasing additional supplies of gas can be acquired.

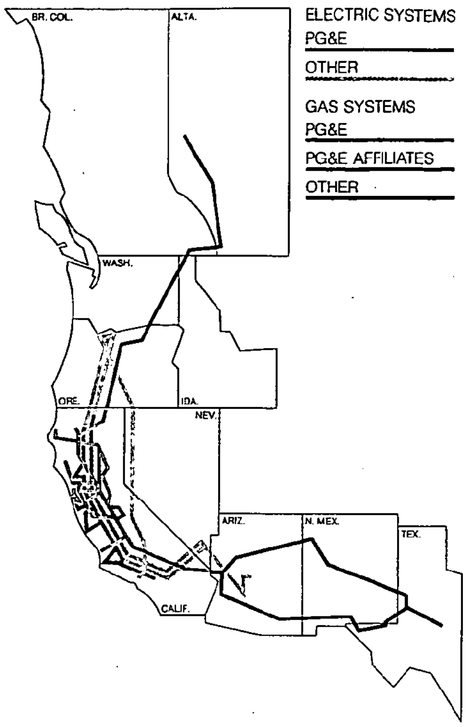
With the probability of continued limitations of gas supplies in the future, the Company is arranging to make greater use of its underground gas storage fields. The Company has been expanding the withdrawal capability of the McDonald Island field to provide greater deliverability during peak demand periods. This project has called for drilling 60 additional wells in the field, building two platforms to hold gas processing equipment, and constructing an additional pipeline to the Company's gas system. Forty-three wells had been completed and the 17-mile pipeline had been constructed at year end. This program, when completed, will provide storage capacity of about 80 billion cubic feet and withdrawal capability of nearly 1.7 billion cubic feet per day at maximum pressure. The Company is planning projects at other fields to further increase underground gas storage capacity.

To obtain the additional gas supplies which will be needed for firm customers beginning in the early 1980's, the Company is engaged in a number of different projects. Through our subsidiaries, Natural Gas Corporation of California, Alberta and Southern Gas Co., Ltd., and Pacific Gas Transmission Company, we are supporting gas exploration ventures on the North Slope of Alaska, in the northwest regions of Canada including the Mackenzie River Delta, and in a number of northern and central Rocky Mountain states. The Company is participating in the proposed Gas Arctic project, which would bring gas to the United States from Alaska and Northern Canada by construction of a 2,600-mile pipeline system delivering 2.25 billion cubic feet per day to the U.S. border. A substantial portion of the gas would be purchased

Many research projects focusing on the environmental effect, safety and efficiency of our operating equipment are conducted at the Company's San Ramon Research Center. Here the moisture level of natural gas is measured to determine possible corrosive effects on pipelines and meters.


SAN FRANCISCO
PACIFIC OCEAN

by the Company. During the past year several applications were filed with the Federal Power Commission and the National Energy Board of Canada relating to the design and engineering, environmental and socio-economic impact, and proposed route of the pipeline. The Company also continues to support several coal gasification pilot projects funded through the American Gas Association and conducted jointly with the United States Government.



Personnel

There were 26,333 men and women employed by the Company at the end of 1974, approximately 77% of whom are represented by the International Brotherhood of Electrical Workers (AFL-CIO) and 7.5% represented by the Engineers and Scientists of California. The Company reached new wage agreements with both unions during 1974. The new contracts provided for a 7% wage increase retroactive to January 1, 1974, and another 3% increase effective July 1. Wage and salary adjustments were also made for employees not within the bargaining units. As a result, wages and benefits increased by $41 million annually in 1974, of which approximately 60% is charged to operations and the balance to construction. An additional wage increase of 8.5% was agreed to by both unions effective January 1, 1975, with possible further increases in July depending on the level of the Consumer Price Index in May.

On December 31, 1974, Frederick T. Searls retired as vice president and general counsel after 39 years with the Company, and John C. Morrissey was elected his successor.

The Company's Affirmative Action Program is producing results in an orderly fashion. At year end there were 5,580 minority employees on the payroll, representing 21% of the total employment. This compares favorably with a 23% minority working-age population in our service area.

Women employees continue to move into responsible professional and technical areas within the Company, including such career fields as law, engineering, accounting, computer programming and customer relations. A 23% increase in the number of women in professional and management positions occurred during 1974, as well as a significant increase in those entering technical career areas.

In order to provide energy to our customers, the Company relies primarily on its own hydro ●, fossil ○, geothermal ○, and nuclear ◉ generating plants located on the map at left. The Company has extended its efforts beyond the service area to secure resources required for both electric generation and customer use. Major natural gas pipelines to Canada and the Southwest, and electric intertie systems to the Pacific Northwest are indicated on the map at the top of this page.

