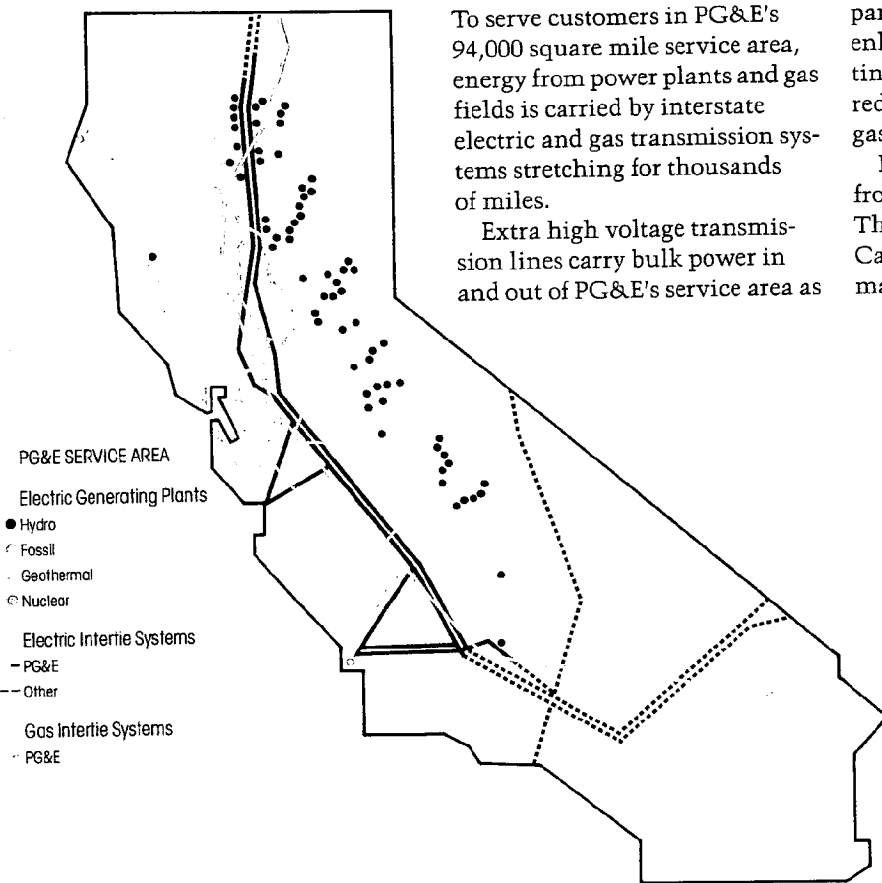


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Abundant Energy



To serve customers in PG&E's 94,000 square mile service area, energy from power plants and gas fields is carried by interstate electric and gas transmission systems stretching for thousands of miles.

Extra high voltage transmission lines carry bulk power in and out of PG&E's service area as

part of a western regional grid, enhancing reliability and permitting power exchanges that help reduce the need to use costly gas and oil for electric generation.

Big pipelines bring natural gas from Canada and the Southwest. This imported gas, mixed with California gas, meets the area's demand for this clean-burning fuel.

Cover

A PG&E dam — one of many on 15 California river systems — harnesses the waters of the Mokelumne River for four of the Company's 65 hydroelectric power plants.

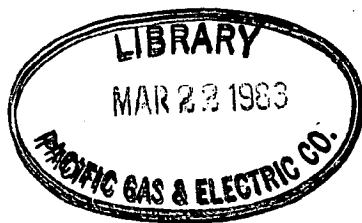
These plants, along with other hydro resources available to PG&E, set an all-time record for this lower-cost generation to the benefit of stockholders and customers alike.

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Highlights

	1982	1981	% Change
Operating Revenues	\$ 6,785,095,000	\$ 6,194,575,000	10
Net Income	\$ 810,178,000	\$ 564,606,000	43
Earnings Available for Common Stock	\$ 657,624,000	\$ 430,907,000	53
Return on Common Stock Equity	15.8%	11.3%	40
Earnings Per Common Share	\$4.91	\$3.41	44
Dividends Declared			
Per Common Share	\$2.93	\$2.72	8
Total Assets	\$13,635,318,000	\$12,366,659,000	10
Construction Expenditures	\$ 1,334,566,000	\$ 1,383,714,000	-4
Sales of Electricity			
to Customers (KWH)	60,445,666,000	61,668,546,000	-2
Sales of Gas to Customers (MCF)	482,463,000	531,293,000	-9
Total Customers	6,469,191	6,421,076	1
Number of Stockholders	397,767	397,010	—
Number of Employees	26,023	26,625	-2



PGC&E made important progress for both stockholders and customers in 1982. We achieved good financial results and developed new customer programs so that we now offer the broadest range of customer services and options in our history.

Earnings Improve

Earnings per share were \$4.91. This represented a 12 percent return on overall utility investment—very close to the 12.2 percent determined to be fair and reasonable by the California Public Utilities Commission.

The earnings were a significant improvement over the \$3.41 earned in 1981, which represented an 8.8 percent return. Returns on common stockholders' equity in 1982 and 1981 were, respectively, 15.8 percent and 11.3 percent.

The financial improvement was due to two factors: an increase in general rates (those not related to fuel costs) effective January 1982 and management's determination to hold expenditures within the levels set by the Commission's rate decision of December 30, 1981.

It is especially gratifying that improved earnings occurred at a time when record hydro conditions allowed us to reduce our electric rates by almost \$1.4 billion on an annualized basis. Even with several gas rate increases, our combined gas and electric rates for residential customers are now generally lower than they were a year ago.

Gas Costs Are Up

Unfortunately, the cost of natural gas has continued to rise sharply.

Much of this increase was due to acceleration of federal deregulation of the price of natural gas at the well-head. We have actively argued against this speed-up and have taken action before the Congress and in the courts in our efforts to prevent it. We also have had some success in opposing price increases through direct negotiations with our suppliers.

Customer Services Broadened

We are very much aware of the financial burden placed on our customers by escalating energy costs. Besides our rigorous programs for controlling costs and increasing productivity, we have initiated many conservation services and load management options for our customers to help them lower their energy costs.

We estimate that conservation and load management have cut our need to build new generating capacity in the next 10 years by 38 percent, a

saving of \$7 to \$10 billion in construction costs, to the benefit of stockholders and customers alike.

Financing Program Successful

We successfully concluded the most ambitious financing program in our history, raising approximately \$1.1 billion in new capital through a variety of conventional and innovative financing methods. We are now a well-known and respected borrower in the European capital markets.

Achieving a market price for our common stock equal to or greater than book value (which was \$31.75 at year-end), remains a key corporate goal. We were pleased with the strides made toward this goal during 1982. Our stock recently traded at a 10-year high of 30%. We are optimistic that continued good financial performance and the completion and operation of the Diablo Canyon Nuclear Power Plant will be reflected in further improvement of our stock price.

In recognition of this optimism and to make our stock more affordable and attractive to investors, the Board of Directors voted January 19, 1983 to recommend to stockholders at the Annual Meeting a 2-for-1 stock split.

Schedule Set for Diablo Canyon Licensing

In December 1982, the Nuclear Regulatory Commission approved the final phase of the Diablo Canyon independent design verification program. It also approved a three-step procedure for completing the licensing of the plant.

The first step contemplates a decision by the NRC to permit fuel loading and cold system testing in the second quarter of 1983. The second step would be an NRC decision on commencement of low power testing at up to 5 percent of rated power and the third a decision on the full power operating license.

We believe that Unit 1 can be brought into commercial operation in the fourth quarter of 1983. This schedule, of course, is conditional upon the completion of the verification program and the filing of acceptable reports by the PG&E/Bechtel team and the Teledyne Engineering Services' independent audit group.

It is reassuring that this massive and unprecedented reinvestigation of the earthquake safety features of the Diablo Canyon Plant has required modifications of only a relatively minor nature. The investigators have discovered nothing to date that would have prevented any feature of the plant from performing its intended safety function in the event of the most severe earthquake possible at this site.



Members of PG&E's Management Committee, shown at left, are: Front row, left to right, Stanley T. Skinner, executive vice president and chief financial officer; Frederick W. Mielke, Jr., chairman and chief executive officer; Barton W. Shackelford, president; and George A. Maneatis, executive vice president — facilities and electric resources development. Standing, left to right, are: John A. Sproul, executive vice president — fuels and gas resources development; Richard A. Clarke, executive vice president and general manager — utility operations; John S. Cooper, senior vice president — personnel; Malcolm A. MacKillop, senior vice president — corporate relations; Ellis B. Langley, Jr., senior vice president — operations; and Malcolm H. Furbush, senior vice president and general counsel.

Company Continues Emphasis on Alternative Energy Resources

December 18, 1982 marked a milestone in the development of our complex of geothermal electric generating facilities—the largest in the world.

On that date the 16th unit went into operation, bringing total capacity at The Geysers to more than a million kilowatts—almost enough to serve the electric needs of San Francisco and Oakland.

Geothermal power now represents 9 percent of PG&E's total electric capability. By 1992, we expect PG&E's capability at The Geysers to reach 1.7 million kilowatts.

This exemplifies our continuing commitment to the development of alternative energy resources, including wind, hydroelectric, solar, biomass and cogeneration, in addition to geothermal.

Outstanding Employee Teamwork

The dedication of our employees to customer service was superbly demonstrated on the evening of December 22.

At that time, our service territory was hit by unprecedented hurricane-force winds that, among other extensive damage, toppled nine transmission towers. The result was the greatest disruption of power that has ever taken place in the PG&E system.

At the height of the outage about 2.5 million of our 3.5 million customers were without power. Service was restored to all but about 400,000 customers in a little over an hour. Within the

next two and one-half hours all remaining customers interrupted by the loss of the nine towers had their power restored. Another 30,000 remained without power, because of other storm-caused local outages, for somewhat longer periods of time.

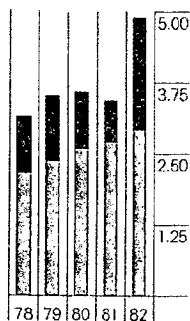
This was an outstanding example of PG&E teamwork—an extraordinary effort by our line crews, operators, dispatchers, troublemen, customer service people, supervisors and support groups of all kinds. Many stayed on the job around the clock in the wet and cold and gave up their Christmas holidays so that almost all of our customers could enjoy a bright Christmas.

"Service to our customers" truly is the hallmark of PG&E.

Frederick W. Mielke, Jr.
Chairman of the Board and
Chief Executive Officer

Barton W. Shackelford
President

February 16, 1983



Earnings Per Share
& Dividends Declared
in Dollars

■ Earnings
▨ Dividends

Finance

Operating revenues of \$6.8 billion for 1982 showed an increase of 9.5 percent over 1981, while \$5.9 billion in operating expenses reflected a 5.8 percent rise over the prior year.

Net income for the year was \$810 million, an increase of \$246 million over 1981. After preferred dividend requirements of \$152 million, \$658 million was available for common stockholders, equivalent to \$4.91 per share.

This is an increase of \$1.50 per share, a 44 percent gain. Return on common equity also increased sharply from 11.3 percent in 1981 to 15.8 percent in 1982. Return on overall utility investment rose from 8.8 percent to 12 percent.

Improvement in earnings resulted from: (1) authorization by the California Public Utilities Commission of an \$834 million general rate increase effective at the beginning of 1982, intended to cover higher costs and allow the Company to earn a 16 percent return on equity from utility operations; and (2) a stringent cost control program by the Company which essentially kept expenditures within the levels established in the rate authorization.

In recognition of the improving financial results and the increased investment by stockholders, the Board of Directors in May raised the quarterly dividend by 7 cents, or 10.3 percent, to 75 cents per share.

Stock Price Reaches a 10-Year High

Reflecting the Company's improved financial

condition and a generally rising stock market, PG&E's common stock price reached a 10-year high early in 1983, when it traded at 30%.

In 1982, PG&E carried out the most ambitious long-term financing program in its history for a total of \$1.135 billion. This included approximately \$696 million in debt from four domestic issues and three Eurobond offerings, \$114 million of preferred stock and \$325 million of common stock.

In 1982, the Securities and Exchange Commission adopted a new rule allowing companies to offer securities on a continuous basis in small or large increments. PG&E was among the first companies to take advantage of this "shelf registration" provision, which provides the flexibility to react quickly to favorable stock prices. The Company obtained \$40 million in this manner through the sale of new common stock.

The Dividend Reinvestment and Common Stock Purchase Plan continues to be popular with stockholders. PG&E qualified its Plan in 1982 for tax deferred treatment under the Economic Recovery Tax Act of 1981.

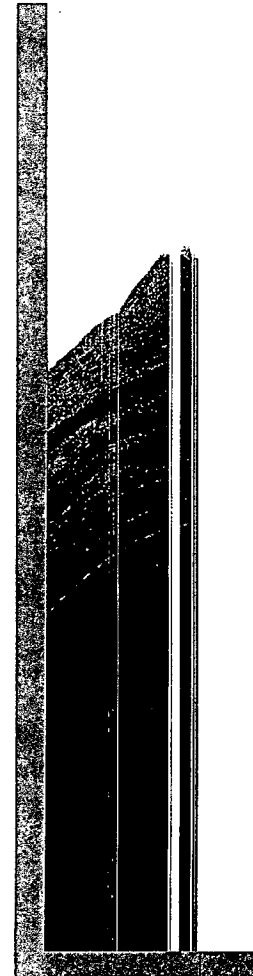
In response, more than 21,000 stockholders joined the Plan in 1982. The Plan currently has 81,000 participants, which is 20.5 percent of PG&E stockholders. It provided \$57.3 million in new equity funds for the Company in 1982.

To support PG&E's Zero Interest Program (ZIP) to help customers weatherize their homes and conserve energy, the Company through a subsidiary entered into a \$150 million tariff-based, non guaranteed financing program with 11 California banks. Thus, our largest conservation program will be financed with minimum impact on the credit of the Company.

These banks will provide 80 percent of the ZIP financing with intermediate-term loans, while a PG&E subsidiary will supply 20 percent.



PG&E home energy audits help customers weatherize their homes and conserve energy.





During an office visit, customers get excellent, courteous service and facts about PG&E programs to conserve energy.

Cash Flow Improved

The Company's cash flow improved significantly in 1982 due to improved earnings, rate recovery of deferred fuel costs and the effect of the Economic Recovery Tax Act of 1981. Net short-term borrowings decreased from \$913 million at the beginning of the year to a \$13 million short-term invested position at the close of 1982.

Further description of operating revenues, expenses and net income is included in Management's Discussion on Pages 17 and 18.

Rates

The general rate increase of \$834 million, effective January 1, 1982, was followed by a series of rate adjustments during the year which produced an annualized net rate decrease in combined electric and gas rates of \$647 million without affecting PG&E's net income.

This net decrease was the result of the extremely wet winter of 1981-1982 which allowed the Company to obtain a record amount of electricity from its abundant hydroelectric resources.

Electric rates were reduced in 1982 by an

unprecedented \$1.4 billion on an annualized basis attributable to fuel savings from the record hydro production.

The electric rate reductions were partially offset by gas rate increases. These resulted mainly from the approval by the Federal Energy Regulatory Commission (FERC) of higher prices charged by El Paso Natural Gas Company, a major supplier to PG&E. The increases would have been substantially higher but for the combined efforts of the Company, other California utilities, local officials, and State regulators, all of whom successfully urged Federal officials to eliminate certain unjustifiable elements from El Paso's proposed price of gas.

An innovative component of the 1982 general rate case decision was the Electric Rate Adjustment Mechanism (ERAM), which ensures that PG&E collects the level of revenues authorized in that decision, despite fluctuations in amounts of electricity sold. The first adjustment to rates under this mechanism was approved in December, authorizing an annualized increase of \$81.5 million. A similar mechanism has been in effect for the Gas Department since 1978.

