TWO YEARS AGO, WE DEVELOPED A STRATEGY TO STRENGTHEN PG&E FINANCIALLY AND OFFER FORWARD-LOOKING PROGRAMS TO BETTER SERVE OUR CUSTOMERS. WE MADE SIGNIFICANT PROGRESS TOWARD ACHIEVING THESE GOALS IN 1983. AS A RESULT WE ARE WELL POSITIONED TO MOVE INTO A MORE PRODUCTIVE AND PROSPEROUS FUTURE.

PACIFIC GAS AND ELECTRIC COMPANY 1983 ANNUAL REPORT

CONTENTS

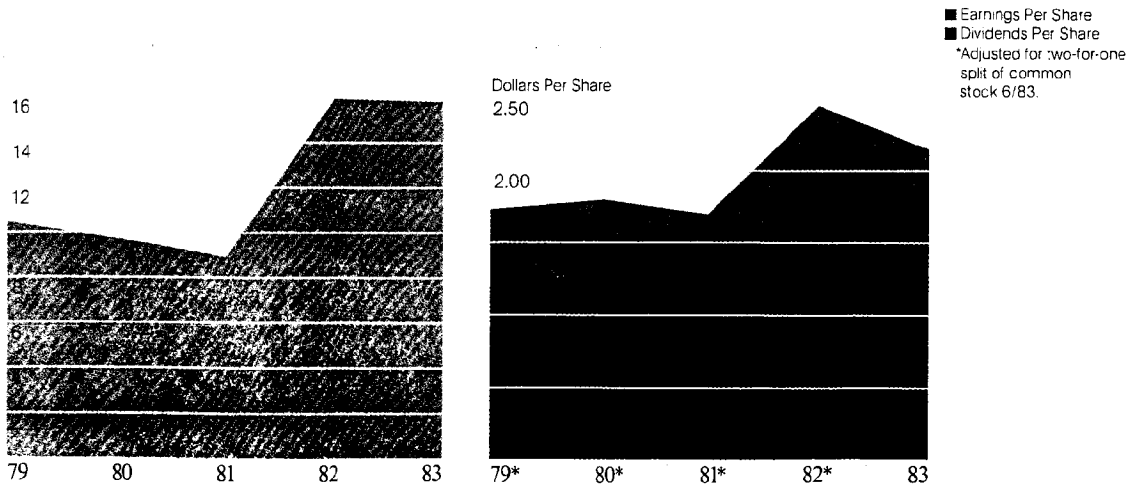
[redacted]

HIGHLIGHTS

Pacific Gas and Electric Company

	1983	1982	% Change
Operating Revenues	**$ 6,646,699,000**	$ 6,785,095,000	−2
Operating Income	**$ 959,872,000**	$ 913,244,000	5
Net Income	**$ 787,967,000**	$ 810,178,000	−3
Earnings Available for Common Stock	**$ 628,143,000**	$ 657,624,000	−4
Return on Common Stock Equity:			
Utility Operations	**15.8%**	15.9%	−1
Corporate	**13.4%**	15.8%	−15
Earnings Per Common Share*	**$2.15**	$2.46	−13
Dividends Declared Per Common Share*	**$1.58**	$1.47	7
Total Assets	**$14,721,533,000**	$13,635,318,000	8
Funds Used for Construction	**$ 1,932,525,000**	$ 1,334,566,000	45
Sales of Electricity to Customers (KWH)	**60,011,045,000**	60,445,666,000	−1
Sales of Gas to Customers (MCF)	**433,253,000**	482,463,000	−10
Total Customers	**6,551,000**	6,469,000	1
Number of Stockholders	**408,216**	397,767	3
Number of Employees	**27,300**	26,000	5

*Data reflects the two-for-one common stock split effective June 15, 1983.



Material Redacted

GTR0048108

TO OUR STOCKHOLDERS

PG&E is effectively meeting the challenges of a changing energy market.

With a clear corporate direction embodied in a set of major goals, the Company is gaining new financial strength and operating flexibility.