Summary of Operations

Pacific Gas and Electric Company • For the Five Years Ended December 31, 1974

	Thousands				
	1974	1973	1972	1971	1970
OPERATING REVENUES:					
Electric	$1,104,715	$ 947,500	$ 856,824	$ 792,382	$ 705,351
Gas	622,040	542,656	493,789	467,963	397,907
TOTAL	1,726,755	1,490,156	1,350,613	1,260,345	1,103,258
OPERATING EXPENSES:					
Operation	961,682	744,109	668,823	600,467	516,921
Maintenance	90,631	77,083	66,913	62,980	56,430
Depreciation	166,605	158,329	142,461	131,326	122,218
Taxes on Income	54,203	72,559	73,774	83,773	63,646
Property and Other Taxes	123,025	120,556	117,731	114,886	112,751
TOTAL	1,396,146	1,172,636	1,069,702	993,432	871,966
OPERATING INCOME	330,609	317,520	280,911	266,913	231,292
OTHER INCOME AND INCOME DEDUCTIONS	100,147	69,748	64,355	42,896	35,608
INTEREST EXPENSE	169,519	143,661	129,922	116,695	100,681
NET INCOME	261,237	243,607	215,344	193,114	166,219
PREFERRED DIVIDEND REQUIREMENTS	45,253	36,682	31,109	25,399	18,559
EARNINGS AVAILABLE FOR COMMON	$ 215,984	$ 206,925	$ 184,235	$ 167,715	$ 147,660
AVERAGE COMMON SHARES OUTSTANDING	66,146	64,140	61,086	61,086	59,728
EARNINGS PER COMMON SHARE	$3.27	$3.23	$3.02	$2.75	$2.47
DIVIDENDS DECLARED PER COMMON SHARE	$1.88	$1.78	$1.72	$1.64	$1.50

Management's Discussion and Analysis of the Summary of Operations

Pacific Gas and Electric Company • For the Five Years Ended December 31, 1974

OPERATING REVENUES

The significant increases in electric and gas revenues in 1973 and 1974 resulted principally from rate increases granted to offset the higher costs of fuel used for electric generation and of gas delivered to customers.

EXPENSES

The Company has available a large capability for hydroelectric generation. Changes in hydroelectric generation, which result from variations in precipitation, cause fluctuations of fuel expense. Hydroelectric generation was greater than normal in 1973 and even more so in 1974.

Operation expenses have increased substantially in recent years as a result of the rapid increase in the cost of fuels, both natural gas and oil. The increase in electric production expenses was magnified because of fuel oil being substituted for cheaper natural gas which was in short supply nationwide. Other expenses reflect a general inflationary trend with higher wages and employee benefits increasing the cost of operation. Somewhat higher depreciation rates were adopted in 1973. Taxes on income were lower in 1974 than in 1973 reflecting the reduction in taxable income.

The amount of allowance for funds used during construction, which is included in other income, has increased in recent years due to the continuing construction of the two-unit nuclear generating station at Diablo Canyon.

Interest expense and preferred dividend requirements have increased as additional debt and preferred stock has been issued to finance the Company's construction program.

Lines of Business

Pacific Gas and Electric Company • For the Five Years Ended December 31, 1974

The approximate percentage of operating revenues and operating income, exclusive of taxes on income, attributable to each principal line of business was as follows:

	Operating Revenues		Operating Income	
	Electric	Gas	Electric	Gas
1970	64%	36%	84%	16%
1971	63%	37%	83%	17%
1972	63%	37%	83%	17%
1973	64%	36%	81%	19%
1974	64%	36%	90%	10%