In addition, the CPUC authorized to be effective in 1983 a general rate increase in the amount



PG&E's new time-of-use meters permit customers to pay less for electricity used during off-peak hours.

of \$202 million to partially offset higher costs in 1983 of nonfuel-related expenses such as labor, material and financing costs.

Future Rate Increases Necessary

In December 1982, PG&E requested a general rate increase of \$994 million to be effective in 1984. The proposed increase would allow the Company to maintain an acceptable level of service to its customers and to earn a rate of return of 13.83 percent on rate base and 19 percent on common equity. If costs of money and the rate of inflation continue to decline, the Company will modify its requests and seek lower returns.

In the face of higher costs, PG&E is offering rate arrangements that give customers greater control over their monthly bills.

These arrangements allow customers to choose a level of service commensurate with the degree of reliability for which they wish to pay.

Among the rate options are time-of-use rates, interruptible rates, rate differentials for direct load control of air conditioners and water heaters, and lower rates for group load curtailment plans.

These programs not only allow customers to choose lower-rate options, they also promote efficient energy use and thereby lower future energy costs for all customers by lessening the need to

provide high-cost new energy supplies.

Proposals to simplify some existing rate structures have also been submitted by PG&E to the CPUC for approval.

Electric Operations

Peak Electric Demands Met Without Curtailments

The Company in 1982 sold 60.4 billion kilowatt-hours of electricity to its 3.5 million customers. It was the second highest amount in 104 years of providing power to Northern and Central California, down 2 percent from the preceding record-setting year.

PG&E's own power plants, along with purchases from other utilities, met summer peak demands without the threat of curtailments to customers. The area peak was 13,907,100 kilowatts, down about 11 percent from the 1981 peak of 15,541,700 kilowatts. The lower peak was due to a relatively cool summer, the recession, and customer response to the Company's energy conservation and load management programs.

Reserve margin at the time of the 1982 peak was 9.6 percent, including power purchased from other utilities.

Bringing the Diablo Canyon Nuclear Power Plant and the Helms Pumped Storage Project into service will increase reserve capacity and permit the Company to avoid costly purchases of peaking power from others. It also will permit PG&E to store low-cost energy supplies and will reduce the load on the Company's older and less efficient fossil-fueled plants.

Diablo Canyon

Independent Design Review Nears Completion

In response to PG&E's discovery in late 1981 of an error in the seismic design of the Diablo Canyon Nuclear Power Plant, an independent audit of unprecedented scope into the safety features of the plant was undertaken and is now nearing completion. The 15-month review, thus far, has discovered nothing that would prevent the plant from operating safely,

even during the most severe earthquake possible at its site on the Central California coast.

Permission from the Nuclear Regulatory Commission to load fuel and to commence cold system testing is expected in the second quarter of 1983. Assuming completion and acceptance of the audit work as now scheduled, this would permit commercial operation of Unit 1 in the fourth quarter of 1983.

Geothermal Capability at One Million Kilowatts

A milestone in PG&E's two decades of pioneering development of geothermal power in the nation occurred in December when the 16th generating unit at The Geysers natural steam field in Sonoma and Lake counties came on-line.

This brought PG&E's capability at the world's largest complex of geothermal power plants to more than one million kilowatts—an amount equal to one large nuclear unit.

After hydro, geothermal steam is the Company's lowest cost

source of electric generation and is high among PG&E's priorities for alternative energy resource development.

A 17th geothermal unit is due for completion in 1983, still another is under construction and four more units are planned or awaiting final permit approvals.

Together, these 22 units will provide 1.7 million kilowatts of capability in 1992.

Hydro Record High For Hydro Power

Power generation from the extensive hydroelectric resources available to the Company set an all-time record of 36.7 billion kilowatt hours during 1982.

Heavy snow and rain kept most of PG&E's 65 hydro powerhouses running at near capacity for much of the year.

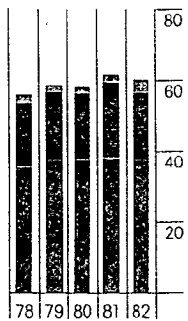
This abundance of PG&E's least expensive source of power allowed us to reduce our use of fossil fuel in our 13 thermal generating plants and lower our electric rates by approximately \$1.4 billion on an annualized basis.

This underscores the importance of keeping PG&E's hydro system—developed over 87 years—intact. The Company is vigorously seeking federal license renewals for its hydro projects as their licenses approach expiration. It is opposing efforts by municipally run power systems in California to take over several of these projects upon the expiration of the licenses.

PG&E also has filed applications for federal licenses to expand its hydroelectric system and is encouraging the construction by others of new water power generation the output of which will be sold to the Company.



Chairman and Chief Executive Officer Frederick W. Mielke, Jr., reviews progress at the Diablo Canyon Nuclear Power Plant during frequent on-site visits.



Uses of Electric Energy
Billions of Kilowatt Hours

- Other
- Agricultural
- Industrial
- Residential & Commercial

PG&E geothermal power at The Geysers, north of San Francisco, reached one million kilowatts when a 16th unit commenced operation in December.

Pipe Break Delays Helms Hydro Project; Kerckhoff Ahead of Schedule

Start of operation of the Helms Pumped Storage Project has been rescheduled for the summer of 1983 following rupture during testing last September of a 140-foot long, 22-foot diameter high-pressure pipe crossing a canyon at the site in the mountains east of Fresno.

A replacement pipe will reconnect the 5 miles of underground tunnels that lead to an underground powerhouse chamber deep inside a Sierra mountain peak. There, three turbine-generators will provide 1.1 million kilowatts of peaking capability for the PG&E system.

An investigation has determined that the cause of the pipe rupture was faulty welding by a subcontractor together with faulty inspection of the welding by another subcontractor.

The Company has announced it will take legal steps to recover damages from the responsible parties for the costs ensuing from the pipe rupture.

Meanwhile, the Company's Kerckhoff 2 underground hydroelectric project reached final stages of construction four months ahead of schedule, when a tunnel boring machine completed a 24-foot diameter, 4-mile tunnel through solid granite.

Kerckhoff 2, now scheduled for operation in the second quarter of 1983, will give PG&E another 140,000 kilowatts of hydro generation.



Alternative Resources

Included in Ten-Year Electric Resource Plan

In addition to Diablo Canyon and our Helms Pumped Storage Project, the Company's electric resource plan for the decade ahead calls for increasing the diversity of what already is one of the most diverse resource mixes of any utility in the nation.

We are encouraging developers, including customers, to build generating units and sell us the power.

Such sources include cogeneration, wind power, solar energy panels, and small hydro units. Already many of these alternative energy units, based on renewable resources, are cutting our dependence on expensive fossil fuels. These units also reduce our need to raise capital for large, long leadtime generating units.

At year end, contracts covered 204 such projects.

Facilities now in operation have added more than 241,000 kilowatts to the Company's system since 1979. Those under contract, but not yet on-line, have a potential generating capacity of nearly 946,000 kilowatts.

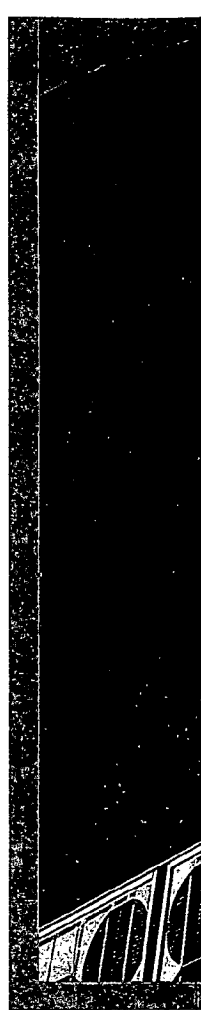
Paralleling the development of alternative energy resources is our commitment to conservation and load management—programs that slow growth in electric demand and also reduce capital requirements, to the benefit of stockholders and customers.

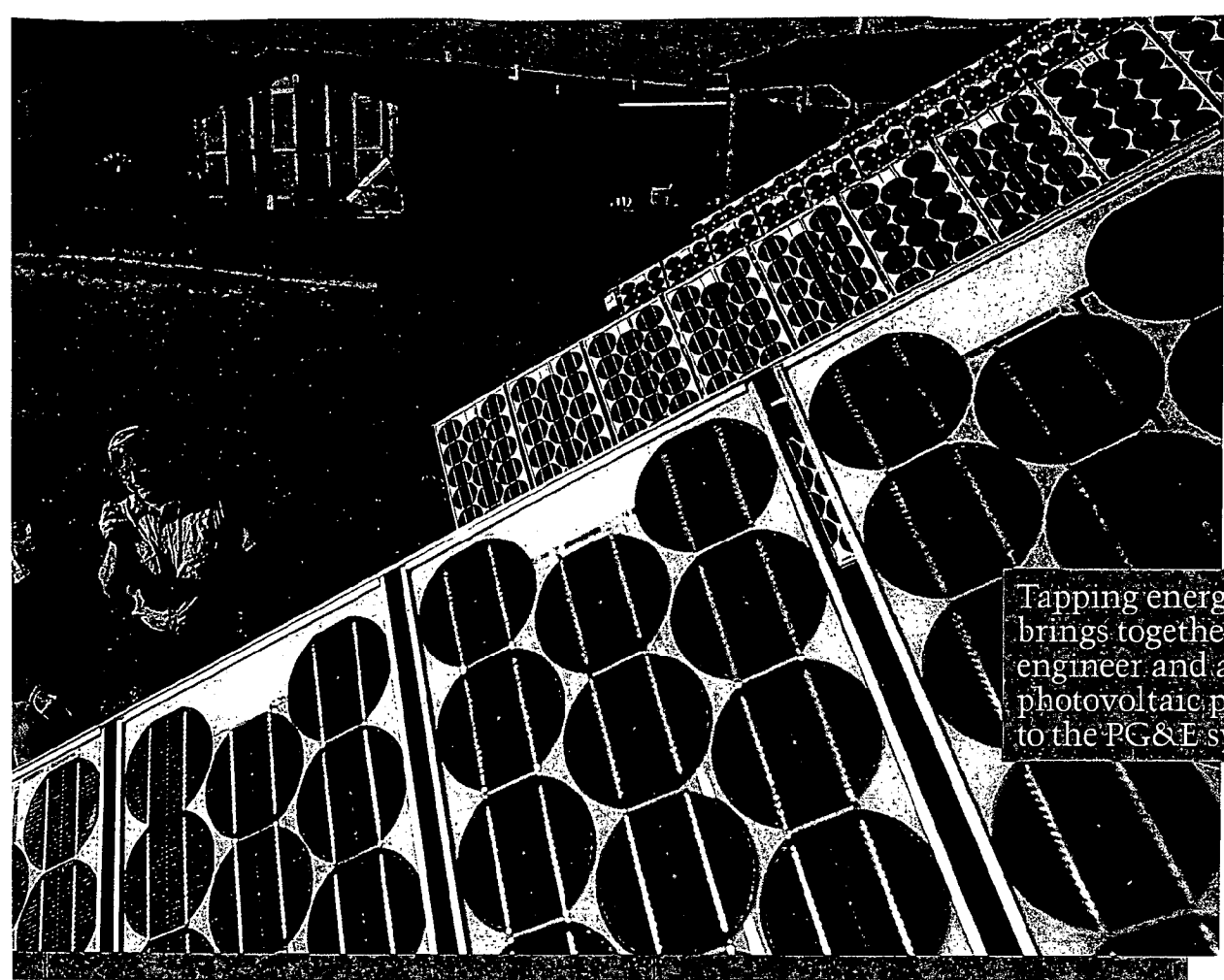
PG&E's Wind Program Is Industry Leader

The Company has been singled out by the American Wind Energy Association as the leading utility in promoting large-scale wind energy development.

The award honors PG&E's wind energy activities, which include 300 commercial-scale wind turbines now generating power for the Company's system, and 370 additional units which were under construction at the largest wind farm in the nation on ridgelines inland from San Francisco Bay.

At year-end, PG&E had signed 12 wind power purchase agreements with private developers. These agreements provide for the development of





Tapping energy from the sun brings together a Company engineer and a customer whose photovoltaic panels feed power to the PG&E system.

more than 300,000 kilowatts of generating capacity from nearly 3,000 wind turbines. Many other wind projects are under discussion for development in PG&E's service area.

In addition to wind power purchased from developers, the Company recently began operation of its own 2,500-kilowatt wind turbine.

Transmission Capacity Under Study

Plans for increased transmission capacity linking the Company's system with other regions, such as the Pacific Northwest, are the subject of intensive study in cooperation with other California power agencies.

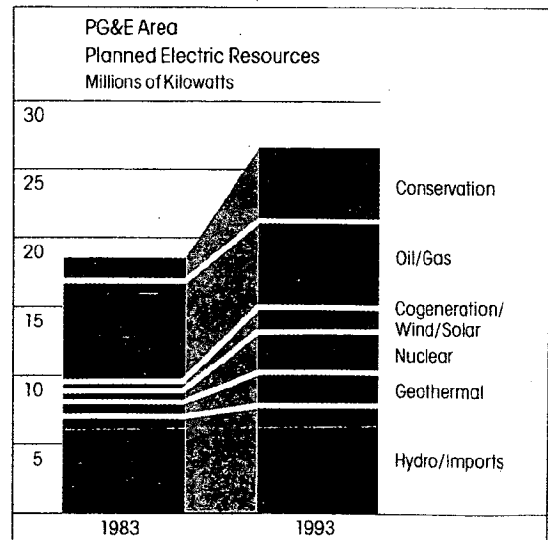
The Pacific Northwest in particular may have increased amounts of favorably-priced surplus energy available which can help hold down the cost of electricity for California consumers.