This will enable PG&E to continue providing customers safe, reliable, and efficient energy and conservation services.

And it will allow the Company to conserve its financial resources by meeting future energy needs with a minimum of PG&E capital.

Underlying this entire corporate strategy is a renewed commitment to improve customer service.

These are ambitious goals. In 1983 PG&E made significant progress toward achieving them.

Maintaining the Company's financial health is fundamental to all of PG&E's objectives. To accomplish that aim, we have instituted rigorous cost controls and a comprehensive budgeting system to monitor their effectiveness. These sound management tools are enabling us to operate within the approximate revenue and expense limitations set by the California Public Utilities Commission (CPUC).

Our earnings for 1983 reflect the return on current utility operations as well as the financial impacts of energy projects planned for future customer use. On current utility operations, we earned approximately 99 percent of the return on investment authorized by the Commission. This marks the second consecutive year we have reached this level of earnings.

Total corporate earnings, however, were down 12.6 percent to $2.15 per share. This decrease was due primarily to nonrecurring accounting adjustments for investments in deferred or abandoned energy projects on which extensive studies and engineering work had been done, but construction had not started. Because of changed market conditions, these additions are not needed in the near future to meet customer needs.

These accounting adjustments included the establishment of a reserve against possible loss of our investment in the deferred Alaskan natural gas pipeline project and a portion of our investment in a deferred liquefied natural gas project. In addition, we wrote off the financing costs associated with the studies and engineering work pertaining to the projects mentioned above which are not needed to meet customer demands in the near future.

The net effect of these adjustments, including a gain on the sale of coal properties no longer needed, was a reduction of 44 cents in earnings per share.

To minimize risk of investors' capital–a risk that has increased in recent years with higher inflation and high financing costs–PG&E is concentrating on smaller, short-lead-time energy projects, as described elsewhere in this report.

Nevertheless, our capital requirements over the next five years will be substantial, totaling about $11.1 billion. Approximately 85 percent of this amount will be needed for construction projects. Most of these projects will involve upgrading the reliability of our gas and electric transmission and distribution systems or providing service to our new customers.

We anticipate that approximately 65 percent of those capital requirements will be generated internally, compared to about 55 percent over the previous five years. This will significantly reduce our need for external financing.

With these achievements, PG&E will have moved far toward a more secure financial future.

In December, the CPUC issued a general rate decision which reduced slightly the Company's authorized return on common equity from 16 to 15.75 percent. However, the increase in net revenues of $404 million for 1984 will give the Company a reasonable opportunity, with careful budgeting, to meet its higher costs, provide adequate service to our customers, and earn a satisfactory return for our stockholders.

In November, the Company was granted the first of several licensing steps needed for commercial operation of the Diablo Canyon Nuclear Plant.

On November 8, the Nuclear Regulatory Commission (NRC) authorized PG&E to load nuclear fuel in the Diablo Canyon Unit 1 reactor and make cold-system tests. The loading was

Frederick W. Mielke, Jr. Bartow W. Shackelford

completed November 20 and testing by December 10.

On January 23, 1984, the NRC authorized testing with water heated to 550 degrees, near normal operating temperatures.

The next step is a license to conduct low-power testing at up to 5 percent power; the final step will be a license to operate at full power.

Given reasonably prompt action by the NRC and no unusual problems in startup, Unit 1 could reach full-power operation by mid-1984, with Unit 2 following about ten months thereafter.

Operation of the Diablo plant will assure customers an ample supply of low-cost electricity for the long term. With these nuclear units, we expect to lower our costs of generating electricity by $5 billion during just the first ten years of operation. Savings to our customers will increase in future years as the capital cost of the plant is paid down.

For gas supplies in the short term, our contracts with various suppliers in different geographic regions are still ample for our needs.

For supplies in the long term, we are relying primarily on extensions of our current contracts with suppliers in Canada and our major domestic supplier, El Paso Natural Gas Company.

This past year we were successful in modifying our Canadian gas supply arrangements to provide additional flexibility in our minimum purchase obligations. This will allow us to balance better our gas takes from various suppliers.