Quarterly Stock Prices and Declared Dividends

Pacific Gas and Electric Company • December 31, 1973 and 1974

			1973				1974			
COMMON			1st	2nd	3rd	4th	1st	2nd	3rd	4th
		High	$32⅝	$29⅞	$28⅜	$27½	$24⅞	$24¾	$23⅜	$20⅞
		Low	26⅝	27⅛	24⅝	21½	22⅜	20	17⅜	17
		Dividend	44½¢	44½¢	44½¢	44½¢	47¢	47¢	47¢	47¢
PREFERRED										
REDEEMABLE										
9.48%	($2.37)*	High	—	—	—	—	—	$27½	$26⅛	$26¼
		Low	—	—	—	—	—	26⅛	22⅝	23⅛
9.28%	($2.32)	High	$31¾	$30⅞	$30⅝	$30	$28¾	27½	24¾	25
		Low	29½	29⅝	27½	27½	26⅞	24¾	22	23
9%	($2.25)	High	30¾	30¼	29¾	29¾	28	26¼	24¾	24⅝
		Low	29⅛	29⅛	27½	26½	26¼	24¾	21½	21¾
8.20%	($2.05)	High	—	—	—	—	26¼	24¾	22⅛	22⅜
		Low	—	—	—	—	24¼	22¾	20⅛	20
8.16%	($2.04)	High	28⅜	28¾	27⅝	27⅝	26	24⅞	22⅜	22⅜
		Low	27	27¼	25⅝	25¼	24¼	22¼	20	20
8%	($2.00)	High	27¾	27⅜	27½	27	25⅜	23⅞	22¼	22¼
		Low	27	27	25⅜	24⅝	23½	21¾	19	19⅝
7.84%	($1.96)	High	27½	27¼	26⅞	26½	25	22⅞	21½	21⅝
		Low	25⅞	26¼	24⅜	23⅝	22¾	21⅜	19	19⅛
5%	($1.25)	High	17½	17⅝	17¼	17⅛	16¼	15	14	13¾
		Low	16⅞	16¾	15½	15⅜	14⅞	13¾	12¼	12½
5%-A	($1.25)	High	17⅞	17¾	17⅜	17½	16¼	14⅝	14	13⅞
		Low	16¾	17	16	15¾	14⅞	13¾	12¼	12⅜
4.80%	($1.20)	High	17	16⅞	16½	16¼	15½	14½	13	13½
		Low	16¼	16	14⅞	15¼	14½	12¾	11⅞	11½
4.50%	($1.125)	High	16	15⅞	15¼	15⅜	14½	13⅝	12⅞	12½
		Low	15⅜	15½	13⅝	13¾	13⅜	12½	10⅞	10⅞
4.36%	($1.09)	High	15¾	15¼	14¾	14⅜	13⅞	13¼	12	12
		Low	14½	14⅝	13½	13⅝	12⅞	12	10½	10½
NON-REDEEMABLE										
6%	($1.50)	High	22⅜	21⅝	20⅞	21½	20⅛	18⅞	17⅞	17½
		Low	20⅝	20¼	19⅜	18¾	18⅜	17	16¼	15⅝
5.50%	($1.375)	High	20	19¼	19	19¼	17½	17¼	15½	15
		Low	18⅛	18¼	17¼	16½	16¾	14⅞	13¼	13¾
5%	($1.25)	High	17⅞	17⅝	17½	17⅜	16⅛	15	14¼	13⅞
		Low	16¾	16¾	15⅝	15	14⅝	13¾	13⅛	12⅞

*Annual Dividend Rate

Revenues and Sales

Pacific Gas and Electric Company • For the Years Ended December 31, 1974 and 1973

	1974	1973	Increase (Decrease) Amount	Increase (Decrease) Percent
	Thousands			
ELECTRIC DEPARTMENT				
REVENUES:				
Residential	$ 411,001	$ 355,635	$ 55,366	15.6 %
Commercial	382,682	338,629	44,053	13.0
Industrial (1000 KW demand or over)	169,993	140,420	29,573	21.1
Agricultural Power	75,612	59,796	15,816	26.4
Public Street and Highway Lighting	18,135	16,191	1,944	12.0
Other Electric Utilities	22,262	15,466	6,796	43.9
Miscellaneous Electric	22,585	18,718	3,867	20.7
Other	2,445	2,645	(200)	(7.6)
TOTAL	$ 1,104,715	$ 947,500	$157,215	16.6 %
SALES—KWH:				
Residential	15,658,439	15,557,882	100,557	0.6 %
Commercial	15,746,918	16,258,430	(511,512)	(3.1)
Industrial (1000 KW demand or over)	12,618,192	13,514,558	(896,366)	(6.6)
Agricultural Power	3,581,124	3,287,606	293,518	8.9
Public Street and Highway Lighting	427,982	405,634	22,348	5.5
Other Electric Utilities	2,229,291	1,643,095	586,196	35.7
Total Sales to Customers	50,261,946	50,667,205	(405,259)	(0.8)
Delivered for the Account of Others	5,525,856	5,031,026	494,830	9.8
TOTAL	55,787,802	55,698,231	89,571	0.2 %
GAS DEPARTMENT				
REVENUES:				
Residential	$ 288,681	$ 264,473	$ 24,208	9.2 %
Commercial	76,081	69,020	7,061	10.2
Industrial	247,068	200,915	46,153	23.0
Other Gas Utilities	6,876	7,571	(695)	(9.2)
Miscellaneous	3,334	677	2,657	392.5
TOTAL	$ 622,040	$ 542,656	$ 79,384	14.6 %
SALES—MCF:				
Residential	241,664	255,388	(13,724)	(5.4)%
Commercial	74,756	79,826	(5,070)	(6.4)
Industrial	346,548	362,005	(15,457)	(4.3)
Other Gas Utilities	8,581	11,449	(2,868)	(25.1)
Total Sales to Customers	671,549	708,668	(37,119)	(5.2)
Company Use (Electric generation)	123,194	246,169	(122,975)	(50.0)
TOTAL	794,743	954,837	(160,094)	(16.8)%