PCB Risks Being Reduced

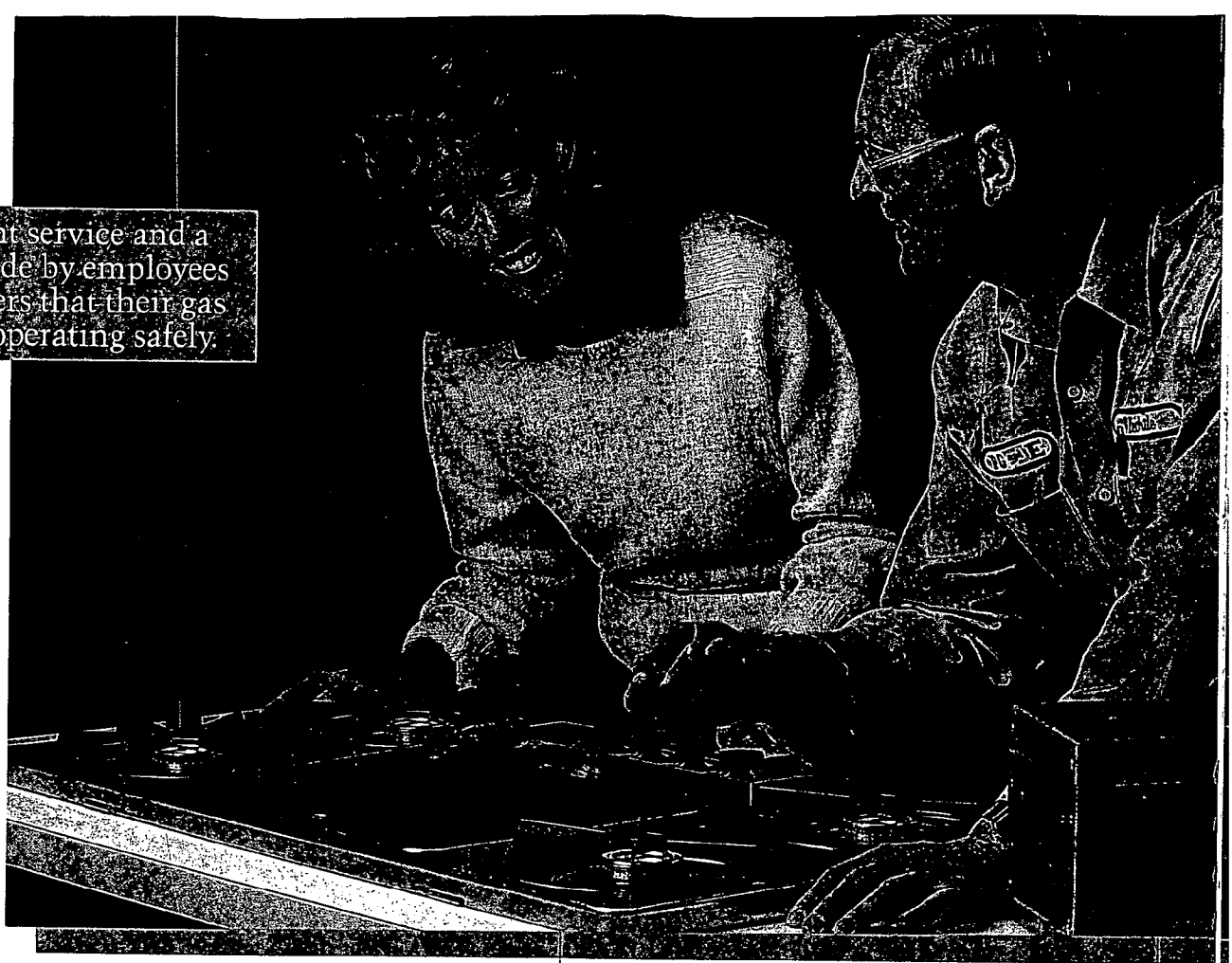
PG&E in 1983 passed the halfway mark in a three-year program to eliminate capacitor banks containing PCB (polychlorinated biphenyls). This oil-like chemical has been used in capacitors since the 1930's to increase the efficiency

of utility electric distribution systems but was recently declared by federal authorities to be a toxic substance.

About 2,300 PCB capacitor banks were replaced during 1982 with non-PCB banks, while other steps were taken to reduce the risk of spillage.



Prompt, efficient service and a "we care" attitude by employees assures customers that their gas appliances are operating safely.



Gas Operations

Steps To Ease Gas Price Increases

Our most pressing gas operations problem is the continuing increase in our gas costs. Rates to our industrial customers are reaching a level where further increases could encourage significant fuel switching. Further increases, therefore, would result in our residential gas customers bearing a greater portion of gas cost increases.

PG&E testified before Congress and argued in proceedings before the Federal Energy Regulatory Commission against certain policies that have added to gas price increases.

The Company also joined in asking the U.S. Supreme Court to overturn a lower court decision which allowed increases in the cost of a portion of the gas purchased from El Paso Natural Gas Company, PG&E's largest domestic supplier.

As an additional measure, the Company strongly urged El Paso to take immediate action to bring the cost of its deregulated supplies down to reasonable levels by exercising the "market out" clauses in its deregulated gas purchase contracts.

In the fall of 1982, following further El Paso

increases, PG&E, pursuant to the least cost strategy mandated by the California Public Utilities Commission, changed its gas purchasing policy to maximize purchases of lower-cost California gas, even though this adversely affected the long-term deliverability of the California gas supply. On January 20, 1983, El Paso notified PG&E that it will exercise its "market out" clauses effective March 1, 1983.

In another effort to hold costs down, the Company in 1982 was able to renew for a two-year period arrangements that allow the Company to reduce its purchases of Canadian gas. The arrangements permit the Company to purchase as little as 69 percent of the original contract level of 980 million cubic feet a day, thus allowing the Company to purchase lower priced domestic gas in place of Canadian gas. The resulting savings, estimated at \$100 million during 1982, are being passed along to customers.

The California Public Utilities Commission, through its President, commended the Company "for its initiative and successful negotiations" in reducing purchases of high cost Canadian gas.

During 1982, PG&E's subsidiary, Natural Gas Corporation of California also renegotiated its contracts for the purchase of gas from the Rocky

Mountain region, lowering the price the Company now pays for that supply.

Course Set To Protect Our Future Gas Supply

Higher prices for gas supplies resulting from phased deregulation of prices under the federal Natural Gas Policy Act of 1978 has made more gas available and, at the same time, has reduced the demand for gas. As a result, our gas supply is plentiful and secure for the near term.

Projections show, however, that our existing major sources of gas supply will begin to decline in the late 1980's and beyond.

To assure that our customers will be provided with reasonably priced, reliable supplies in the years to come, the Company is pursuing several options.

A top priority is obtaining renewal of Canadian gas export licenses. With further deregulation of domestic gas supplies, as

now scheduled, the disparity between Canadian and domestic gas prices should largely disappear. It is important, therefore, to continue to be able to tap the large proven reserves of gas in Canada.

Our pursuit of other feasible alternatives for long-term supplies includes efforts to obtain gas from the Rocky Mountain area, from the Alaskan North Slope and from the Pacific Basin by transporting liquefied natural gas in tankships.

Each of these long-term alternatives is subject to regulatory and other uncertainties. The Company's current course of action is to pursue these alternatives on a parallel basis to assure that one or more of them will be able to meet future requirements.

Canada Company Obtains Renewals of Canadian Export Licenses

From 35 to 40 percent of PG&E's gas supply presently comes from Canada. In 1982, the Company's wholly-owned subsidiary, Alberta and Southern Gas Co. Ltd. (A&S), applied to the National Energy Board of Canada (NEB) to extend its export licenses at currently authorized levels through the year 2000.

In a decision issued on January 27, 1983, the NEB granted export authorizations to a number

of companies, including A&S, which received a significant portion of its requested volume.

The decision, which must be approved by the Canadian cabinet, allows A&S to maintain its licenses at current levels through 1990 and at reduced levels through 1993.

Although the Board did not grant the full request of A&S, the Company is encouraged by the decision. At the appropriate time, A&S will reapply to the NEB to export the additional volumes it had requested.

U.S. regulatory authorizations must be obtained to import the additional volumes which the NEB now has authorized.

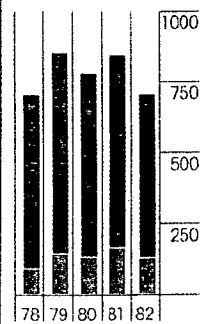
Rockies A Potential New Source of Gas

Gas exploration in the Rockies conducted directly by the Company's wholly-owned subsidiary, Natural Gas Corporation of California (NGC) holds potential as a new source of gas for PG&E customers.

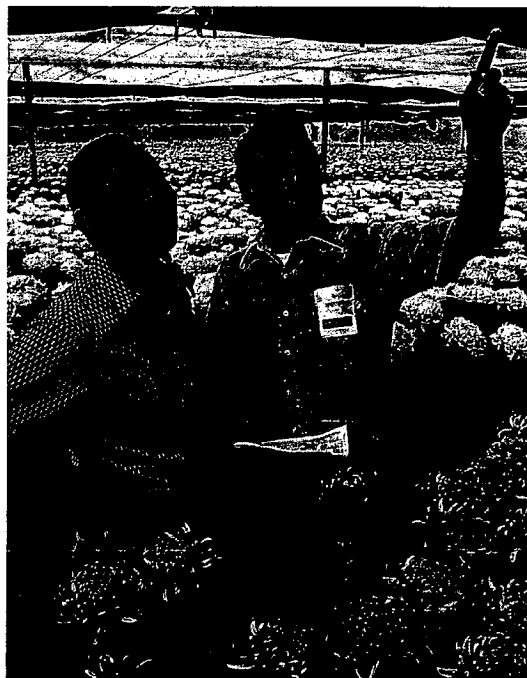
NGC's exploration program is conducted under the CPUC's Gas Exploration and Development Adjustment rate procedures.

NGC Rocky Mountain drilling operations during 1982 totalled 63 wells, down from 67 in 1981. Producing wells now total 113.

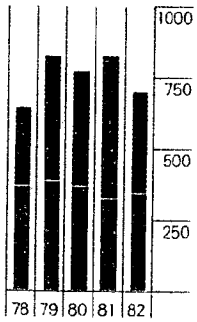
These wells, together with gas purchased by NGC from other producers, add an average of about 38 million cubic feet of gas a day to the PG&E system.



Sources of Natural Gas
Billions of Cubic Feet
■ Canada
■ Other States
■ California



PG&E agricultural representatives show farmers, ranchers, wine makers and flower growers how to avoid wasting energy, including saving gas heat in a greenhouse.



Uses of Natural Gas
Billions of Cubic Feet
■ Electric Generation and Other
■ Industrial
■ Residential & Commercial

A proposal announced in 1980 by the Company's subsidiary, Pacific Gas Transmission Company, for a 583-mile pipeline to bring about 800 million cubic feet a day of Rocky Mountain gas to California has been deferred due to changed market conditions and the lack of an adequate gas supply to support it.

Alaska Gas Pipeline Faces Delay

The North Slope of Alaska holds the nation's largest untapped source of proven natural gas reserves. This source of gas could reduce U.S. reliance on imported oil by 500,000 barrels a day.

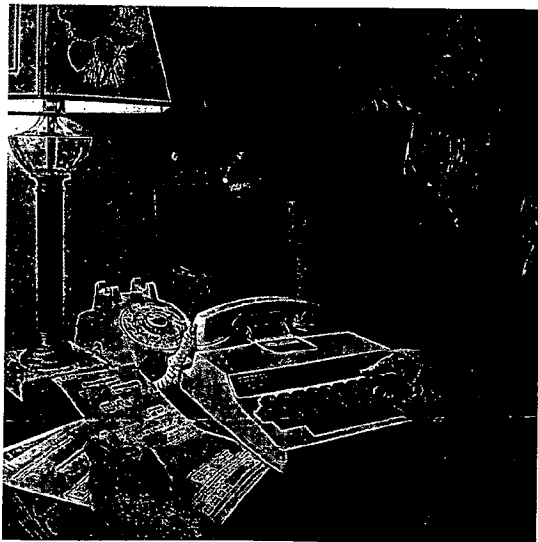
PG&E and its affiliates are participating in the effort to build a pipeline to bring the 26 trillion cubic feet of proven gas reserves from the Alaskan North Slope, through Canada, to California and other lower-48 states.

Under present law this mammoth, \$40 billion construction project must be built without government financing or guarantees. An acceptable plan for private financing has yet to be developed. As a result, the project has suffered further delay and completion is not planned before 1989.

Liquefied Natural Gas Project Postponed

Ample supplies of gas for the near term have prompted PG&E and its equal partner, Pacific Lighting Corporation, to delay plans to build a liquefied natural gas receiving terminal at Little Cojo Bay near Point Conception in Santa Barbara County.

The project contemplates importation of gas



Equipment installed in homes of deaf and hearing-impaired customers allows communication with PG&E about bills and helpful Company programs.

from Indonesia and the Cook Inlet area of South Alaska. The gas would be cooled into liquid form, pumped into tankers, and then heated back to gas at the receiving terminal on the Central California coast.

Because of near-term availability of gas, the project has been postponed. In December, PG&E and Pacific Lighting Corporation asked the California Public Utilities Commission to designate the project as "plant held for future use."

A favorable ruling would permit carrying costs on the nearly \$400 million expended by both companies to date to be recovered through rates prior to construction. Earlier in the year, the Commission issued a favorable decision on the proposed terminal site, finding that the LNG terminal could be built safely as proposed and stating that "Little Cojo Bay is, in fact, California's LNG terminal site!"

Customer Assistance Programs

The extensive array of energy services and options offered to customers during 1982 reflected a new measure of commitment to excellent service on the part of the Company and its employees.

The programs bring innovative and cost-effective conservation and load management choices, as well as direct assistance to the low-income customer.

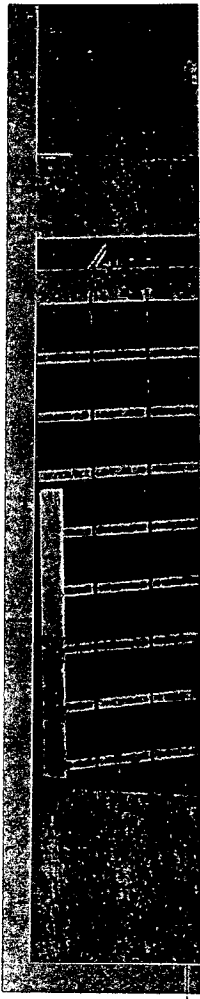
Detailed plans to implement these customer service programs were developed in every division, district and local office in the Company.


The effort is one of total service to our customers. Employees listen to customers, understand their concerns and demonstrate that we care and want to help.

PG&E Has More Ways Than Ever To Help

PG&E's Zero Interest Program (ZIP) makes interest-free loans from \$150 to \$3,500 so that customers can enjoy energy-saving improvements in their homes or apartments.

PG&E's Balanced Payment Plan allows customers to spread bill payments more evenly over the





PG&E gives advice on heating and lighting to highrise and other builders, and to commercial and industrial customers as they, too, look for ways to become more energy efficient.

year so as to balance charges for seasonal changes in gas and electric use.

Home Energy Audits and Conservation Information provide customers with money-saving suggestions and help in budgeting their use of energy.

PG&E's Direct Weatherization Program helps needy customers weatherize their homes by paying the cost of ceiling insulation, weather-stripping doors and windows, and other energy-saving measures, including certain structural improvements.

PG&E's Energy Management Program offers on-site energy utilization analyses, technical advice, workshops, manuals and financial incentives for load management and conservation investments to more than 470,000 commercial, industrial and agricultural customers.

Project REACH Meets A Need

Project REACH is a new program organized by PG&E to assist low-income people who cannot meet their energy costs.

Funded by donations and administered by The Salvation Army, the program helps pay for gas, electricity and other energy costs necessary to heat and light homes.

PG&E contributed \$1 million in 1982 to start

the REACH fund and the Company has pledged an additional contribution of up to \$2 million in 1983 to match dollar-for-dollar contributions from others. Potential funding amounts to \$5 million.

The conservation programs outlined above are paid for by customers in their rates and have been cost-effective in the sense that the energy saving programs are less costly than new energy supplies produced conventionally.

Customers Approve Company Efforts

As they become acquainted with these programs, our customers are increasingly expressing approval of the Company's efforts to help them in these times of higher energy costs.

Customer service goes well beyond the programs described here. In all, the Company has dozens of energy services for customers, including more than 70 activities and services for conservation alone.

To acquaint the public with the PG&E services available to them, a series of Company commercials on television allows our local employees to reach into the homes of tens of thousands of customers in their areas, bringing news of how PG&E can help customers get the most for their energy dollar.

Our Employees

The PG&E work force was reduced by 600 employees during 1982 to 26,000. Yet, this work force served 48,000 more customers with an ever-broadening scope of utility, conservation, and other helpful services.

Part of the reason for this increase in efficiency stems from customer operations training programs. One hundred forty classes, involving nearly 2,400 employees, were conducted during 1982.

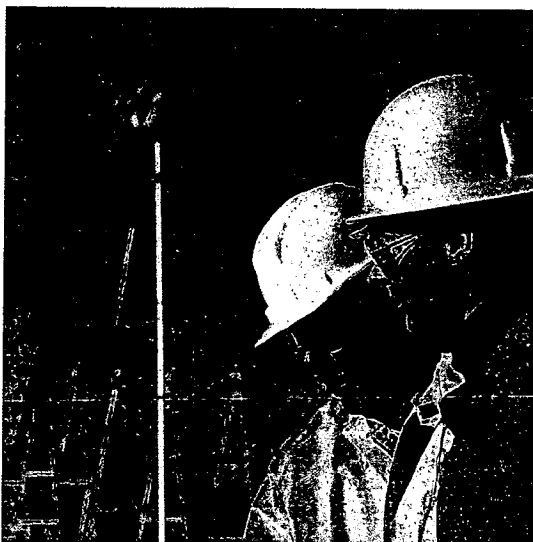
A vocational training and physical conditioning program was inaugurated to increase effectiveness and retention of women in so-called nontraditional physical jobs.