Major capital expenditures on the gas side of our business are being focused on improvement of the Company's gas transmission and distribution systems.

To minimize the expense of developing new supplies of gas and electricity for the future, we continue to rely on conservation as a major energy resource. We offer a large array of conservation and load-management options to all types of customers.

These programs not only benefit our customers by helping them control their energy bills, they also help our stockholders by reducing the need to develop costly new energy supplies. We estimate, for example, that conservation has reduced our electric load forecast in the next ten years by 13 percent.

Customer service is the reason for PG&E's existence. We devote intense attention to providing a high level of service, reasonably priced.

Our surveys show that better than 90 percent of our customers rate us highly for providing effective, timely, friendly service.

We strive to improve that record. Computerized meter reading and expanded teleprocessing and telecommunications systems are technologies that are helping us to do this. With these new tools, with programs to minimize customer inconvenience, and with a dedication to making every contact with our customers a positive one, we are continuing to provide caring and courteous, as well as efficient, service.

The importance of our large hydroelectric system was highlighted in May 1983 when we completed six months ahead of schedule the Kerckhoff 2 hydroelectric unit on the San Joaquin River. The early completion saved our customers $20 million in their 1983 electric bills by permitting the use of water in place of fuel to generate electricity.

Our 66-plant hydro system, the largest investor-owned system in the nation, provides our lowest-cost electricity. It is disturbing, therefore, that our ability to continue operating a large portion of this system is seriously threatened. A number of municipal power systems seek a "preference" to take over and operate nine of our hydroelectric plants as our federal licenses for them come up for renewal.

In September, the Federal Energy Regulatory Commission (FERC) reversed a 1980 decision which had given such a preference to government-owned utilities in hydroelectric relicensing cases.

This was a welcome decision, but the takeover threat persists. The municipal power systems are continuing to press their claim to preference and are seeking to gain control of our hydro facilities through appeals to the FERC, the courts, and Congress.

All of these plants were built by PG&E and paid for by our customers. The municipally owned utilities which seek our plants serve only about 660,000 customers, compared to nearly 3.6 million served by PG&E. If takeover of just the nine plants under attack should succeed, our customers would have to pay $140 million more a year in their electric rates. Loss of any additional hydro plants as they come up for relicensing would correspondingly increase this cost to our customers.

PG&E will continue to challenge this unfair attempt by municipal systems to take over our hydro facilities. We believe the time has come for Congress to act on legislation already introduced that would eliminate any claim that government-owned systems have a preference over investor-owned utilities in the relicensing of hydroelectric facilities.

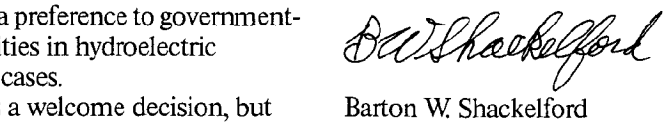
A great source of the Company's strength is our force of over 27,000 employees dedicated to serving our customers well. Their dedication to service is shown in many ways.

A notable way, only indirectly related to the Company's business, was the generous response they made in 1983 with donated time and substantial gifts to United Way and to the Company's REACH program that provides funds to low-income customers who are unable to pay their PG&E or other heating bills.

As this report shows, we made substantial progress toward realizing our key corporate goals in 1983.

As a result, we believe we are well positioned to move into a more productive and prosperous future.

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



Barton W. Shackelford
President

February 15, 1984

Louis Rukeyser is the country's leading economic commentator. As host of the Public Broadcasting Service program, "Wall Street Week," he provides incisive commentary on investments and the economy to millions of viewers.

He also writes a nationally syndicated column of economic commentary that appears in more than 300 newspapers and is author of the recently published book, What's Ahead for the Economy.

On December 14, 1983, Mr. Rukeyser interviewed PG&E Chairman Frederick W. Mielke, Jr., on management's response to major issues affecting the Company. The following are excerpts from that interview.

Fred, let's start by looking ahead. What do you see as the future of the gas and electric utility industry in this country?