Comparative Statistics

Pacific Gas and Electric Company • For the Eleven Years Ended December 31, 1974

	1974	1973	1972	1971
PER COMMON SHARE:				
Earnings	$ 3.27	$ 3.23	$ 3.02	$ 2.75
Dividends Declared	$ 1.88	$ 1.78	$ 1.72	$ 1.64
Dividend Payout Ratio	57.5%	55.1%	57.0%	59.7%
Book Value (End of Year)	$28.18	$27.80	$26.36	$24.91
Market Price—High	24⅞	32⅝	33⅜	36⅜
Market Price—Low	17	21½	26⅜	28⅜
Market Price—Close	20⅛	22⅞	32⅝	32⅜
CAPITAL EXPENDITURES (Thousands):				
Electric Department	$515,493	$444,344	$432,781	$355,242
Gas Department	97,714	89,186	71,345	60,432
Other	32,453	32,009	39,514	36,177
TOTAL	$645,660	$565,539	$543,640	$451,851
ELECTRIC STATISTICS:				
Net System Output (Millions of KWH)	60,932	60,572	59,124	54,665
Net System Output—Percent				
Hydroelectric Plants	25.6%	21.5%	19.8%	25.6%
Thermal Electric Plants	38.1	53.4	52.7	46.5
Other Producers	36.3	25.1	27.5	27.9
Total	100.0%	100.0%	100.0%	100.0%
System Capability—KW (at annual peak)				
Hydroelectric Plants (adverse conditions)	2,396,900	2,384,800	2,369,800	2,364,900
Thermal Electric Plants	7,947,000	7,841,000	7,062,000	6,956,000
Other Producers (adverse conditions)	2,948,700	2,554,700	2,609,900	2,438,700
Total	13,292,600	12,780,500	12,041,700	11,759,600
Net System Peak Demand—KW	11,648,800	10,867,800	10,469,800	9,713,000
Average Annual Residential Consumption—KWH	6,260	6,417	6,213	6,048
Total Customers (End of Year)	2,936,106	2,854,585	2,767,978	2,675,942
Customers Per Mile of Distribution Line	36.9	36.5	36.0	35.4
GAS STATISTICS:				
Gas Purchased (Thousands of MCF)	876,537	984,061	1,015,319	1,004,547
Sources of Gas Purchased—Percent				
From California	16.8%	23.6%	23.5%	24.8%
From Other States	43.7	38.4	40.3	41.2
From Canada	39.5	38.0	36.2	34.0
Total	100.0%	100.0%	100.0%	100.0%
Average Cost of Gas Purchased—MCF				
From California	42.7¢	37.0¢	33.7¢	31.7¢
From Other States (at Calif.-Ariz. border)	55.8	43.0	39.4	37.5
From Canada (at Calif.-Ore. border)	65.4	44.1	36.9	32.7
Average	57.4¢	42.0¢	37.2¢	34.3¢
Peak Day Sendout—MCF	3,020,215	3,423,896	3,918,844	3,798,462
Average Annual Residential Consumption—MCF	104.5	113.4	115.7	121.7
Total Customers (End of Year)	2,503,203	2,443,889	2,383,609	2,317,686
Customers Per Mile of Distribution Main	96.1	95.9	95.6	95.0