In addition, career training and upward mobility among 6,600 minority employees continued during the year.

A 7 percent wage increase for 1983, a comparable increase in pensions, and changes in working conditions aimed at improving productivity, were negotiated with the International Brotherhood of Electrical Workers and ratified in December by the 16,500 employees represented by IBEW Local 1245.

Management Progression Planning Under Way

The Company's Management Committee engages in a continuing review to identify and develop potential candidates for officer-level positions. A similar review program, administered by officers and department heads, with staff assistance from the Company's personnel department, is followed for other managerial positions.



300 wind turbines in California now generate power for PG&E. A Company resource planner, at right, confers with a developer at the world's largest wind farm.

The purpose of these programs is to assure that a stream of well-qualified individuals is always available for progression to positions of higher responsibility in the Company.

Heroism, Civic Affairs Mark Off-Duty Employees

Employees in 1982 continued a proud record of courage and resourcefulness in lifesaving and other heroic acts when 85 received the Company's John A. Britton Award, named in honor of the Company's first president.

Many employees, on their own time, served their communities on city councils, school boards, and other local agencies. Others assumed leadership roles with the United Way, Red Cross, other charities, and civic organizations.

Many Programs Offer Public Information

A major dimension of the Company's outreach to customers and the general public is its public information activity. During 1982, more than 600 news releases went to some or all of the 360 newspapers, 44 television stations, and 170 radio stations in the PG&E service area.

"PG&E Progress" brought the Company story to 3.8 million stockholders and customers each month, and 700,000 copies of booklets and brochures were published to explain specific programs and projects.

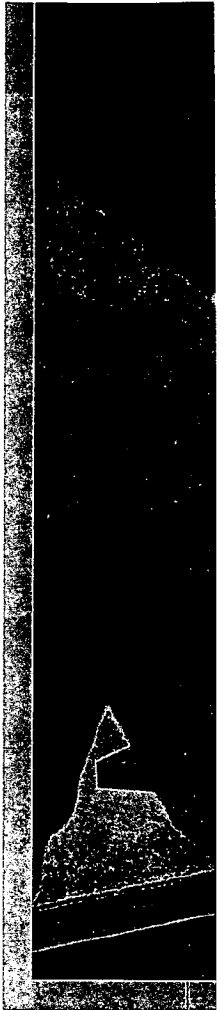
In addition, more than 250 employee-speakers made nearly 2,400 appearances before audiences totaling 130,000.

Directorship Changes

Three advisory members of the Board of Directors have been elected to positions on the board to fill vacancies.

John B. M. Place, Chairman and Chief Executive Officer of Crocker National Bank, was elected to succeed Emmett G. Solomon, who reached the Company's mandatory retirement age for directors early in 1982 after 18 years of service on the board.

Harry M. Conger, Chairman, President, and Chief Executive Officer of Homestake Mining





Thousands of contacts with customers each working day expand into the millions when employees appear on local TV with news about PG&E programs to help customers cope with higher energy costs.

Company, was elected to succeed Mervin G. Morris, who did not stand for reelection in April 1982.

William F. Miller, President and Chief Executive Officer of SRI International, was elected to succeed Richard P. Cooley, who resigned from the board in February 1983 following his resignation as Chairman and Chief Executive Officer of Wells Fargo Bank, N.A. and acceptance of the position of Chairman, President and Chief Executive Officer of Seattle First National Bank.

Executive Changes

In October, Richard A. Clarke, previously Vice President and Assistant to the Chairman, became Executive Vice President and General Manager—Utility Operations and a member of the Management Committee.

This appointment enables President Barton W. Shackelford to devote a larger part of his time to long-range planning of energy resources, including the negotiation and renegotiation of key contractual arrangements with energy suppliers, other utilities and public agencies.

Also in October, George A. Maneatis, formerly Senior Vice President-Facilities Development,

became Executive Vice President—Facilities and Electric Resources Development.

Effective January 1, 1983, Daniel E. Gibson, formerly Assistant General Counsel, was elected Vice President—Gas Planning and Acquisition. He succeeds Robert W. Brooks, who remains president of Natural Gas Corporation of California (NGC), a wholly-owned PG&E subsidiary. Mr. Brooks is now devoting full attention to NGC, which has greatly expanded its activities in gas exploration and development.

Effective April 1, 1983, Elmer F. Kaprielian, presently Vice President—Fuels Planning and Acquisition, will succeed Howard P. Braun, who will retire on that date as Vice President—Electric Operations after more than 20 years in that post.

Also effective April 1, the Gas Planning and Acquisition Department and the Fuels Planning and Acquisition Department will be combined. A single department of fuel resources will be headed by Mr. Gibson, who will then become Vice President—Fuel Resources.

In other moves, Gordon R. Smith, Assistant Treasurer and Manager of Banking and Money Management since 1980, was elected Treasurer in May, succeeding James T. Doudiet, who accepted a position with another utility.

The following table displays data which is discussed in Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations.

	1982	1981	1980	1979	1978
	in Thousands (except percentage and per share information)				
Results of Operations:					
Operating Revenues	\$ 6,785,095	\$ 6,194,575	\$ 5,258,899	\$ 4,364,469	\$ 3,569,373
Operating Income	\$ 913,244	\$ 647,209	\$ 573,147	\$ 515,903	\$ 468,088
Net Income	\$ 810,178	\$ 564,606	\$ 524,770	\$ 458,234	\$ 400,451
Earnings Available for Common Stock	\$ 657,624	\$ 430,907	\$ 415,601	\$ 365,943	\$ 317,114
Earnings Per Common Share	\$4.91	\$3.41	\$3.60	\$3.55	\$3.18
Dividends Declared Per Common Share	\$2.93	\$2.72	\$2.60	\$2.38	\$2.16
Dividend Payout Ratio	59.7%	79.8%	72.2%	67.0%	67.9%
Return on Common Stock Equity	15.8%	11.3%	11.7%	11.5%	11.0%
Return on Utility Investment*					
Earned	12.0%	8.8%	8.6%	8.5%	8.1%
Authorized	12.2%	10.3%	10.3%	9.5%	9.5%
Liquidity and Capital Resources:					
Total Assets at Year-end	\$13,635,318	\$12,366,659	\$11,295,203	\$10,310,763	\$ 8,665,160
Ratio of Construction Work in Progress to Net Utility Plant at Year-end	38.3%	33.9%	33.4%	30.6%	26.7%
Net Short-term Borrowings (Investments) at Year-end	\$ (13,439)	\$ 913,271	\$ 643,974	\$ 561,910	\$ 69,141
Regulatory Balancing Accounts—					
Receivable (Payable) at Year-end	\$ (242,376)	\$ 303,416	\$ 325,360	\$ 622,142	\$ 98,540
Construction Expenditures	\$ 1,334,566	\$ 1,383,714	\$ 1,221,758	\$ 1,149,308	\$ 859,113
Proceeds from Financing					
Common Stock	\$ 325,454	\$ 122,114	\$ 236,746	\$ 276,564	\$ 58,758
Preferred Stock	113,840	131,541	132,306	149,383	132,429
Long-term Debt	696,233	569,314	497,834	372,404	249,567
Total Proceeds from Financing	\$ 1,135,527	\$ 822,969	\$ 866,886	\$ 798,351	\$ 440,754
Long-term Debt and Preferred Stock at Year-end	\$ 6,509,648	\$ 5,849,705	\$ 5,464,531	\$ 4,940,013	\$ 4,560,083
Customer Conservation Loans Funding at Year-end	\$ 25,000	\$ —	\$ —	\$ —	\$ —
Book Value Per Common Share at Year-end	\$31.75	\$30.29	\$29.94	\$29.66	\$29.50
Market Price Per Common Share at Year-end	\$28½	\$21	\$20½	\$23	\$22½

*Pacific Gas and Electric Company only

Results of Operations

Earnings per share for the Company for the twelve months ended December 31, 1982, were \$4.91, an increase of 44 percent, or \$1.50 per share, over the comparable period last year. These earnings are equivalent to a 15.8 percent return on weighted average common stock equity and a 12.0 percent return on Pacific Gas and Electric Company's (PG&E) utility investment. This resulted in earning 98 percent of the 12.2 percent authorized rate of return on utility investment found fair and reasonable by the California Public Utilities Commission (CPUC).

The improved earnings resulted from the 1982 general rate increase of \$834 million authorized by the CPUC, in its decision of December 30, 1981, coupled with management's determination to hold expenditures within levels set by that decision. This was done through the continued emphasis by management on productivity and stringent cost control measures. An Electric Rate Adjustment Mechanism (ERAM), effective on January 1, 1982, also contributed to the improved earnings. The ERAM reduces the impact of electric sales fluctuations by accumulating in a balancing account the difference between billed revenues and revenues that would have been generated if sales volumes used by the CPUC to determine rates had been realized. A similar mechanism for gas rates has been in use since 1978.

PG&E maintains energy-cost balancing accounts established by the CPUC in order to recover substantially all prudent energy costs. Generally, the balancing account procedure permits rates to follow energy costs with little or no effect on earnings. In 1982, minor amounts of certain energy costs were provided for in rate treatment outside the balancing account procedure. Through this procedure, PG&E was authorized during 1982 to reduce its electric energy rates by approximately \$1.4 billion on an annualized basis. These reductions resulted from use of abundant hydroelectric power in lieu of generation from more expensive oil and gas fueled plants.

The CPUC also established an Attrition Rate Adjustment (ARA) in its 1982 general rate case decision. The ARA is designed to increase 1983 rates to recover expense increases caused by inflation and nominal growth, thereby improving PG&E's ability to earn its allowed rate of return in the second year of the general rate case time period. Pursuant to the ARA procedure, the CPUC on December 22, 1982, authorized PG&E to increase its annual electric and

gas rates by \$202 million effective January 1, 1983.

On December 20, 1982, PG&E filed an application with the CPUC for a general rate increase to be effective on January 1, 1984. PG&E asked the CPUC to authorize an increase in annual electric and gas rates of \$994 million. Hearings before the CPUC on this application are expected to start in early 1983 with a final decision expected in December of that year.

Liquidity and Capital Resources

The Company relies on both internally generated funds and external financings to meet its capital requirements. During 1982, the Company issued \$696 million of long-term debt and \$439 million of common and preferred stock. The Company also issues short-term debt (primarily commercial paper) for the interim financing of its construction program and any unrecovered balances in the balancing accounts. The Company maintains bank lines of credit sufficient to support sales of commercial paper. One of the major financial trends of the last five years has been the increase in the use of short-term debt relative to capitalization. However, in 1982 the Company was able to decrease its net short-term borrowings due to collections of previously unrecovered amounts in its energy-cost balancing accounts.

Consolidated construction expenditures for 1983 including an allowance for equity and borrowed funds used during construction (AFUDC) will approximate \$1.7 billion. The Company expects to continue obtaining funds from its traditional sources. However, it continually monitors and evaluates new and alternative sources of external financings to obtain funds at the lowest cost.

In funding its total capital requirements, the Company's objective is to maintain its capitalization ratios at levels that are comparable with the estimated ratios authorized by the CPUC in the most recent general rate case decision. At year-end, the Company's capitalization ratios were equal to the ratios adopted by the CPUC in the last general rate case decision: 45 percent long-term debt; 41 percent common stock equity; and 14 percent preferred stock.

AFUDC has increased greatly in recent years as a result of higher costs of funds and the increasing investment by PG&E in construction work in progress (CWIP). Annualized rates for AFUDC were 9.8 percent in 1982, 8.8 percent in 1981, and 8.7 percent in 1980.

The ratio of CWIP to net utility plant is an important indicator of the Company's liquidity. Under current regulation, CWIP is not allowed to be included in utility rate base. Therefore, as CWIP becomes larger in relation to net utility plant, it becomes more difficult to generate the cash needed for additional construction. Although AFUDC is included in net income, it does not represent current cash income. Only when construction is placed in service and included in utility rate base can it contribute to the Company's cash flow. On the other hand, construction expenditures do require current cash expenditures, both for the construction itself and for the cost of money used for the investment in CWIP.

The amount of CWIP relative to net utility plant has grown primarily because of large projects such as the Diablo Canyon Nuclear Power Plant (Diablo) and the Helms Pumped Storage Project (Helms) which are included in CWIP. At December 31, 1982, total investment in Diablo was \$2.7 billion, and in Helms was \$738 million.

The Diablo units are nearing completion. However, before the units are placed in commercial operation, the Nuclear Regulatory Commission (NRC) must issue operating licenses. The NRC suspended the low power license of Diablo Unit No. 1 after the Company informed the NRC of certain seismic design discrepancies. Following the discovery of the discrepancies, the Company commenced an independent design verification program. Prior to authorizing the Company to proceed with fuel loading and subsequent commercial operation of the units, the NRC must be satisfied with the results of the program and with any plant modifications required to be made by the Company. In December 1982, the NRC, in a positive step toward the goal of bringing Diablo into commercial operation, approved a testing schedule which would allow Diablo Unit No. 1 to start producing electricity commercially in the fourth quarter of 1983, assuming completion according to plan of the verification and modification programs and acceptance of this work by the NRC. Diablo Unit No. 2 would then be expected to operate commercially in 1984.

Commercial operation of Helms was delayed due to a water conduit rupture in September 1982. CPUC hearings concerning rate treatment of Helms are expected to begin in early 1983, with commercial operation expected later in the year.

The CPUC intends to treat large projects such as Diablo and Helms as special rate base offset cases when they become operational. Under this procedure, general rates will be increased to recover the costs of depreciation, return on investment, and operating expenses, while energy rates covering the costs of fuel and purchased power will be reduced. Internal generation of funds will improve when these projects are included in utility rate base.

The Company is in partnership with Pacific Lighting Corporation (PLC) for the construction of facilities to import liquefied natural gas (LNG). The Company and PLC have deferred the completion of the proposed LNG receiving terminal at Point Conception, California. The Company has filed an application with the CPUC requesting appropriate rate treatment to recover costs associated with the deferred LNG projects.

Because of increasing costs and longer time periods involved in the construction of energy supply projects, there is an increased risk the Company may not recover its entire investment in projects not carried to a successful conclusion. There is no reasonable way to estimate which projects or costs, if any, may be disallowed; however, the Company intends to pursue vigorously all avenues available to it to prevent disallowance of legitimate costs incurred by the Company in carrying out its mandate to serve the public.

Management is dedicated to holding expenditures within the levels adopted by regulatory authorities in establishing PG&E's rates, so that the current financial performance will continue through 1983. Every managerial tool, including a new budgetary system, is being utilized to control operating costs and capital expenditures.

The Company currently has a policy of avoiding commitments of capital to major new energy projects, concentrating instead on development of less capital-intensive alternative energy resources. In pursuance of this policy, the Company in 1982 added substantial geothermal and cogeneration capacity, successfully promoted significant amounts of third-party-owned wind and solar projects, and continued to expand its customer-related energy conservation program.

It is management's goal to achieve and maintain a financial condition adequate to support a quality, double-A debt rating and a common stock market price in excess of book value. At December 31, 1982, the Company's debt rating was single-A and its common stock was trading at 89 percent of book value.