I think the future is basically good. We'll see many changes and differences in the way utilities conduct their business. But the idea of a central utility providing the basic gas and electric energy services is fundamentally sound and will be with us for the foreseeable future.

You say there'll be a lot of changes. What are the major changes your customers will see?

Well, higher energy costs, certainly. We can't roll back the clock. We are going to have to be adaptive and recognize the customers' needs; we're going to give a lot more attention to the *total* service to the customer. He is interested in his energy *bill*, and there are ways of tailor-making, diversifying the product line, you might say, so that the customer gets exactly what he wants for his dollar.

Is all that going to be good or bad for the stockholders?

If you do it right, good. As with any business, if you provide what the customer wants you're going to make money at it.

What do you think are the major issues confronting the utility industry?

I think the major one is to plan ahead in uncertain times. The hallmark of the utility industry has always been huge capital investments. And now we must make decisions for a long-term future that is quite uncertain.

We don't really know the extent to which rising energy prices are going to cut down usage. Have we squeezed out all the conservation we really can? What is going to happen to basic sources of energy? Are we going to be relying on fossil fuels? *Can* we? How much gas will be available when deregulation runs its full course?

So, there are all those uncertainties. The basic problem is how to deal with them. Because we will have to provide new energy supplies, and we'll have to raise capital to do it.

It will be a strange and different environment as compared with the historic position of the utility industry. In what way is PG&E specifically affected, and affected in a way different from some other utilities? What are you doing here at PG&E to adapt?

Well, all of us in the industry, I think, are hedging our bets against the future. At PG&E we're trying to hold back on our capital expenditures and not make a commitment until we can see clearly enough ahead that the commitment is justified.

A first step in keeping ourselves

OUR PEOPLE HAVE PERFORMED EXCEEDINGLY WELL, AND I THINK OUR CUSTOMERS REALIZE WE ARE PERFORMING WELL.

FREDERICK W. MIELKE, JR.

Louis Rukeyser (right)

flexible is conservation; we can get new energy supplies by encouraging conservation in a number of ways, even spending money to get people to conserve.