1970	1969	1968	1967	1966	1965	1964
$ 2.47	$ 2.58	$ 2.55	$ 2.49	$ 2.23	$ 2.08	$ 1.87
$ 1.50	$ 1.50	$ 1.45	$ 1.40	$ 1.30	$ 1.20	$ 1.10
60.9%	58.2%	57.0%	56.3%	58.4%	57.8%	58.9%
$23.66	$22.79	$21.71	$20.62	$19.53	$18.44	$17.54
35	39½	38⅞	38	36¾	40⅜	35⅜
22½	29½	30¾	31⅝	27	33⅞	30⅝
34⅝	32¾	38⅛	35⅝	35¾	36½	34¼
$297,930	$240,468	$200,763	$235,707	$220,241	$218,479	$181,810
68,320	61,428	58,834	50,536	55,596	46,057	40,484
49,081	38,094	29,803	24,748	21,292	22,172	17,777
$415,331	$339,990	$289,400	$310,991	$297,129	$286,708	$240,071
51,277	48,885	46,994	43,663	41,392	38,190	36,204
26.9%	31.4%	23.8%	32.9%	26.6%	34.1%	24.9%
48.6	45.2	62.2	47.1	61.4	50.3	64.7
24.5	23.4	14.0	20.0	12.0	15.6	10.4
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2,364,900	2,247,900	2,277,300	2,278,500	2,224,400	2,210,800	1,921,700
6,942,400	6,962,400	6,302,600	6,289,600	5,447,300	5,447,300	5,244,300
2,098,000	1,560,700	1,056,200	1,110,100	815,300	787,100	821,700
11,405,300	10,771,000	9,636,100	9,678,200	8,487,000	8,445,200	7,987,700
8,807,700	8,227,100	8,126,200	7,757,900	7,146,500	6,686,400	6,144,600
5,697	5,545	5,181	5,000	4,661	4,454	4,249
2,597,314	2,536,703	2,483,480	2,429,306	2,383,907	2,323,896	2,254,267
34.8	34.5	34.3	34.0	33.8	33.5	33.2
950,652	878,484	888,075	802,221	808,062	749,410	736,598
25.2%	25.2%	27.5%	26.3%	31.0%	29.1%	31.0%
43.7	45.3	45.5	48.3	48.6	50.7	49.3
31.1	29.5	27.0	25.4	20.4	20.2	19.7
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30.2¢	29.9¢	30.3¢	30.2¢	30.1¢	29.8¢	30.0¢
33.9	31.4	27.9	28.4	29.4	29.6	30.1
30.4	28.2	28.0	29.3	31.2	33.6	34.4
31.9¢	30.1¢	28.6¢	29.1¢	30.0¢	30.5¢	30.9¢
3,633,341	3,445,626	3,338,669	3,363,503	3,032,844	3,110,309	2,775,582
107.7	116.2	109.7	112.4	107.5	110.6	113.1
2,258,285	2,208,046	1,160,569	2,110,510	2,064,045	2,008,623	1,944,503
94.1	94.0	93.8	93.5	93.5	93.3	92.8

Statement of Income

Pacific Gas and Electric Company • For the Years Ended December 31, 1974 and 1973

	Thousands 1974	1973
OPERATING REVENUES:		
Electric	$1,104,715	$ 947,500
Gas	622,040	542,656
TOTAL	1,726,755	1,490,156
OPERATING EXPENSES:		
Operation:		
Natural Gas	470,929	406,444
Fuel Oil	131,337	35,799
Power Purchased	66,904	44,831
Transmission and Distribution	93,432	84,592
Other	199,080	172,443
Total	961,682	744,109
Maintenance	90,631	77,083
Depreciation	166,605	158,329
Taxes on Income (Note 3)	54,203	72,559
Property and Other Taxes	123,025	120,556
TOTAL	1,396,146	1,172,636
OPERATING INCOME	330,609	317,520
OTHER INCOME AND INCOME DEDUCTIONS:		
Allowance for Funds Used During Construction	57,598	44,133
Gain on Bonds Purchased for Sinking Fund	20,039	10,100
Other—net	22,510	15,515
TOTAL	100,147	69,748
INCOME BEFORE INTEREST EXPENSE	430,756	387,268
INTEREST EXPENSE	169,519	143,661
NET INCOME	$ 261,237	$ 243,607
EARNINGS PER COMMON SHARE	$3.27	$3.23
DIVIDENDS DECLARED PER COMMON SHARE	$1.88	$1.78

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

Balance Sheet

Pacific Gas and Electric Company • December 31, 1974 and 1973

	Thousands 1974	1973
ASSETS		
UTILITY PLANT—At Original Cost:		
Electric	$4,744,359	$4,486,904
Gas	1,472,334	1,398,569
Construction Work in Progress	1,050,579	795,933
Total Utility Plant	7,267,272	6,681,406
Accumulated Depreciation	1,786,745	1,653,006
UTILITY PLANT—NET	5,480,527	5,028,400
INVESTMENTS IN SUBSIDIARIES	49,126	42,764
CURRENT ASSETS:		
Cash	27,146	29,250
Temporary Cash Investments—at cost	12,971	33,843
Accounts Receivable (less allowance for uncollectible accounts: 1974, $3,447; 1973, $3,062)	154,118	130,799
Materials and Supplies	39,681	27,784
Fuel Oil	177,087	49,883
Gas Stored Underground	53,631	27,042
Prepayments	15,382	10,155
TOTAL CURRENT ASSETS	480,016	308,756
DEFERRED CHARGES	9,812	9,700
TOTAL	$6,019,481	$5,389,620
LIABILITIES		
CAPITALIZATION:		
Common Stock—at par (Schedule I)	$ 710,820	$ 651,585
Additional Paid-in Capital	315,767	275,506
Reinvested Earnings	976,263	884,376
Common Stock Equity	2,002,850	1,811,467
Preferred Stock (Schedule I)	689,951	614,951
Total	2,692,801	2,426,418
Mortgage Bonds (Schedule II) (Note 2)	2,952,772	2,539,014
TOTAL CAPITALIZATION	5,645, 573	4,965,432
CURRENT LIABILITIES:		
Accounts Payable	143,265	95,145
Taxes Accrued	37,141	38,279
Dividends Payable	33,408	28,996
Mortgage Bonds—current portion (Schedule II) (Note 2)	18,074	130,162
Other	44,859	35,320
TOTAL CURRENT LIABILITIES	276,747	327,902
CUSTOMER ADVANCES FOR CONSTRUCTION	41,094	37,573
DEFERRED CREDITS	12,694	12,395
DEFERRED INCOME TAXES ON DEFENSE FACILITIES	43,373	46,318
TOTAL	$6,019,481	$5,389,620