Statements of Consolidated Income

Pacific Gas and Electric Company

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For the Years Ended December 31,	1982	1981	1980
	-----In Thousands (except per share amounts)-----		
Operating Revenues			
Electric	\$3,848,602	\$3,905,873	\$2,927,841
Gas	2,936,493	2,288,702	2,331,058
Total Operating Revenues	6,785,095	6,194,575	5,258,899
Operating Expenses			
Operation			
Cost of Electric Energy	1,502,181	2,123,484	1,465,680
Cost of Gas Sold	2,109,355	1,870,731	1,833,831
Transmission	137,683	115,977	105,594
Distribution	148,164	135,828	122,720
Customer Accounts and Services	218,493	180,022	150,282
Administrative and General	379,741	316,935	275,714
Other	73,855	70,534	63,426
Total Operation	4,569,472	4,813,511	4,017,247
Maintenance	224,352	181,508	157,262
Depreciation	370,997	303,479	280,710
Gas Exploration	27,946	19,135	13,213
Income Taxes	567,250	124,216	123,698
Property and Other Taxes	111,834	105,517	93,622
Total Operating Expenses	5,871,851	5,547,366	4,685,752
Operating Income	913,244	647,209	573,147
Other income and income Deductions			
Allowance for Equity Funds Used During Construction	286,052	225,550	202,873
Interest Income	60,730	81,661	96,442
Minority Interest in Net Income of Subsidiary Companies	(14,653)	(15,826)	(4,991)
Other - Net	60,871	61,814	41,422
Total Other Income and Income Deductions	393,000	353,199	335,746
Income Before Interest Expense	1,306,244	1,000,408	908,893
Interest Expense			
Interest on Long-term Debt	454,976	376,927	322,344
Other Interest Charges	113,114	118,293	112,609
Allowance for Borrowed Funds Used During Construction	(72,024)	(59,418)	(50,830)
Total Interest Expense	496,066	435,802	384,123
Net Income	810,178	564,606	524,770
Preferred Dividend Requirements	152,554	133,699	109,169
Earnings Available for Common Stock	\$ 657,624	\$ 430,907	\$ 415,601
Weighted Average Common Shares Outstanding	134,009	126,551	115,600
Earnings Per Common Share	\$4.91	\$3.41	\$3.60
Dividends Declared Per Common Share	\$2.93	\$2.72	\$2.60

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

Consolidated Balance Sheets

Pacific Gas and Electric Company

December 31,	1982	1981*
	-in Thousands-	
Assets		
Utility Plant (at original cost)		
Electric	\$ 7,635,383	\$ 7,278,757
Gas	2,591,419	2,487,517
Construction Work in Progress	4,090,681	3,321,329
Total Utility Plant	14,317,483	13,087,603
Accumulated Depreciation	(3,623,202)	(3,294,495)
Utility Plant - Net	10,694,281	9,793,108
Gas Exploration Costs	263,420	217,322
Advances to Gas Producers	228,653	183,769
Construction Funds Held by Trustee	69,841	46,803
Investments		
LNG Partnerships	198,856	175,744
Alaska Natural Gas Transportation System	38,302	43,462
Alberta Natural Gas Company Ltd	34,120	34,145
ANGUS Chemical Company	22,097	-
Other Investments	6,451	3,709
Total Investments	299,826	257,060
Customer Conservation Loans Receivable (net of current portion \$16,000,000 in 1982; \$7,115,000 in 1981)	49,659	15,130
Current Assets		
Cash	2,373	1,827
Short-term Investments (at cost which approximates market)	201,294	15,393
Accounts Receivable		
Customers	601,065	537,603
Other	155,393	106,858
Allowance for Uncollectible Accounts	(12,975)	(6,915)
Regulatory Balancing Accounts - Receivable	-	303,416
Deferred Income Taxes - Current Portion	153,529	-
Inventories (at average cost)		
Fuel Oil	502,769	484,595
Gas Stored Underground	268,237	255,169
Materials and Supplies	108,455	109,820
Prepayments	5,244	8,133
Total Current Assets	1,985,384	1,815,899
Deferred Charges		
Unamortized Debt Expense	13,962	9,317
Other - Net	30,292	28,251
Total Deferred Charges	44,254	37,568
Total Assets	\$13,635,318	\$12,366,659

*Changed to conform to 1982 presentation.

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

December 31,	1982	1981*
	In Thousands	
Capitalization and Liabilities		
Capitalization		
Common Stock	\$ 1,422,625	\$ 1,295,524
Additional Paid-in Capital	1,205,344	1,003,151
Reinvested Earnings	1,888,456	1,625,996
Common Stock Equity	4,516,425	3,924,671
Preferred Stock Without Mandatory Redemption Provision	1,427,451	1,352,451
Preferred Stock With Mandatory Redemption Provision	185,000	150,000
Long-term Debt	4,897,197	4,347,254
Total Capitalization	11,026,073	9,774,376
Customer Conservation Loans Funding	25,000	-
Current Liabilities		
Short-term Borrowings	187,855	928,664
Accounts Payable—Trade Creditors	531,829	483,959
Accounts Payable—Other	122,781	153,850
Regulatory Balancing Accounts—Payable	242,376	-
Accrued Taxes	346,830	50,560
Deferred Income Taxes—Current Portion	-	77,300
Long-term Debt—Current Portion	112,088	227,776
Interest Payable	69,810	45,277
Dividends Payable	106,613	88,021
Customer Deposits	18,626	16,471
Refunds Due Customers	12,407	13,290
Other	77,016	71,464
Total Current Liabilities	1,828,231	2,156,632
Deferred Credits		
Customer Advances for Construction	92,015	92,455
Deferred Investment Tax Credits	154,743	27,411
Deferred Income Taxes	192,091	108,366
Unamortized Gain on Recquired Debt	95,788	102,059
Other (including 1982 gain on sale of coal properties)	138,556	32,162
Total Deferred Credits	673,193	362,453
Minority Interest in Subsidiary Companies	82,821	73,198
Contingencies (Note 9)		
Total Capitalization and Liabilities	\$13,635,318	\$12,366,659

Statements of Consolidated Funds Used for Construction

Pacific Gas and Electric Company

For the Years Ended December 31,	1982	1981*	1980*
	In Thousands		
Funds From Operations			
Net Income	\$ 810,178	\$ 564,606	\$ 524,770
Nonfund Items in Net Income			
Depreciation (including charges to other accounts)	376,185	308,014	284,634
Allowance for Equity Funds Used During Construction	(286,052)	(225,550)	(202,873)
Other - Net	73,894	24,512	8,354
Funds From Operations	974,205	671,582	614,885
Regulatory Balancing Accounts	545,792	21,944	296,782
Deferred Taxes Related to Regulatory Balancing Accounts	(279,358)	(11,235)	(150,615)
Net Operational Funds	1,240,639	682,291	761,052
Funds From Financing			
Common Stock Sold (a)	325,454	122,114	236,746
Preferred Stock Sold	113,840	131,541	132,306
Long-term Debt Sold	696,233	569,314	497,834
Construction Funds Held by Trustee	(23,038)	(46,803)	-
Net Short-term Borrowings (Investments)	(926,710)	269,297	82,064
Funds From Financing	185,779	1,045,463	948,950
Funds From Changes In			
Accrued Taxes	296,270	(105,840)	173,987
Accounts Payable	16,801	79,119	86,216
Interest Payable	24,533	15,457	4,550
Other Changes in Working Capital (b)	10,072	(79,015)	(113,826)
Other - Net	89,419	(3,175)	4,725
Customer Conservation Loans Funded	25,000	-	-
Sale of Coal Properties (net of \$52,720,000 estimated taxes)	94,076	-	-
Sale of Nuclear Fuel	-	219,546	-
Total Other Funds	556,171	126,092	155,652
Total Funds Provided	1,982,589	1,853,846	1,865,654
Funds Used for Other Than Construction			
Long-term Debt Matured	(223,847)	(38,902)	(51,482)
Long-term Debt Purchased for Sinking Fund (at cost)	(44,725)	(47,495)	(51,997)
Dividends on Preferred and Common Stock	(545,963)	(476,060)	(408,099)
Fuel Oil Inventory	(18,174)	(30,710)	(246,568)
Gas Stored Underground	(13,068)	(52,282)	(36,335)
Advances to Gas Producers	(44,884)	(39,579)	(40,697)
Conservation Loans to Customers	(43,414)	(10,654)	(11,591)
Total Funds Used for Other Than Construction	(934,075)	(695,682)	(846,769)
Funds Used for Construction	1,048,514	1,158,164	1,018,885
Allowance for Equity Funds Used During Construction	286,052	225,550	202,873
Total Construction Expenditures	\$1,334,566	\$1,383,714	\$1,221,758

(a) Common Stock Sold in 1980 includes \$27,450,000 sold by a subsidiary company.

(b) Other Changes in Working Capital excludes changes in current portions of long-term debt: 1982, (\$115,688,000); 1981, \$217,412,000; 1980, (\$41,651,000), and conservation loans to customers: 1982, (\$8,885,000); 1981, (\$3,504,000); 1980, (\$3,611,000).

*Changed to conform to 1982 presentation.

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

Statements of Consolidated Common Stock Equity and Preferred Stock

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Pacific Gas and Electric Company

	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Common Stock Equity	Preferred Stock Without Mandatory Redemption Provision	Preferred Stock With Mandatory Redemption Provision
In Thousands						
Balance, January 1, 1980	\$1,136,275	\$812,802	\$1,420,779	\$3,369,856	\$1,102,451	\$150,000
Net Income - for 1980			524,770	524,770		
Preferred Stock Sold (5,000,000 shares)		7,306		7,306	125,000	
Common Stock Sold (10,221,870 shares)	102,219	107,077		209,296		
Cash Dividends Declared						
Preferred Stock			(106,502)	(106,502)		
Common Stock			(301,597)	(301,597)		
Increase from Capital Transaction of Subsidiary Company		4,341		4,341		
Balance, December 31, 1980	1,238,494	931,526	1,537,450	3,707,470	1,227,451	150,000
Net Income - for 1981			564,606	564,606		
Preferred Stock Sold (5,000,000 shares)		6,541		6,541	125,000	
Common Stock Sold (5,703,007 shares)	57,030	65,084		122,114		
Cash Dividends Declared						
Preferred Stock			(130,316)	(130,316)		
Common Stock			(345,744)	(345,744)		
Balance, December 31, 1981	1,295,524	1,003,151	1,625,996	3,924,671	1,352,451	150,000
Net Income - for 1982			810,178	810,178		
Preferred Stock Sold (3,350,000 shares)		3,840		3,840	75,000	35,000
Common Stock Sold (12,710,062 shares)	127,101	198,353		325,454		
Cash Dividends Declared						
Preferred Stock			(149,522)	(149,522)		
Common Stock			(396,441)	(396,441)		
Foreign Currency Translation Adjustment			(1,755)	(1,755)		
Balance, December 31, 1982	\$1,422,625	\$1,205,344	\$1,888,456	\$4,516,425	\$1,427,451	\$185,000

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

Statements of Consolidated Capitalization

Pacific Gas and Electric Company

December 31,	1982	1981
	—In Thousands (except percentages)—	
Common Stock, Par Value \$10 Per Share (authorized 200,000,000 shares, issued and outstanding at December 31: 1982 - 142,262,481; 1981 - 129,552,419)	\$1,422,625	\$1,295,524
Additional Paid-in Capital	1,205,344	1,003,151
Reinvested Earnings	1,888,456	1,625,996
Common Stock Equity	4,516,425 41%	3,924,671 39%
Preferred Stock Without Mandatory Redemption Provision Par Value \$25 Per Share (authorized 75,000,000 shares)		
Nonredeemable		
5% to 6% - 5,785,000 shares outstanding	144,621	144,621
Redeemable		
4.36% to 8.2% - 17,225,000 shares outstanding	430,629	430,629
9% to 10.46% - 21,088,000 shares outstanding	527,201	527,201
12.8% to 17.38% - 13,000,000 and 10,000,000 shares outstanding	325,000	250,000
	1,427,451	1,352,451
Preferred Stock With Mandatory Redemption Provision Par Value \$100 Per Share (authorized 10,000,000 shares)		
9% and 14.75% - 1,850,000 and 1,500,000 shares outstanding	185,000	150,000
Total Preferred Stock	1,612,451 14%	1,502,451 15%
Pacific Gas and Electric Company		
Mortgage Bonds		
Maturity Interest Rates		
1982-1983 3% to 9.85%	65,635	262,996
1984-1985 3.125% to 9.5%	250,743	279,683
1986-1987 3.375% to 9.375%	56,934	59,734
1988-2011 3.375% to 9.375%	2,504,446	2,504,497
1992-2022 9.625% to 16.9%	1,737,517	1,224,750
Principal Amounts Outstanding	4,615,275	4,331,660
Unamortized Discount Net of Premium	(33,220)	(27,050)
Total Mortgage Bonds	4,582,055	4,304,610
Other Long-term Debt	15,296	13,066
Total PG&E Long-term Debt	4,597,351	4,317,676
Pacific Gas and Electric Finance Company N.V.		
Guaranteed Debentures, 14.75% to 16%, due 1988-1990	260,000	75,000
Unamortized Discount	(598)	(715)
Total PG&E Finance N.V. Long-term Debt	259,402	74,285
Pacific Gas Transmission Company		
Mortgage Bonds, 5.25% and 8%, due 1986-1990	27,465	33,762
Unamortized Discount	(32)	(43)
Subordinated Debentures, 5.5%, due 1986	261	336
Bank Term Loan	124,700	145,000
Total PGT Long-term Debt	152,394	179,055
Eureka Energy Company Notes Payable, 10.5%	—	3,906
Natural Gas Corporation of California Other Long-term Debt	138	108
Total Long-term Debt of PG&E and Subsidiaries	5,009,285 45%	4,575,030 46%
Less: Long-term Debt—Current Portion		
PG&E	87,867	203,211
Subsidiary Companies	24,221	24,565
Total Long-term Debt—Current Portion	112,088	227,776
Long-term Debt in Total Capitalization	4,897,197	4,347,254
Total Capitalization	\$11,026,073	\$9,774,376

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

Schedules of Consolidated Segment Information

Pacific Gas and Electric Company

For the Years Ended December 31,	Electric	Gas	Intersegment Eliminations	Total
	In Thousands			
1982				
Operating Revenues	\$3,848,602	\$2,936,493		\$ 6,785,095
Intersegment Sales ^(a)	6,032	1,072,727	\$(1,078,759)	—
Total Operating Revenues	3,854,634	4,009,220	(1,078,759)	6,785,095
Depreciation	248,801	122,196	—	370,997
Income Taxes ^(b)	396,477	170,773	—	567,250
Other Operating Expenses ^(b)	2,580,240	3,432,123	(1,078,759)	4,933,604
Total Operating Expenses	3,225,518	3,725,092	(1,078,759)	5,871,851
Operating Income	\$ 629,116	\$ 284,128	\$ —	\$ 913,244
Construction Expenditures ^(c)	\$1,031,718	\$ 302,848		\$ 1,334,566
Utility Plant (net of accumulated depreciation) ^(c)	\$9,072,983	\$1,621,298		\$10,694,281
Other Identifiable Assets	\$1,232,026	\$1,305,838		2,537,864
Corporate Assets				403,173
Total Assets				\$13,635,318
1981*				
Operating Revenues	\$3,905,873	\$2,288,702		\$ 6,194,575
Intersegment Sales ^(a)	5,320	1,250,879	\$(1,256,199)	—
Total Operating Revenues	3,911,193	3,539,581	(1,256,199)	6,194,575
Depreciation	220,422	83,057	—	303,479
Income Taxes ^(b)	73,972	50,244	—	124,216
Other Operating Expenses ^(b)	3,160,104	3,215,766	(1,256,199)	5,119,671
Total Operating Expenses	3,454,498	3,349,067	(1,256,199)	5,547,366
Operating Income	\$ 456,695	\$ 190,514	\$ —	\$ 647,209
Construction Expenditures ^(c)	\$ 917,805	\$ 465,909		\$ 1,383,714
Utility Plant (net of accumulated depreciation) ^(c)	\$8,157,262	\$1,635,846		\$ 9,793,108
Other Identifiable Assets	\$1,225,027	\$1,211,916		2,436,943
Corporate Assets				136,608
Total Assets				\$12,366,659
1980*				
Operating Revenues	\$2,927,841	\$2,331,058		\$ 5,258,899
Intersegment Sales ^(a)	4,549	812,833	\$(817,382)	—
Total Operating Revenues	2,932,390	3,143,891	(817,382)	5,258,899
Depreciation	204,878	75,832	—	280,710
Income Taxes ^(b)	65,803	57,895	—	123,698
Other Operating Expenses ^(b)	2,256,563	2,842,163	(817,382)	4,281,344
Total Operating Expenses	2,527,244	2,975,890	(817,382)	4,685,752
Operating Income	\$ 405,146	\$ 168,001	\$ —	\$ 573,147
Construction Expenditures ^(c)	\$ 973,785	\$ 247,973		\$ 1,221,758
Utility Plant (net of accumulated depreciation) ^(c)	\$7,616,405	\$1,454,266		\$ 9,070,671
Other Identifiable Assets	\$ 859,807	\$1,249,253		2,109,060
Corporate Assets				115,472
Total Assets				\$11,295,203

(a) Intersegment Electric and Gas Sales are accounted for at tariff rates prescribed by the CPUC.