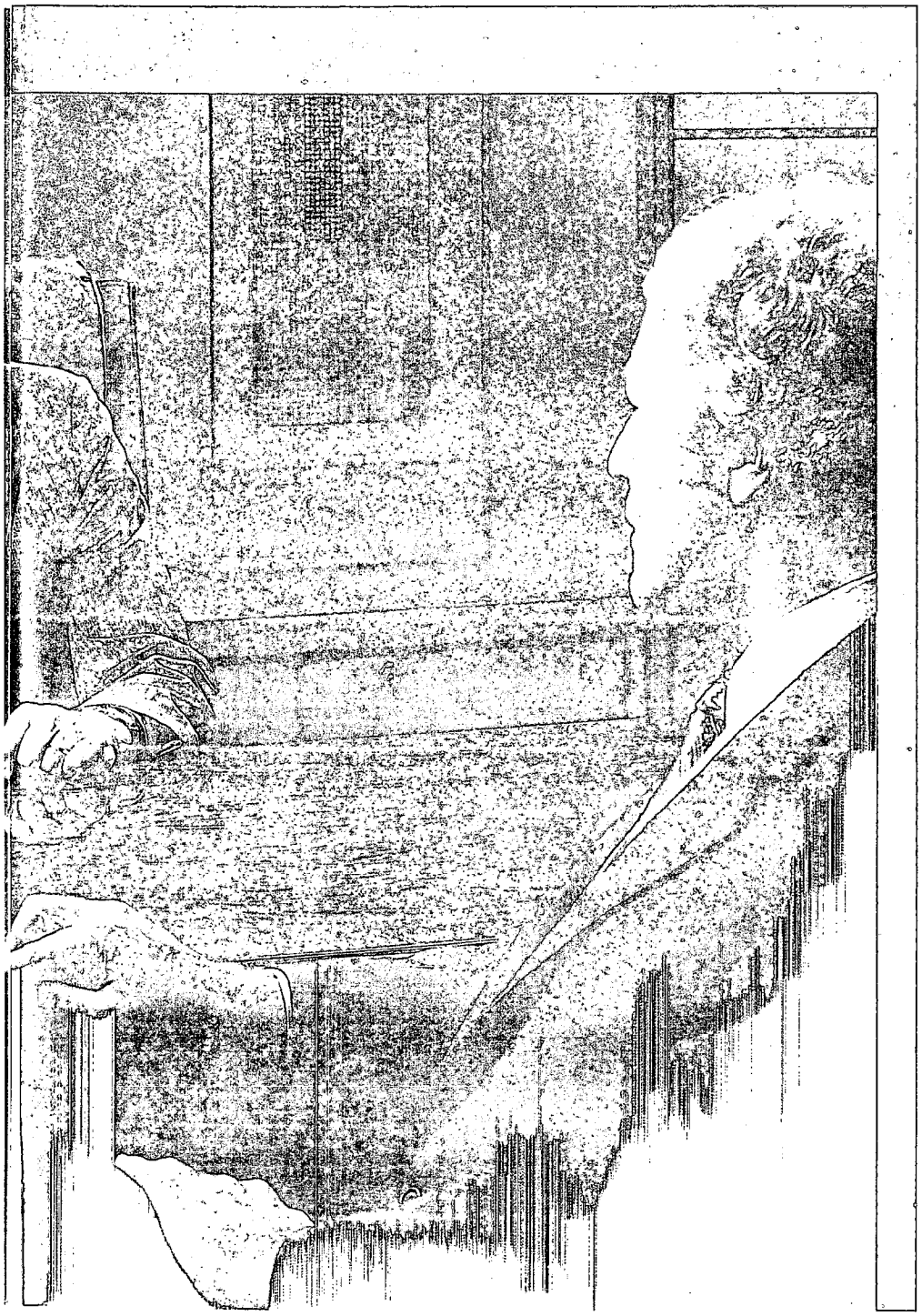
Another tactic is to add energy sources in small increments, in projects which take less capital up front.

And thirdly, to the extent we can, get third-party entrepreneurs to provide the capital for what are called alternative energy sources–small hydro, wind power for example–and buy the power from those entrepreneurs. That's a way of husbanding our capital and taking less risk.

We have the largest geothermal program in the world, the largest wind power program in the nation, and I think by all measures the largest conservation and load management program.

Everybody is talking about the shift in American industry–away from heavy manufacturing and into service and information industries. To what extent does that impact on the electric utility business?

If it really happens, it will probably be a good thing for the utility business. What has been hurting the electric utility industry has been the need to expand with large capital outlays. New facilities coming on line cost more than the average cost of facilities already on line, so growth puts us in a constantly increasing cost situation. With rates fixed and with regulatory lag, adjusting to rapidly increasing costs is basically a difficult situation.



Are you saying you want less business in the future?

Not growing quite so rapidly would be a help.

Now let's personalize the future. No one would know it to see you on the tennis court, but the day is going to come when you won't be chairman and CEO. What steps are you taking for the succession?

We've given a lot of thought to that. I have, personally, because one of the most important things a chief executive does is plan for his own succession.

We have built a management committee of ten people, all the senior officers including me. Each member of that committee has a major segment of the company that he's responsible for. This of course has been a way of delegating away from me. It's a good way of training these people, giving them important experience. And as a member of a committee debating major policy issues, each of them gets exposed to the major issues we have to deal with. So through this management committee we have senior officers in place for succession.

You expect then that leadership will continue to come from the inside? You won't be hiring outside chief executives?

We would certainly expect top leadership to come from the inside. I think if we *can't* have it come from the inside then we've really not done the job that we should do. However, things can change; there may be sudden deaths; we might suddenly find we're weak in some area that expanded more quickly than we had anticipated; and so we're always on the lookout for talent outside, as a backup.

What would be the first sentence that you would whisper in the ear of your successor?

I wouldn't particularly want to say, "Keep doing what I'm doing." But to some extent that will be inescapable. I think any succeeding chief executive is going to be grappling with many of the same problems I'm grappling with.