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

Statement of Changes in Financial Position

Pacific Gas and Electric Company • For the Years Ended December 31, 1974 and 1973

	Thousands 1974	1973
FUNDS PROVIDED:		
Funds Derived from Operations:		
Net Income	$ 261,237	$ 243,607
Non-fund Items in Net Income:		
Depreciation (including charges to other accounts)	177,031	168,074
Gain on Bonds Purchased for Sinking Fund	(20,039)	(10,100)
Allowance for Funds Used During Construction	(57,598)	(44,133)
Other—net	(5,625)	(3,646)
Total Funds Derived from Operations	355,006	353,802
Common Stock Sold—net proceeds	92,592	102,991
Preferred Stock Sold—net proceeds	81,904	54,535
Mortgage Bonds Sold—net proceeds	462,745	295,762
Utility Plant Sold and Salvaged	16,641	12,110
TOTAL	$1,008,888	$ 819,200
FUNDS APPLIED:		
Capital Expenditures	$ 645,660	$ 565,539
Allowance for Funds Used During Construction	(57,598)	(44,133)
Funds Used for Capital Expenditures	588,062	521,406
Mortgage Bonds Purchased for Sinking Fund (at cost)	32,728	21,618
Mortgage Bonds Retired	109,101	—
Dividends—preferred and common stock	169,350	149,691
Increase in Other Working Capital Items (a)	115,314	125,994
Other Changes—net	(5,667)	491
TOTAL	$1,008,888	$ 819,200
(a) Increase in Other Working Capital Items:		
Temporary Cash Investments	$ (20,872)	$ 33,843
Fuel Oil	127,204	35,172
Short-term Borrowing	—	54,000
Other Changes in Working Capital	8,982	2,979
Total	$ 115,314	$ 125,994

Statement of Stockholders' Equity

Pacific Gas and Electric Company • For the Years Ended December 31, 1974 and 1973

Thousands

	Preferred Stock	Common Stock	Additional Paid-In Capital	Reinvested Earnings
December 31, 1972	$564,951	$610,861	$208,704	$790,460
Net Income—for year				243,607
Preferred Stock Sold (2,000,000 Shares)	50,000		4,535	
Common Stock Sold (4,072,409 Shares)		40,724	62,267	
Dividends Declared—Cash:				
Preferred Stock				(35,520)
Common Stock				(114,171)
Balance, December 31, 1973	614,951	651,585	275,506	884,376
Net Income—for year				261,237
Preferred Stock Sold (3,000,000 Shares)	75,000		6,904	
Common Stock Sold (5,923,503 Shares)		59,235	33,357	
Dividends Declared—Cash:				
Preferred Stock				(44,069)
Common Stock				(125,281)
Balance, December 31, 1974	$689,951	$710,820	$315,767	$976,263

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

Schedule I Capital Stock Pacific Gas and Electric Company • December 31, 1974

	Redemption Price	Shares Authorized	Thousands Outstanding—Held by Public Shares	Amount
COMMON, PAR VALUE $10 PER SHARE		125,000	71,082	$710,820
PREFERRED, CUMULATIVE, PAR VALUE $25 PER SHARE				
REDEEMABLE:				
9.48% ($2.37 a share)	$30.25	3,000	3,000	$ 75,000
9.28% ($2.32 a share)	28.00	707	707	17,674
9% ($2.25 a share)	29.875	881	881	22,027
8.20% ($2.05 a share)	30.00	2,000	2,000	50,000
8.16% ($2.04 a share)	29.375	3,000	3,000	75,000
8% ($2.00 a share)	30.00	2,000	2,000	50,000
7.84% ($1.96 a share)	29.50	2,000	2,000	50,000
5% ($1.25 a share)	26.75	2,861	2,861	71,524
5% — Series A ($1.25 a share)	26.75	1,750	1,719	42,985
4.80% ($1.20 a share)	27.25	1,517	1,517	37,934
4.50% ($1.125 a share)	26.00	1,128	1,128	28,186
4.36% ($1.09 a share)	26.00	1,000	1,000	25,000
Unclassified in Series		32,371	—	—
TOTAL REDEEMABLE		54,215	21,813	545,330
NON-REDEEMABLE:				
6% ($1.50 a share)		4,212	4,212	105,292
5.50% ($1.375 a share)		1,173	1,173	29,329
5% ($1.25 a share)		400	400	10,000
TOTAL NON-REDEEMABLE		5,785	5,785	144,621
TOTAL PREFERRED		60,000	27,598	$689,951