(b) Income Taxes and general corporate expenses are allocated in accordance with the FERC Uniform System of Accounts and requirements of the CPUC.

(c) Includes allocation of Common Utility Plant.

* Changed to conform to 1982 presentation.

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

Note 1**Summary of Significant Accounting Policies****Accounting Records**

The accounting records of Pacific Gas and Electric Company (PG&E) are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the California Public Utilities Commission (CPUC).

Principles of Consolidation

The consolidated financial statements include the accounts of PG&E and its wholly-owned and majority-owned subsidiaries (the Company) for all periods presented. In consolidation, all significant intercompany transactions and accounts have been eliminated.

PG&E's major subsidiaries are Pacific Gas Transmission Company (PGT), which transports and sells natural gas outside California; Pacific Gas and Electric Finance Company N.V. (Finance), which was organized in 1981 in the Netherlands Antilles to borrow funds outside the United States and to lend such funds to PG&E and its subsidiary companies; Alberta and Southern Gas Co. Ltd. (A&S), whose principal functions are the acquisition of gas in Canada and the arrangement of its transportation to the U.S. border; Natural Gas Corporation of California, which is a natural gas exploration and production company; and Pacific Conservation Services Company, which commenced in 1982 to make loans to PG&E residential customers for the installation of conservation and weatherization measures.

Subsidiaries of PG&E engaged in projects that are still in the development stages include Calaska Energy Company, a member of the partnership to construct the Alaskan portion of the Alaska Natural Gas Transportation System for the transportation of natural gas from Alaska to the continental United States; and Alaska California LNG Company, Pacific Gas LNG Terminal Company, Pacific Gas Marine Company, and Pacific Indonesia LNG Company, which were formed to engage in the delivery of natural gas by ship to California. Eureka Energy Company was formed to engage in the acquisition and development of coal and other energy sources.

Alberta Natural Gas Company Ltd (ANG) and ANGUS Chemical Company (ANGUS) are subsidiaries of PGT. ANG owns and operates the pipeline whose principal function is to transport natural gas for A&S through British Columbia to the Canadian-U.S. border. In addition, ANG owns and operates an extraction plant near Cochrane, Alberta which removes propane, heavier liquids and ethane from the gas stream. ANGUS is a chemical company which also acquires oil properties suitable for increased oil production by enhanced oil recovery techniques.

The investments in Pacific Indonesia LNG Company, ANG and ANGUS, which are 50%- or less-

owned subsidiaries, are accounted for in accordance with the equity method of accounting.

Revenues

Revenues consist of billings to customers and changes in regulatory balancing accounts. Billings to customers are included in revenues as meters are read on a cycle basis throughout each month. In accordance with orders of the CPUC, the Company has established regulatory balancing accounts for electric energy costs and sales, and gas costs and sales. Operating revenues include changes in these regulatory balancing accounts. These changes represent amounts authorized by the CPUC to be recovered from or repaid to customers. The effect of using these regulatory balancing accounts is that changes in sales and cost of sales of electric energy and gas do not affect the Company's earnings. In 1981, the CPUC modified the regulatory balancing account procedure to provide that only 98% of the electric energy costs are to be accumulated in a balancing account. The remaining 2% is subject to annual rate treatment.

Utility Plant

The costs of additions to utility plant and replacements of retirement units of property are capitalized. Costs include labor, material and similar items and indirect charges for such items as engineering, supervision and transportation. Costs also include allowance for funds used during construction (AFUDC), at rates calculated in conformity with FERC authorizations, for the imputed cost of equity investment and a net after-tax amount for borrowed funds. The equity component of AFUDC is included in other income and the borrowed funds component, net of federal and state income taxes, is recorded as a reduction of interest charges. Costs of depreciable units of plant retired are eliminated from utility plant accounts and such costs plus removal expenses less salvage are charged to accumulated depreciation. Costs of repairing property and replacement of minor items of property are included in the Company's Statements of Consolidated Income as Maintenance.

Depreciation

For financial statement purposes, depreciation of utility plant is computed on a straight-line remaining life basis at rates based on the estimated useful lives of properties. For federal income tax purposes, depreciation is generally computed using the most liberalized methods allowed by the Internal Revenue Code.

Income Taxes

Beginning in 1982, PG&E received increased customer rates to reflect the normalization of the tax effects of both Accelerated Cost Recovery System (ACRS) and investment tax credits (ITC) in accordance with the Economic Recovery Tax Act of 1981. ACRS tax benefits pertain to plant placed in service after 1980. ITC for 1982 and subsequent years is

deferred and amortized over the lives of the related properties. Prior to 1982, PG&E did not provide deferred taxes for the tax effects of accelerated tax depreciation, and ITC was applied as a reduction to federal income tax expense.

In accordance with CPUC policy, the tax effects of certain other deductions relating to overhead construction costs are recorded as paid. Other deferred taxes are related to changes in regulatory balancing accounts, major construction projects, and gas exploration costs.

Debt Premium, Discount and Related Expenses

Long-term debt issuance premium or discount and related expenses are amortized over the lives of the issues to which they pertain. The gain or loss on reacquisition of mortgage bonds to satisfy sinking fund requirements is amortized over the remaining life of the respective original issues. The federal income tax on such gain or loss is recognized over the life of the remaining property.

Research and Development

Research and development (R&D) costs related to specific construction projects are capitalized as are a portion of general engineering research costs. Total R&D costs incurred during the years 1982, 1981 and 1980 were approximately \$37,000,000, \$64,000,000 and \$79,000,000, respectively, of which \$15,000,000, \$49,000,000 and \$61,000,000 were capitalized as part of the cost of construction projects. Other R&D costs are charged to expense.

Gas Exploration Costs

The majority of gas exploration costs are capitalized under a modified "full cost" method of accounting to reflect cost recovery procedures authorized by the CPUC. Unsuccessful project costs, current operating costs and the financing costs of the gas exploration program are recovered through gas exploration development balancing account procedures. On August 4, 1981, the CPUC ordered that investments in California and Rocky Mountain leases, acquired after October 1980, be 20% funded by nonratepayer provided equity. Thereafter, the successful efforts method of accounting was used to determine the profits and losses on 20% of the operations which were not recorded in the balancing account. Prior to the CPUC decision of August 4, 1981, the success, or lack of success, of the Company's gas exploration program did not affect the Company's income because of the operation of the balancing account.

Note 2

Preferred Stock

The nonredeemable Preferred Stock Without Mandatory Redemption Provision (\$25 par) consists of a 5%, a 5½%, and a 6% series which are entitled to annual dividends per share of \$1.25, \$1.37, and \$1.50, respectively.

The redeemable Preferred Stock Without Mandatory Redemption Provision (\$25 par) is subject to redemption, in whole or in part, solely 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. Per share information is as follows:

Series	Annual Dividend	Redemption Price
4.36% to 8.2%	\$1.09-\$2.05	\$25.75-\$29.375
9% to 10.46%	\$2.25-\$2.615	\$27.25-\$30.10
12.8% to 17.38%	\$3.20-\$4.345	\$30.70-\$31.85

The Preferred Stock With Mandatory Redemption Provision (\$100 par) consists of two series: (i) a 9% series which is entitled to a sinking fund providing for the retirement of a minimum of 75,000 shares annually on November 15 of each year, beginning in 1985, at \$100 per share plus accrued dividends and (ii) a 14.75% series which is entitled to a sinking fund providing for the retirement of a minimum of 17,500 shares annually on August 15 of each year, beginning in 1988, at \$100 per share plus accrued dividends. In addition, either series may be redeemed at the option of the Company at \$100 per share plus accrued dividends and a redemption premium.

Dividends on preferred stock are cumulative. All shares of the preferred stock rank equally with regard to preference in dividend and liquidation rights, except that shares of different classes or series thereof may differ as to the amounts of dividends or liquidation payments to which they are entitled. Upon liquidation or dissolution of the Company, holders of the preferred stock are entitled to receive an amount equal to the par value of such shares plus an amount equal to all accumulated and unpaid dividends thereon. There are no redemption requirements for 1983 and 1984. The combined aggregate amount of redemption requirements for each of the years 1985 through 1987 is \$7,500,000.

Note 3

Long-term Debt

The First and Refunding Mortgage Bonds of PG&E are issued in series, bear annual interest from 3% to 16.9% and mature from February 16, 1983 to June 1, 2022. Subject to indenture provisions as to earnings coverage 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 of PG&E 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 indenture. Stock representing PG&E's investments in subsidiaries is pledged as collateral for PG&E bonds.

PG&E is required, according to provisions of the First and Refunding Mortgage, to make semi-annual sinking fund payments on February 1 and August 1 of each year for the retirement of the bonds of PG&E equal to 1/2 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.

Finance's Guaranteed Debentures (Debentures), which are unsecured and unsubordinated obligations of Finance, do not have sinking fund requirements and are unconditionally guaranteed by PG&E. The Debentures are subject to redemption, at specified redemption prices, during specified periods, at Finance's option.

The First Mortgage Pipeline Bonds of PGT are issued in series, bear annual interest of 5.25% and 8% and mature in 1986 and 1990, respectively. All of PGT's real properties (except oil and gas production properties), substantially all personal properties and long-term contracts for gas purchases, gas sales, and gas transportation are subject to the lien of the PGT mortgage indenture.

PGT's First Mortgage Pipeline Bonds and subordinated debentures, which are solely the obligation of PGT, are subject to redemption, at specified redemption prices, through the operation of a sinking fund or in larger increments at PGT's option, depending upon the series and redemption dates. The debentures are subordinated in right of payment to mortgage bonds and certain other indebtedness.

PGT also has a \$124,700,000 bank term loan to be repaid in six annual payments through 1988. The interest rates on the amount outstanding at December 31, 1982, were 18.165% on \$49,700,000 and 17.915% on \$75,000,000. These interest rates are subject to redetermination in accordance with the terms of the credit agreement in August 1983 and at least biennially thereafter.

For the years 1983 through 1987, the Company's combined aggregate amount of debt maturing and sinking fund requirements calculated as of December 31, 1982 in accordance with the mortgage bond indentures are \$112,088,000, \$133,166,000, \$268,084,000, \$97,842,000, and \$83,113,000 respectively.

Note 4

Short-term Borrowings

PG&E maintains lines of credit with various banks, principally to support the sale of commercial paper. At December 31, 1982 these lines of credit totaled \$535,000,000. At no time during the year were the lines of credit used for direct bank borrowings. The usual maturity for commercial paper is 10 to 90 days.

A&S maintains a \$35,000,000 (Canadian) line of credit with a bank to support the sale of commercial paper for "take or pay" payments on gas contracts. At December 31, 1982 this line of credit was unused.

A&S also maintains lines of credit with four banks totaling \$24,000,000 (Canadian) for operations. The outstanding balance at December 31, 1982 translated into U.S. dollars was \$5,300,000.

PGT maintains lines of credit with eight banks, principally for direct borrowings or to support the sale of commercial paper. These lines of credit totaled \$25,000,000 and were unused at December 31, 1982.

The Company also has an agreement with Pacific Energy Trust (Energy) to borrow an amount up to the difference between \$400,000,000 and Energy's investment in nuclear fuel with a maximum of \$160,000,000. As of December 31, 1982 the Company had no outstanding borrowings with respect to this agreement.

The Company compensates banks for lines of credit and other banking services by fee payments.

Short-term borrowings and interest rates thereon were as follows:

December 31,	1982	1981
	-----In Thousands-----	
	(except percentages)	
Balance of Short-term Borrowings		
Commercial Paper	\$182,555	\$820,428
Bankers Acceptances	\$ -	\$100,000
Bank Loans	\$ 5,300	\$ 8,236
Weighted Average Interest		
Commercial Paper	12.5%	13.5%
Bankers Acceptances	- %	13.1%
Bank Loans	13.0%	18.7%

Note 5

Customer Conservation Loan Program

Beginning in 1979, PG&E offered conservation loans to residential customers for ceiling insulation. These loans carried interest at 8% (8% loans) and required repayment over 60 months. In April 1981, PG&E began offering loans under its Zero Interest Program (ZIP) to residential customers in its San Joaquin Division for installation of up to 12 conservation measures in residential homes. These loans were interest free and required repayment over 50 or 100 months. In May 1982, ZIP loans were offered system-wide. Concurrent with the offering of ZIP loans system-wide, PG&E formed a wholly-owned subsidiary, Pacific Conservation Services Company (PCSC), to assume responsibility for the customer conservation loan programs. These loans are primarily funded by PG&E and financings with banks. Operational expenses are recovered through the Conservation Financing Adjustment (CFA) tariff which is collected by PG&E and transferred to PCSC. PCSC has contracted with PG&E to obtain the administrative services needed to acquire and process the customer conservation loans. Of the total of \$65,659,000 loaned as of December 31, 1982, PCSC is responsible for all loans other than approximately \$9 million in ZIP loans and \$19 million in 8% loans initiated prior to PCSC's formation.

PCSC is funding the ZIP loans through a revolving credit line. This credit agreement, which

has a maturity date of March 17, 1983 and is guaranteed by PG&E, permits PCSC to borrow up to \$50,000,000 at the prime rate and requires payment of a commitment fee of $\frac{3}{8}$ of 1% on the unused portion. At December 31, 1982 the balance outstanding was \$25,000,000 at an interest rate of 11.5%.

On February 14, 1983, PCSC entered into a new revolving line of credit with 11 banks, which is to be used to repay the amounts outstanding under the \$50,000,000 line of credit. The new line of credit, which is not guaranteed by PG&E, permits PCSC to borrow at any time through 1984 up to the lesser of \$150,000,000 or 80% of customer conservation loans outstanding at its choice of a floating rate determined in accordance with the agreement or a fixed rate based on average Certificate of Deposit or Eurodollar rates. PCSC must pay a commitment fee on the unused portion of the commitment equal to $\frac{1}{2}$ of 1% on the first \$50,000,000 not used and $\frac{1}{4}$ of 1% thereafter. Borrowings under the agreement mature on December 31, 1994. The agreement has various covenants and conditions, including the continuing existence of the CFA tariff.