I don't know how long, for instance, we can stave off a major new capital investment in large new energy supplies. We can, for a time; but in the next ten years we'll have to make some decisions for some of these longer lead time projects. And that will be a major focus of attention for the new CEO, I'm sure.

Okay, we can't talk about that kind of future investment without confronting one of the hottest potatoes in your business. What is the future of nuclear energy?

Well, in California, laws enacted a few years back say that no new nuclear power plant can be licensed here unless the state is satisfied that a waste-disposal facility is in being. Thus far,

one is not in being. And the federal government doesn't look like it will have one until late into the 1990s. So, that pretty much keeps us from going any further in nuclear power now in the state of California.

For the nation at large, where that legal restriction does not exist, I think nuclear power is on a hold. Because of the long, long time it takes to bring a nuclear plant on line, roughly about twice what it takes in the rest of the world, it's very difficult to decide to invest that kind of money now.

What happened to nuclear power? Did we blow something, or was it never as good as it looked a decade ago?

Oh, I think it was as good as it looked. And the fact that the *world* is going nuclear tells us that it still is. The prime difference is the lengthy regulatory process in this country.

I don't want to spoil your day or your stockholders', but what is the future of the Diablo Canyon project?

You're not spoiling my day. In fact, one of the most important things we have done as a company and will do in my career is to get that plant on line and running. It's one of the best things that can happen for the state and for our customers.

That's because it will position us for the future with a basically low-cost energy source. It's true that nuclear power comes on line at a high cost, but that soon starts going down. The main cost is the cost of the plant, and as that is paid down over the years, the plant produces power at far less cost than the other available sources.

For Diablo Canyon, we're estimating our rates will go up by on the order of nine percent when that first unit comes on. This incidentally is a far cry from many other nuclear plants which require rate boosts of 40, 50 or more percent. But in the first ten years of operation of Diablo, we calculate that we will save enough on fuel costs for oil and natural gas that we will have collected $5 billion less in our electric rates than if we didn't have the plant on line.

And the savings go up as the years go out beyond that.

At Diablo we've done all that needs to be done, or virtually all. If the regulatory process follows what you might call a normal course without undue delay, and we do not run into any unusual problems in the startup, we could have that plant on line by midyear.

PG&E has gotten a lot of criticism about alleged cost overruns, delays, and other serious problems at Diablo Canyon and the Helms Pumped Storage Hydroelectric Project. Is some of that criticism valid? If so, what are you doing about it?

Some of it is valid, but I think you have to keep the magnitude of those two huge construction jobs in mind. Some mistakes are inevitable in any such major undertakings. Diablo Canyon, even so, is coming in at a cost below that

of many other plants, and just about on target with most of them.

The same is true with the Helms project–a huge underground installation with miles of drilling through solid rock, really a gargantuan installation. When it comes on line, it will be the most economical source of that amount of peaking power that we could possibly get.

Well, if your Diablo Canyon forecast proves on target, it's not going to be good just for your ratepayers, it's going to be very good for your own financial base. What are you going to do with the new funds you're going to have coming on stream?

Many things. We have a lot of uses for funds that we've been holding off on.

Now as we increase our internal cash flow, we will start turning our capital to many projects where we can improve our efficiency. These will largely be projects that we can get done in short lead times. So we will be able to earn on that capital promptly.

What are some examples of the ways you might use it?

For one thing, there are improvements we can make in many of our physical installations. As a mundane example: We can re-conductor power lines, increase the wire size, and cut line losses. This has a short payback, but it takes capital. Rebuilding older

power plants is another example. As we go through our budgeting operation, we find literally hundreds of projects that can be justified on the basis of cost-effectiveness when capital is available.

And you're going to be immensely more liquid than you have been?

Absolutely. And this will pay off for the customer and for PG&E and its stockholders.

Let's focus now on some of your own internal operations. In 1981 PG&E established a set of corporate goals, and a statement of direction for the company. If you had to issue a report card on how well you are doing at meeting those goals, what grade would you give yourself?