Schedule II Mortgage Bonds Pacific Gas and Electric Company • December 31, 1974

Maturity	Interest Rate (%)	Series	Thousands Held in Treasury	Outstanding Held by Public	Maturity	Interest Rate (%)	Series	Thousands Held in Treasury	Outstanding Held by Public
1975	3	O		$ 2,000	1995	4¼	II	$ 901	$ 26,376
1976	2⅞	T		43,522	1996	4½	JJ	615	48,589
1977	3	N		47,962	1996	4½	KK	2,935	40,749
1978	3¾	CC		56,860	1997	4⅝	LL	7,135	58,998
1979	3	M		73,635	1998	5⅜	MM		72,000
1980	2⅞	Q		52,701	1998	5¾	NN		75,750
1981	2¾	P		21,387	1999	5½	OO		77,000
1982	3⅛	R		64,673	1999	6⅞	PP		80,000
1982	9.85	74B		150,000	2000	6⅝	QQ		50,000
1983	3	S		57,989	2000	6¾	RR		60,000
1984	3⅛	X		37,879	2001	7½	SS		80,000
1984	3⅛	W	$ 25	25,088	2001	9	TT		80,000
1985	3⅜	U		26,566	2002	8⅝	UU		75,000
1986	4½	AA		29,283	2002	8⅞	VV		100,000
1987	3⅜	Y	233	19,978	2003	8	WW		150,000
1988	3⅜	Z	118	8,524	2003	7½	XX		125,000
1989	5	BB		57,700	2004	7½	YY		125,000
1990	4½	DD		49,302	2005	7¾	ZZ		150,000
1991	5	EE		59,815	2005	7¾	73A		150,000
1992	4⅝	FF		51,490	2006	9⅛	74A		150,000
1993	4½	GG	275	55,805	2006	9⅝	74C		170,000
1994	4⅜	HH	752	48,805					

TOTAL MORTGAGE BONDS	$12,989	2,985,426
Mortgage Bonds Included in Current Liabilities (Note 2)		18,074
Unamortized (Premium) Discount		14,580
Mortgage Bonds Included in Capitalization		$2,952,772

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

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 (8% for 1974 and 7½% for 1973), which assumes that funds used for construction were provided by debt and preferred and common equity, is applied to construction work in progress. 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 purposes of establishing rates for utility charges to customers. Research and development costs related to specific construction projects and a portion of general engineering research costs are capitalized. Other research and development costs are charged to expense as incurred. 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. Materials and supplies, fuel oil, and gas stored underground are stated at average cost.

Revenues from residential and commercial customers are recorded as meters are read on a cycle basis throughout each month.

Investment tax credits 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 1974 and 1973. For federal income tax purposes, depreciation is generally computed using the most liberalized methods allowed by the Internal Revenue Code. 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 and other 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.

Retirement plan costs are accrued in accordance with an actuarial cost method (individual entry age normal method). At December 31, 1974, the market value of retirement plan assets exceeded the estimated vested benefits of the plan.

Investments in subsidiaries are stated in accordance with the equity method. The assets, revenues, and earnings of the subsidiaries are not material in relation to those of the Company.

Earnings per common share were 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—MORTGAGE BONDS:

The First and Refunding Mortgage Bonds are issued in series, bear annual interest from 2¾% to 9.85% and mature from December 1, 1975 to December 1, 2006. 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 $5,000,000,000. 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 1% 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 requirements due in 1975 for bonds outstanding at December 31, 1974 will amount to $29,063,000. This amount, less treasury bonds of $12,989,000 plus Series O Bonds of $2,000,000 maturing on December 1, 1975, is included in current liabilities.