Note 6

Income Taxes

Income tax expense (credit) is included in the consolidated income statements as follows:

	1982	1981	1980
	In Thousands		
Included in operating expenses	\$567,250	\$124,216	\$123,698
Included in other income	(85,227)	(64,596)	(51,351)
Total	\$482,023	\$ 59,620	\$ 72,347

The components of income tax expense (credit) are:

	1982	1981*	1980*
	In Thousands		
Current			
Federal	\$438,068	\$ 13,122	\$ 72,138
Other	146,968	18,410	52,229
Deferred			
Changes in regulatory balancing accounts			
Federal	(226,962)	(9,128)	(122,366)
Other	(52,396)	(2,107)	(28,249)
ACRS	25,783	-	-
Investment tax credits			
Major construction projects	16,508	18,114	17,078
Utilized against deferred taxes	129,630	(20,422)	69,477
Amortization of deferred ITC	(13,943)	(8,776)	(5,078)
Gas exploration			
Federal	17,198	26,447	13,344
Other	3,970	6,105	3,080
Other-net	(2,801)	17,855	694
Total	\$482,023	\$ 59,620	\$ 72,347

*Changed to conform to 1982 presentation.

The differences between the statutory federal income tax rate of 46% and the Company's effective tax rate are reconciled as follows:

	1982	1981	1980
Federal income tax rate	46.0%	46.0%	46.0%
Increases (reductions) resulting from:			
Allowance for equity and borrowed funds used during construction	(12.7)	(21.0)	(19.6)
Investment tax credits	(1.7)	(11.6)	(9.3)
State income tax	4.3	2.2	2.4
Tax depreciation in excess of book depreciation	2.5	(0.8)	(0.1)
Overhead construction costs	(1.4)	(2.8)	(3.5)
Repair allowance	-	-	(1.9)
Property taxes	(0.4)	(1.0)	(0.9)
Property removal expenses	(0.6)	(1.1)	(0.9)
Other-net	1.3	(0.3)	(0.1)
Effective tax rate	37.3%	9.6%	12.1%

Note 7

Retirement Plan

The Company provides retirement plans covering substantially all employees. The cost of these plans charged to expense and utility plant for 1982, 1981 and 1980 was \$66,000,000, \$66,000,000 and \$75,000,000, respectively. These amounts include amortization of past service cost. Costs of the retirement plans are accrued in accordance with an actuarial cost method (entry age normal method). The Company makes contributions to the plans equal to the amounts accrued for pension expense. The net effect of changes made in certain plan provisions and actuarial assumptions in 1981 resulted in the decreased pension expense for 1982 and 1981 from 1980. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans is presented here:

January 1,	1982	1981
	in Thousands	
Actuarial present value of accumulated plan benefits:		
Vested	\$1,042,000	\$ 972,000
Nonvested	61,000	51,000
Total actuarial present value of accumulated plan benefits	\$1,103,000	\$1,023,000
Net assets available for benefits	\$1,025,000	\$1,023,000

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7 percent in 1982 and 1981. The actuarial present values are based on historic pay as prescribed by the FASB.

Note 8**Commitments**

Construction expenditures for the year 1983 including AFUDC are estimated to be \$1,700,000,000.

The Company is required to make take-or-pay payments to Canadian natural gas producers if it does not take a certain contractual quantity of natural gas during a contract year. During 1981, the Company negotiated reductions in the minimum purchase requirements under Canadian gas purchase contracts through June 30, 1982, including a reduction in take-or-pay obligations under its contracts with Canadian gas producers. In 1982, gas purchase contracts covering a substantial portion of the Company's Canadian gas supply were further amended to extend, through June 30, 1984, the reductions in minimum purchase requirements. The amendments negotiated in 1981 provide for reimbursement to the Company for payments made for gas not taken to the extent delivery of such prepaid gas to the Company is not possible prior to the expiration of the contracts.

The Company is committed to lease nuclear fuel from Energy for use at the Diablo Canyon Nuclear Power Plant. At the end of 1982 Energy's total investment in nuclear fuel was approximately \$336,000,000. When the nuclear fuel is generating heat, the Company will make quarterly payments to Energy for the cost of fuel consumed which will include costs arising out of the ownership of the nuclear fuel.

Note 9**Contingencies****Nuclear Insurance**

The Company is a member of Nuclear Mutual Limited (NML) and Nuclear Electric Insurance Limited (NEIL), which were established by the utility industry to provide insurance coverage against property damage to members' nuclear generating facilities whether under construction or in operation. In the event of property damage to a nuclear plant of a member utility, the Company may be subject to a maximum assessment of approximately \$28,000,000 if losses exceed premiums, reserves and other NML or NEIL resources.

The Company's public liability for claims resulting from any nuclear incident is limited to \$560,000,000 under provisions of the Price-Anderson Act (Act). The coverage for this liability is provided by insurance, assessments and government indemnification under the Act. The Company is subject to a retrospective assessment of up to \$5,000,000 for each of its licensed reactors over 100,000 kw in the event there is a nuclear incident involving any of the nation's licensed reactors. There is a limitation of \$10,000,000 in retrospective assessments in any one year. As of December 31, 1982, the Company had one reactor subject to this assessment.

Sale of Coal Properties

In 1982, the Company sold coal reserves located near Price, Utah for approximately \$175,000,000. The properties were purchased and developed since 1976 at a total cost of \$34,000,000. In an interim decision issued on December 30, 1982, the CPUC ordered that the Company develop and file a plan for refunding to customers approximately \$59,000,000 of the after-tax gain of \$94,000,000. Disposition of the remainder of the gain is to be determined in future proceedings before the CPUC. On January 19, 1983, the Company filed an application for rehearing and stay of execution of this decision.

Deferred Projects

The CPUC has disallowed recovery of AFUDC on unsuccessful projects which are abandoned, although it has consistently allowed recovery of costs other than AFUDC associated with such projects. There is no reasonable way to estimate which projects, if any, may be abandoned and, therefore, the aggregate amount of possible loss of AFUDC if the CPUC adheres to its past policy. The Company intends to pursue vigorously any avenue available to it to recover all costs (including AFUDC) of any project which must be abandoned. Furthermore, the Company believes that any such unrecovered costs would not have a significant impact on its financial condition.

As a part of the 1984 general rate application, the Company has asked the CPUC for recovery of \$203,000,000 (including \$65,000,000 of AFUDC) related to feasibility studies and research, development and demonstration activities not directly resulting in the licensing of a project. Hearings on this application will be held during 1983 with a decision expected in December 1983.

The Company's Liquefied Natural Gas (LNG) Project is a joint undertaking with Pacific Lighting Corporation (PLC) for construction of facilities to import natural gas from Alaska and Indonesia. On October 6, 1982, the CPUC issued two decisions pertaining to the LNG project. In the first decision, a site near Point Conception, California was approved for construction of an LNG receiving terminal. In the second decision, the Company and PLC were given 60 days to either pursue a final permit to construct the LNG terminal as planned or to formally suspend the project and apply for authority to "bank" the terminal site for future use and obtain appropriate rate treatment of the costs incurred to date, if the CPUC affirms its ratemaking jurisdiction. Because of present market conditions, natural gas supplies are now considered adequate to meet demand currently and in the near future. Therefore, the Company and PLC elected to suspend further construction work on the project facilities, and the Company has applied to the CPUC for appropriate rate treatment of its approximately \$199,000,000 (including \$103,000,000 of AFUDC)

investment in the project as of October 6, 1982. Since that date, the Company has ceased further accrual of AFUDC on the project.

The Company advised the Nuclear Regulatory Commission's Atomic Safety and Licensing Board that a final decision to restart the Humboldt Nuclear Power Plant will be deferred until final retrofit requirements are defined by the NRC. The net investment in the power plant and nuclear fuel is approximately \$78,000,000, of which \$58,000,000 (including \$21,000,000 of AFUDC) was incurred for retrofit modifications after the plant was taken out of service. If a decision is made not to restart the plant, it is expected that recovery of all significant costs will be authorized through future regulatory proceedings.

Diablo Canyon and Helms Projects

Rate recovery of costs incurred for major energy supply projects is addressed by the CPUC through special rate base offset procedures at the time the facilities are placed in service. The construction, licensing, and rate hearings of the Helms Pumped Storage Project and Unit No. 1 of the Diablo Canyon Nuclear Power Plant are expected to be completed during 1983.

CPUC hearings on Helms were interrupted in September 1982 due to a water conduit rupture during testing. The cause of the rupture has been attributed to faulty welding by a subcontractor and deficient inspection by another subcontractor. At December 31, 1982, total construction costs at Helms were \$738,000,000.

The low power testing license for Diablo Unit No. 1 was suspended in November 1981 because of discrepancies discovered by the Company in the seismic design of the plant. The Company commenced an independent design verification program to be completed prior to planned commercial operation in 1983. At December 31, 1982, total construction costs at Diablo for both units were \$2,681,000,000.

AFUDC is currently being accrued on total plant investment at Helms and Diablo at approximately \$6,000,000 and \$22,000,000 per month, respectively. The Company believes that all costs associated with the Helms and Diablo projects were prudently incurred and will seek their full recovery through the special rate base offset procedures. Although the possibility exists that certain costs may be disallowed for rate recovery purposes, the Company believes that such costs would not be a significant portion of the projects' costs and that any disallowance would not have a significant impact on its financial condition.

Opinion of Independent Certified Public Accountants

To the Stockholders and the Board of Directors of Pacific Gas and Electric Company

We have examined the consolidated balance sheets and statements of consolidated capitalization of Pacific Gas and Electric Company (a California corporation) and subsidiaries as of December 31, 1982, and 1981, and the related statements of consolidated income, funds used for construction, common stock equity and preferred stock, and the schedules of consolidated segment information for the years then ended. Our examinations were 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. The consolidated financial statements of Pacific Gas and Electric Company and subsidiaries for the year ended December 31, 1980 were examined by other auditors whose report dated February 17, 1981 expressed an unqualified opinion on those statements.

In our opinion, the consolidated financial statements and schedules of consolidated segment information referred to above present fairly the financial position of Pacific Gas and Electric Company and subsidiaries as of December 31, 1982, and 1981, and the results of their operations and funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

San Francisco, California
February 16, 1983

ARTHUR ANDERSEN & CO.

Information Required by Statement of Financial Accounting Standards No. 33

For many years the purchasing power of the dollar, measured by consumer and wholesale price indices, has declined each year. This decline in purchasing power of the dollar is commonly called "inflation."

Many complex theories have been proposed in an attempt to eliminate the inflation component from reported net income, but no solution has emerged that commands general acceptance. In 1979 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 33 requiring that certain supplemental financial information be presented showing historical information converted to two bases—constant dollars and current costs—using specified techniques.

Constant dollar amounts so required and as reported herein represent historical amounts converted to dollars having approximately the same purchasing power as the real dollar had in mid-1982 as measured by the Consumer Price Index for All Urban Consumers.

Current cost amounts as required by SFAS No. 33 purport to represent the price in current dollars the Company would expect to pay for its assets if it could obtain them at today's prices. Because of siting, environmental and other problems involved in constructing property today that were not present when the Company's plant was originally constructed, there is no reasonable way for the Company to estimate the

cost of replacing its assets. Therefore, for purposes of the current cost calculation, the Handy-Whitman Index of Public Utility Construction Costs for the Pacific Coast Division was applied to historical cost of surviving plant in developing the required current cost. This results in current cost calculations being computed from a construction index whereas constant dollar calculations are computed from an overall index.

Following SFAS No. 33 requirements, the only amounts adjusted in arriving at the net income amounts adjusted for changing prices were net utility plant and depreciation expenses. As prescribed in SFAS No. 33, income taxes were not adjusted.

The current year's provisions for depreciation on the constant dollar and current cost amounts of utility plant were determined by applying the Company's depreciation rates to the constant dollar and current costs.

The Company has serious reservations as to whether the required supplemental financial information is appropriate for measuring the impact of inflation on a utility regulated, as PG&E is, on a cost-of-service basis. This information is presented solely because it is required to be presented. It should be clearly understood that the required information is complicated, difficult to understand and because of the permitted subjectivity inherent in developing this prescribed information, unwarranted comparisons and inferences may result.

Statement of Consolidated Income from Continuing Operations Adjusted for Changing Prices as Required by SFAS No. 33

For the Year Ended December 31, 1982	Conventional Historical Cost	Constant Dollar	Current Cost
	—In Thousands—		
Operating Revenues	\$6,785,000	C\$6,785,000	C\$6,785,000
Operation, Maintenance, and Other	5,604,000	5,604,000	5,604,000
Depreciation	371,000	766,000	947,000
Total	5,975,000	6,370,000	6,551,000
Income from continuing operations (excluding adjustment to net recoverable cost)	\$ 810,000	C\$ 415,000*	C\$ 234,000
Decrease during the year in specific prices of utility plant**			C\$ (23,000)
Adjustment to net recoverable cost		C\$ (113,000)	1,129,000
Effect of increase in general price level			(1,038,000)
Excess of change in general price level over change in specific prices after adjustment to net recoverable cost			68,000
Reduction of purchasing power loss through debt financing		300,000	300,000
Net		C\$ 187,000	C\$ 368,000

C\$—Dollars having approximately the same purchasing power as the real dollar had in mid-1982.

*Including the adjustment to net recoverable cost, the income from continuing operations on a constant dollar basis would have been C\$302,000,000.

**At December 31, 1982 current cost of utility plant net of accumulated depreciation was C\$20,932,000,000 while historical cost or net cost recoverable through depreciation was \$10,694,000,000.

Five-Year Comparison of Selected Consolidated Financial Data Adjusted for Changing Prices as Required by SFAS No. 33

For the Years Ended December 31,	1982	1981	1980	1979	1978
	In Thousands (except per share amounts)				
Operating Revenues	CS\$6,785,000	CS\$6,566,000	CS\$6,153,000	CS\$5,805,000	CS\$5,283,000
Historical Cost Information					
Adjusted for General Inflation					
Income from continuing operations (excluding adjustment to net recoverable cost)	CS 415,000	CS 209,000	CS 204,000	CS 286,000	
Income per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)	CS 1.96	CS .53	CS .66	CS 1.58	
Net assets at year-end at net recoverable cost	CS\$4,426,000	CS\$4,042,000	CS\$4,152,000	CS\$4,246,000	
Current Cost Information					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	CS 234,000	CS 2,000	CS (59,000)	CS 13,000	
Income (loss) per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)	CS .61	CS (1.10)	CS (1.61)	CS (1.05)	
Excess of change in general price level over change in specific prices after adjustment to net recoverable cost	CS 68,000	CS (196,000)	CS (517,000)	CS (763,000)	
Net assets at year-end at net recoverable cost	CS\$4,426,000	CS\$4,042,000	CS\$4,152,000	CS\$4,246,000	
General Information					
Reduction of purchasing power loss through debt financing	CS 300,000	CS 510,000	CS 768,000	CS 843,000	
Cash dividends declared per common share	CS 2.93	CS 2.88	CS 3.04	CS 3.17	CS 3.20
Market price per common share at year-end	CS 27.56	CS 21.63	CS 22.96	CS 28.98	CS 31.82
CS—Dollars having approximately the same purchasing power as the real dollar had in mid-1982.					
Average consumer price index (Base year 1967-100)	289.3	272.4	246.8	217.4	195.4

Quarterly Consolidated Financial Data

Quarterly financial data for the four quarters of 1982 and 1981 are shown in the table below. Due to the seasonal nature of the utility business, operating revenues, operating income, and net income are not generated evenly by quarter during the year. The

Company's common stock is traded on the New York and Pacific Stock Exchanges. The approximate number of common stockholders of record as of December 31, 1982 was 252,000. Dividends are paid on a quarterly basis and there are no material restrictions on the present or future ability to pay dividends.