I'd give us an "A."

What have you done right, and what do you still have to do?

One of those corporate goals, of course, was financial health. We have made great progress on that. We have come very close to earning our authorized rate of return in 1982 and in 1983.

The rest of those key corporate goals have set direction and priorities. And the number one goal is providing good service.

We've had some tremendous tests-we had at one time some two million people out of service in a major storm, when winds above all the design standards of our equipment took out transmission lines. We got service restored in record time. Our people have performed exceedingly well, and I think our customers realize we are performing well.

We have an outstanding program in conservation. Our Zero Interest loan program, the largest in the country, has helped our customers greatly. We have programs where we actually go in and weatherize the homes of low-income people at no cost to them. This helps them; it also helps PG&E and our stockholders by slowing the growth of demand. So on that goal we have done very well.

What about some of your other goals?

Certainly on meeting the priorities for spending our capital on new gas and electric resources we are doing what we set out to do. We're finishing the plants we need to finish, such as Helms and Diablo. And we are moving full speed on geothermal and having tremendous success in the alternative energy field.

And we have upgraded in a major way the professional management of the personnel aspect of our business. We are making sure that talented people are brought in, given good career paths, given experience and advanced.

These are some examples. I think we have made progress in every quarter.

When can you promise your customers that they will have an adequate supply of electricity?

Well, certainly when Diablo and Helms come in. We've met our peak loads in the past several years only by buying power from our neighboring utilities, and that's high-cost power and rather uncertain. But with Diablo on, we'll be positioned for the future with good power supplies.

How about natural gas? What's the outlook there?

Natural gas is somewhat uncertain until it is deregulated more, so we can see how much gas is out there that's not yet coming to market.

It's clearly a dwindling resource. Right now there's a so-called glut, but it's a deliverability glut, an ability to deliver gas. There hasn't been much discovery of new reserves, and we probably need even more deregulation before we're going to find more reserves.

However, there are reserves in Canada. And we have our own pipeline system to Canada. So we feel pretty good about being able to tap the Canadian source of gas. And if deregulation is successful in bringing in more domestic gas, we're in a position to be able to take advantage of that as well.

Do you see any conflict between the promotion of conservation and the desire to expand use of your product?

You assume that we have a desire to expand the use of our product...

Well, I assume you have a desire to increase your profitability?

That we do! And we do want to grow in that respect. There is no inherent conflict. Because, as I was pointing out, our profitability increases as we are successful in bringing about conservation, for a number of reasons.

Also, as we slow down the rate of growth in energy consumption, our capital can profitably be put into developing some of the many cost-effective things that can be done by investing capital in the system, instead of using it to provide new, higher cost energy supplies.

You've been extremely clear about your planning on resources and on marketing. Let's turn to your employees. How many do you have?

About 27,000.

What is their role in all this?

Their role is to make this company run. To do it well, be committed to it, be dedicated-which they are-have a certain esprit de corps and desire, and expect to have good careers and be rewarded when they do well.

How would you characterize morale today?

Basically good. Basically good. It's not as easy as it was in years past when everybody loved PG&E because the rates were so low nobody really paid attention to them. Now with the attention we get because of increasing rates it's a difficult situation to be in.

But I think our employees realize that customers, although upset about higher rates, are basically understanding. When you take opinion polls, they all credit PG&E with providing them very fine service.

You recently signed four-year union contracts. Are you happy with those settlements?

Yes, we are. We've negotiated contracts which give us some labor stability. In particular the contracts provide that we and the union will work very hard at revising work rules to increase productivity. And that holds out very good promise for the future.

Fred, it's no news to you that customer suspicion of utility management has grown. Does this disturb you, and what are you doing about it?

Yes, it does disturb us. It's something that we had not faced going back, say 10 or 15 years ago. The way we're working with it really comes under the heading of communication.

We're working to service the news media, the mass media, very very well. We have to get our information out. We have to get the information to customers and make sure that they understand what the facts are, rather than being misled by others with their own axes to grind. And we have to get the information to our own employees so they can be spokespeople for the Company.