NOTE 3—TAXES ON INCOME:

	Thousands	
Taxes on income consist of the following:	1974	1973
Current federal income tax expense	$34,995	$51,740
Amortization of deferred federal tax credit—defense facilities	(2,694)	(2,694)
Current state tax on income	9,840	15,399
Total	$42,141	$64,445
Allocation of taxes on income:		
Operating expenses	$54,203	$72,559
Other income and income deductions	(12,062)	(8,114)
Total	$42,141	$64,445

A reconciliation between the amount of reported income tax expenses and the amount computed by multiplying the income before taxes by the statutory federal income tax rate for the years 1974 and 1973 is as follows:

	1974		1973	
	Amount (Thousands)	Percent of Pretax Income	Amount (Thousands)	Percent of Pretax Income
Computed provision	$145,621	48.0%	$147,865	48.0%
Adjustments multiplied by the statutory federal income tax rates—increase (decrease):				
Tax depreciation in excess of book depreciation	(28,324)	(9.4)	(25,900)	(8.4)
Allowance for funds used during construction	(27,647)	(9.1)	(21,184)	(6.9)
Other overhead construction costs	(10,371)	(3.4)	(8,724)	(2.8)
Repair allowance	(5,760)	(1.9)	—	—
Gain on bonds purchased for sinking fund	(9,619)	(3.2)	(4,848)	(1.6)
Property removal expenses	(4,032)	(1.3)	(7,920)	(2.6)
Other—net	(10,684)	(3.5)	(10,361)	(3.3)
Investment tax credit	(12,160)	(4.0)	(12,490)	(4.1)
State tax on income	5,117	1.7	8,007	2.6
Total	$ 42,141	13.9%	$ 64,445	20.9%

NOTE 4—LINES OF CREDIT:

At December 31, 1974, lines of credit for loans at prevailing prime interest rates were maintained with 15 banks. The unused portion of these lines of credit amounted to $292,600,000.

NOTE 5—COMMITMENTS AND OTHER MATTERS:

Capital expenditures for the year 1975 are estimated at $650,000,000.

Total research and development costs incurred during 1974 and 1973 were $20,000,000 and $16,600,000 of which $13,300,000 and $10,300,000 were capitalized as part of the cost of construction projects.

The Company provides retirement and savings fund plans for substantially all employees. The cost of these plans, charged to expense and utility plant, was $37,860,000 for 1974 and $29,175,000 for 1973.

Accountants' Opinion

HASKINS & SELLS

The Stockholders 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, 1974 and 1973 and the related statements of income, stockholders' equity, 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, 1974 and 1973 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 12, 1975

Haskins & Sells

Department Organization January 1, 1975

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
K. 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

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

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, Assistant Comptroller
K. S. Taylor, Assistant 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

LAW
M. H. Furbush, Associate General Counsel
Assistant General Counsel:
W. B. Kuder
M. A. MacKillop
C. T. Van Deusen
P. A. Crane, Jr.
H. J. La Plante
R. A. Clarke
J. B. Gibson

INFORMATION SYSTEMS
J. R. Kleespies, General Information Systems Manager
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

SAFETY, HEALTH AND CLAIMS
R. W. White, Manager

MATERIALS
R. P. Benton, Manager

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

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

OFFICE OF THE PRESIDENT
G. A. Blanc, Assistant to the President

GOVERNMENTAL AND PUBLIC AFFAIRS
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:
G. 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

Board of Directors

John F. Bonner	President and Chief Operating Officer
Ransom M. Cook*	Member of the Company's Executive Committee
Richard P. Cooley	President and Chief Executive Officer, Wells Fargo Bank, N.A.
C. Raymond Dahl	President and Chief Executive Officer, Crown Zellerbach Corporation
Charles de Bretteville*	Chairman of the Board, The Bank of California, N.A.
Rudolph J. Drews	Financial Consultant
Alfred W. Eames, Jr.**	Chairman of the Board and Chief Executive Officer, Del Monte Corporation
Robert H. Gerdes*	Chairman of the Company's Executive Committee
Walter A. Haas*	Honorary Chairman of the Board, Levi Strauss & Co.
James M. Hait**	Senior Consultant (former Chairman of the Board), FMC Corporation
Doris F. Leonard	Secretary-Treasurer and Partner, Conservation Associates
Leon S. Peters	President, Valley Foundry & Machine Works
Richard H. Peterson	Vice Chairman of the Board
Porter Sesnon*	General Partner, Porter Estate Company
S. L. Sibley*	Chairman of the Board and Chief Executive Officer
Emmett G. Solomon**	Chairman of the Executive Committee, Crocker National Bank

*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
E. 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
John C. Morrissey	Vice President and General Counsel
Frank A. Peter	Vice President and Comptroller
John F. Roberts, Jr.	Vice President—Rates and Valuation
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
B. L. McGrath	Assistant Secretary

STOCKHOLDERS' CALENDAR

Schedule of
Dividend Payment Dates—1975

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 22, 1975 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 20, 1975.

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

ANNUAL REPORT FOR 1974 ON FORM 10-K

A copy of the Company's report for 1974 filed with the Securities and Exchange Commission on Form 10-K will be provided to stockholders upon written request to the Corporate Secretary at the above address.