	4th	3rd	2nd	1st
	In Thousands (except per share amounts)			
1982 Operating Revenues	\$1,767,517	\$1,665,102	\$1,569,281	\$1,783,195
Operating Income	\$ 189,111	\$ 254,438	\$ 247,199	\$ 222,496
Net Income	\$ 171,856	\$ 222,969	\$ 218,432	\$ 196,921
Earnings Per Common Share	\$.95	\$ 1.37	\$ 1.37	\$ 1.23
Dividends Declared Per Common Share	\$.75	\$.75	\$.75	\$.68
Common Stock Price Per Share				
High	\$ 28½	\$ 27%	\$ 25%	\$ 23½
Low	\$ 26¼	\$ 23	\$ 21%	\$ 20¼
1981 Operating Revenues	\$1,619,576	\$1,620,272	\$1,452,801	\$1,501,926
Operating Income	\$ 171,173	\$ 179,417	\$ 150,735	\$ 145,884
Net Income	\$ 135,534	\$ 158,344	\$ 138,723	\$ 132,005
Earnings Per Common Share	\$.78	\$.97	\$.83	\$.82
Dividends Declared Per Common Share	\$.68	\$.68	\$.68	\$.68
Common Stock Price Per Share				
High	\$ 23%	\$ 24%	\$ 23%	\$ 22%
Low	\$ 20	\$ 20%	\$ 19½	\$ 20

Consolidated Comparative Statistics

Pacific Gas and Electric Company

For the Years Ended December 31,	1982	1981	1980	1979	1978
Electric Statistics					
Net System Output (Millions of KWH)	71,333	72,829	69,962	70,339	67,669
Net System Output – Percent					
Hydroelectric Plants	21.9%	14.6%	19.0%	16.8%	19.9%
Thermal Electric Plants	34.8	54.0	50.5	59.1	49.5
Other Producers	43.3	31.4	30.5	24.1	30.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
System Capability – KW (at annual peak)					
Hydroelectric Plants (adverse conditions)	2,362,700	2,377,200	2,354,600	2,360,000	2,350,900
Thermal Electric Plants	8,675,000	8,847,000	8,754,000	8,612,000	8,294,000
Other Producers (adverse conditions)	3,245,100	5,621,300	3,971,000	4,112,900	2,791,100
Total	14,282,800	16,845,500	15,079,600	15,084,900	13,436,000
Net System Peak Demand – KW	12,214,600	13,680,100	13,440,400	13,215,200	12,970,600
Reserves Capacity Margin at Peak – Percent	9.6%	5.9%	9.0%	12.1%	8.4%
Annual Load Factor – Percent	66.7%	60.8%	59.3%	60.8%	59.6%
Average Annual Residential Consumption – KWH	6,252	6,489	6,535	6,811	6,553
Average Residential Revenue Per KWH	7.33c	5.77c	5.16c	3.54c	3.93c
Average Annual Residential Bill	\$458.46	\$374.21	\$337.43	\$240.88	\$257.66
Total Customers (end of year)	3,545,923	3,515,099	3,447,739	3,365,950	3,270,302
Plant Investment Per Customer ^(a)	\$2,554	\$2,310	\$2,199	\$2,032	\$1,869
Customers Per Mile of Distribution Line	39.1	39.2	39.1	38.9	38.5
Gas Statistics					
Gas Purchased for U.S. Operations (Thousands of MCF)	698,056	835,684	781,643	843,381	711,052
Source of Gas Purchased – Percent					
From California	18.2%	19.5%	16.0%	16.8%	16.4%
From Other States	45.4	49.2	43.7	37.0	35.1
From Canada	36.4	31.3	40.3	46.2	48.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Average Cost of Gas Purchased – MCF					
(U.S. Operations)					
From California	\$3.09	\$2.60	\$2.16	\$1.74	\$1.59
From Other States	\$3.54	\$2.57	\$2.30	\$1.79	\$1.35
From Canada	\$5.14	\$4.86	\$4.34	\$2.61	\$2.22
Average	\$4.04	\$3.29	\$3.10	\$2.16	\$1.81
Peak Day Sendout – MCF	3,133,028	3,143,546	3,275,016	3,398,281	3,243,552
Average Annual Residential Consumption – MCF	78.3	72.7	81.6	90.4	86.9
Average Residential Revenue Per MCF	\$4.39	\$3.91	\$3.70	\$2.37	\$1.97
Average Annual Residential Bill	\$344.07	\$284.20	\$301.67	\$214.17	\$170.97
Total Customers (end of year)	2,914,977	2,897,455	2,858,129	2,805,471	2,738,767
Plant Investment Per Customer ^(b)	\$474	\$475	\$467	\$450	\$441
Customers Per Mile of Distribution Main	96.8	96.9	97.0	97.2	97.4
Miscellaneous Statistics					
Customers Served Per Employee	249	241	229	230	228
Depreciation and Amortization as a Percent of					
Average Depreciable Plant					
Electric ^(a)	3.5%	3.3%	3.3%	3.1%	3.0%
Gas ^(b)	4.2%	3.5%	3.5%	3.1%	3.1%
PG&E Composite ^(c)	3.7%	3.4%	3.4%	3.2%	3.1%

(a) PG&E Electric Department only

(b) PG&E Gas Department only

(c) PG&E only including Common Utility Plant

Consolidated Revenues and Sales

Pacific Gas and Electric Company

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For the Years Ended December 31,	1982	1981	1980	1979	1978
Electric Department					
Revenues					
Residential	\$ 1,401,267	\$ 1,128,851	\$ 998,130	\$ 693,368	\$ 720,112
Commercial	1,530,542	1,233,564	1,067,198	752,359	852,265
Industrial (1000 Kw demand or over)	1,078,493	860,577	699,073	461,653	531,593
Agricultural Power	235,164	241,221	212,770	142,727	149,986
Public Street and Highway Lighting	53,224	41,498	38,225	30,491	34,179
Other Electric Utilities	172,819	117,791	71,926	67,740	69,855
Miscellaneous	56,256	70,094	58,568	50,111	43,584
Other	8,008	7,313	5,336	4,115	3,814
Regulatory Balancing Accounts	(687,171)	204,964	(223,385)	261,281	(308,455)
Total	\$ 3,848,602	\$ 3,905,873	\$ 2,927,841	\$ 2,463,845	\$ 2,096,933
Sales - KWH					
Residential	19,107,415	19,575,283	19,329,190	19,605,541	18,314,721
Commercial	18,662,382	18,722,954	18,283,154	17,891,820	17,166,973
Industrial (1000 Kw demand or over)	15,843,646	16,401,293	14,801,260	15,253,371	14,815,289
Agricultural Power	2,922,541	3,890,088	3,540,022	3,715,026	3,120,644
Public Street and Highway Lighting	365,119	401,930	431,564	455,445	485,725
Other Electric Utilities	3,544,563	2,676,998	1,906,465	2,807,249	2,232,563
Total Sales to Customers	60,445,666	61,668,546	58,291,655	59,728,452	56,135,915
Gas Department					
Revenues					
Residential	\$ 935,996	\$ 764,468	\$ 799,307	\$ 555,017	\$ 432,865
Commercial	681,520	607,417	626,611	406,497	346,229
Industrial	712,341	794,786	708,259	499,242	340,546
Other Gas Utilities	52,589	158,433	148,074	85,867	18,384
Miscellaneous	8,835	2,290	(6,560)	7,128	4,315
Regulatory Balancing Accounts	149,817	(276,749)	(133,807)	176,354	193,960
Subsidiary Companies (U.S. and Canada)	395,395	238,057	189,174	170,519	136,141
Total	\$ 2,936,493	\$ 2,288,702	\$ 2,331,058	\$ 1,900,624	\$ 1,472,440
Sales - MCF					
Residential	213,031	195,631	216,184	234,295	220,076
Commercial	124,622	128,758	146,827	143,707	144,162
Industrial	132,789	171,769	161,060	186,165	138,975
Other Gas Utilities	12,021	35,135	34,821	36,013	9,926
Total Sales to Customers	482,463	531,293	558,892	600,180	513,139
Company Use (primarily electric generation)	201,219	280,990	202,964	216,062	125,636
By Subsidiary Companies (in U.S.)	205	179	151	134	119
Total	683,887	812,462	762,007	816,376	638,894

Directors

John F. Bonner¹
Executive Consultant
and Former President
and Chief Executive
Officer, Pacific Gas
and Electric Company

Harry M. Conger³
Chairman of the
Board, President
and Chief Executive
Officer, Homestake
Mining Company

Richard P. Cooley*
Chairman, President
and Chief Executive
Officer, Seattle—First
National Bank

Charles de Bretteville^{2,4,5}
Former Chairman of
the Board, The Bank
of California, N.A.

Alfred W. Eames, Jr.^{1,3}
Former Chairman of
the Board, Del Monte
Corporation (food
products and related
services)

Lewis S. Eaton³
Chairman of the
Board, Guarantee
Financial Corporation
of California

Robert B. Hoover⁴
Chairman of the
Board, The Pacific
Lumber Company

L.W. "Bill" Lane, Jr.⁵
Chairman of the
Board, Lane
Publishing Company
(publisher of
SUNSET Magazine)

Leslie L. Luttgens⁴
San Francisco
Bay Area
Community Leader

Richard B. Madden^{1,2,4}
Chairman of the
Board and Chief
Executive Officer,
Potlatch Corporation
(diversified forest
products)

Peter A. Magowan³
Chairman of the
Board and Chief
Executive Officer,
Safeway Stores, Inc.

Frederick W. Mielke, Jr.^{1,2,5}
Chairman of the
Board and Chief
Executive Officer,
Pacific Gas and
Electric Company

William F. Miller^{2,}**
President and Chief
Executive Officer,
SRI International
(research and
consulting)

Richard H. Peterson⁵
Consultant and
Former Chairman of
the Board, Pacific
Gas and Electric
Company

John B.M. Place^{2,4,5}
Chairman of the
Board and Chief
Executive Officer,
Crocker National Bank

Wilson C. Riles³
President, Wilson Riles
and Associates, Inc.
(educational develop-
ment and consulting)

Barton W. Shackelford^{1,2}
President, Pacific Gas
and Electric Company

John Lyons Sullivan^{1,5}
Rancher and Chairman
Emeritus, California
Canners and Growers

1 Member Executive Committee
Frederick W. Mielke, Jr., Chairman

2 Member Finance Committee
Frederick W. Mielke, Jr., Chairman

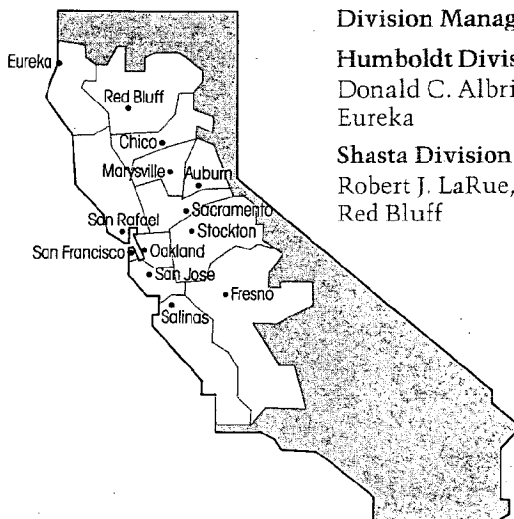
3 Member Audit Committee
Lewis S. Eaton, Chairman

4 Member Compensation and Management
Development Committee
Robert B. Hoover, Chairman

5 Member Advisory Nominating Committee
Frederick W. Mielke, Jr., Chairman

* Resigned from the Board in February 1983

** Appointed Advisory Member in December 1982
and elected to the Board in February 1983

PG&E Service Area**Division Managers**

Humboldt Division
Donald C. Albright
Eureka

Shasta Division
Robert J. LaRue, Jr.
Red Bluff

De Sabla Division
John C. Keyser
Chico

North Bay Division
Richard A. Draeger
San Rafael

Colgate Division
J. Lewis Kirkegaard
Marysville

Drum Division
Robert E. Metzker
Auburn

Sacramento Division
Stanley E. Howatt
Sacramento

San Francisco Division
J. Art Fairchild
San Francisco

East Bay Division
Floyd C. Marks
Oakland

Stockton Division
C. Robert Martin
Stockton

San Jose Division
Vernon H. Lind
San Jose

Coast Valleys Division
Robert D. Mullikin
Salinas

San Joaquin Division
Grant N. Radford
Fresno

Officers

Frederick W. Mielke, Jr.^M
Chairman of the Board and Chief Executive Officer

Barton W. Shackelford^M
President

Richard A. Clarke^M
Executive Vice President and General Manager of Utility Operations

George A. Maneatis^M
Executive Vice President, Facilities and Electric Resources Development

Stanley T. Skinner^M
Executive Vice President and Chief Financial Officer

John A. Sproul^M
Executive Vice President, Fuels and Gas Resources Development

John S. Cooper^M
Senior Vice President Personnel

Malcolm H. Furbush^M
Senior Vice President and General Counsel

Ellis B. Langley, Jr.^M
Senior Vice President Operations

Malcolm A. MacKillop^M
Senior Vice President Corporate Relations

G. Stanley Bates
Vice President General Construction

Donald A. Brand
Vice President Engineering

Howard P. Braun¹
Vice President Electric Operations

George F. Clifton, Jr.
Vice President Customer Operations

Nolan H. Daines
Vice President Planning and Research

Joseph Y. DeYoung
Vice President Division Operations

William M. Gallavan
Vice President Rates and Valuation

Daniel E. Gibson²
Vice President Gas Planning and Acquisition

Grant N. Horne
Vice President Public Relations

Elmer F. Kaprielian³
Vice President Fuels Planning and Acquisition

John E. Koehn
Vice President Governmental Relations

Gary E. Lavering
Vice President and Comptroller

Howard M. McKinley
Vice President Gas Operations

Richard K. Miller
Vice President General Services

Robert Ohlbach
Vice President and General Attorney

James O. Schuyler
Vice President Nuclear Power Generation

John F. Taylor
Vice President and Corporate Secretary

William H. Wallace
Vice President Computer Systems and Services

Mason Willrich
Vice President Corporate Planning

Gordon R. Smith
Treasurer

Alan W. Beringsmith
Assistant Treasurer

Anthony J. Duffy
Assistant Treasurer

David B. Allison
Assistant Secretary

Brian L. McGrath
Assistant Secretary

M Member Management Committee

1 Retires April 1, 1983. Elmer F. Kaprielian has been elected to succeed him on that date.

2 Has been elected Vice President Fuel Resources, effective April 1, 1983 when he will succeed Elmer F. Kaprielian. See Notes 1 and 3

3 See Note 1

Stockholders' Calendar

Schedule of Dividend Payment Dates — 1983

Common Stock
January 15
April 15
July 15
October 15

Preferred Stock
February 15
May 16
August 15
November 15

Stock Exchange Listings

Common stock of the Company is listed on the New York and Pacific Stock Exchanges. Preferred stocks of the Company are listed on the American and Pacific Stock Exchanges.

Stock Transfer Agent

Larry H. Gunter
Office of the Company
San Francisco

Registrar of Stock

Wells Fargo Bank, N.A.,
San Francisco

Annual Meeting

Proxies will be solicited by the Board of Directors for the annual meeting to be held at the Masonic Auditorium 1111 California Street, San Francisco, California, on Friday, April 29, 1983 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 11, 1983.

Executive Office

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

Annual Report for 1982 on Form 10-K

A copy of the Company's report for 1982 filed with the Securities and Exchange Commission on Form 10-K will be provided to stockholders upon written request to the Vice President and Corporate Secretary at the above address.

Pacific Gas & Electric Company

77 Beale Street
San Francisco, CA 94106

Bulk Rate
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Pacific Gas &
Electric Company

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