You've been extremely positive and quite specific about the salutary effect of Diablo Canyon, as you see it, in helping to improve your own position and that of your customers. What is the outlook for rates, near term and long term?

Near term, there will be some increases. We've got a general rate case near a decision as we talk. [The decision is discussed elsewhere in this report.]

Long term, I think we'll see a moderation of the rapid rise in both electric and gas rates which we've been experiencing. With Diablo Canyon and Helms on line we will be positioned very well, with a solid base of low-cost power.

We've also got a solid base of hydro, which is low cost, and a solid base of low-cost geothermal. What has driven up our costs on the electric side has been predominantly oil and gas fuel costs; as we get off oil and gas fuel with Helms and Diablo Canyon, that augurs well for a stabilizing of electric rates.

On the gas side, with increasing deregulation there will be some increases in gas prices from our suppliers. But we've seen a slackening in the rise in oil prices, and gas essentially has to be priced in relationship to oil. So I think that gas prices are not going to be rising as rapidly as they were.

How would you assess the regulatory environment here in California?

Basically it's good. It's not always as much in line with our views as we think it should be, certainly. There are a lot of political pressures on the regulatory body that sets our rates. But by and large our commission does a pretty even-handed job of steering a middle course.

The most important thing is that the commission fully realizes that the utilities in this state must be financially healthy. That it's a losing game to have them not be.

You've sent a nice bouquet to your state regulators, but what changes in regulation of utilities in general, and PG&E in particular, would you like to see?

Basically, giving more weight to long-term costs rather than short-term.

We're in this business for the long term and when we see something that in the long term will be cheaper, we'd like that to be done even though in the beginning it means a little higher rates than you'd otherwise have. An example is including construction work in progress in rate bases–every study made shows that in the long term it's less expensive to do it that way. But there's resistance to doing it because in the short term rates go up.

Fred, our talk is intended to be part of your annual report to your stockholders. What were the major achievements of this company in the last year? And, since I believe in double-entry bookkeeping, what was your biggest disappointment?

The biggest disappointment was probably the fact that Diablo Canyon did not come on as soon as we had hoped.

And your major achievements?

Well, number one, our earnings held up very well.

Number two, we made great progress in expanding our conservation activities.

Number three, a lot of things were accomplished in the alternative energy field. We signed up a great amount of cogeneration and wind power. Those are positive achievements.

We've made very great achievements in bringing Diablo Canyon up to the point of licensing, and the same with getting Helms virtually ready to go. And we're very proud of bringing the Kerckhoff hydro project on line well ahead of schedule, in fact so much ahead of schedule that we saved our customers about $20 million in their electric rates just being able to take further advantage of the good hydro year.

We were very successful in broadening our financial markets, in going into the European market, building on the base we started over there with Eurobonds. We've improved our basic ability to finance in the capital markets.

In fact, we've made good progress toward every goal we set.

Mr. Rukeyser: *Thanks very much, Fred Mielke. I've enjoyed talking with you. Fred, you have been chairman of the board and chief executive officer of the Company since 1979. And as I've just had occasion to discover, you bring to the job both power and light.*

(For a transcript of the full interview, please write to Steven R. Polcyn, Manager of Public and Employee Communications, 77 Beale Street, San Francisco, CA 94106.)

PG&E TODAY

Pacific Gas & Electric Company is the product of a robust, enterprising spirit that first brought gas service to San Francisco 130 years ago, in 1854, and electricity in 1879. Today PG&E is meeting the challenges of high energy costs and changing market demands with the same innovative, pioneering attitude of its predecessor companies more than a century ago.

PG&E is the nation's largest combined electric and gas utility. It provides electricity to nearly 3.6 million customers and natural gas to more than 2.9 million customers.

Its 94,000-square-mile service territory encompasses most of Northern and Central California – an area that includes 48 of the state's 58 counties with a population of more than 10 million people.

The region supports a diversified economy that includes aerospace and electronic manufacturing and research, food processing, petroleum refining, and agriculture.

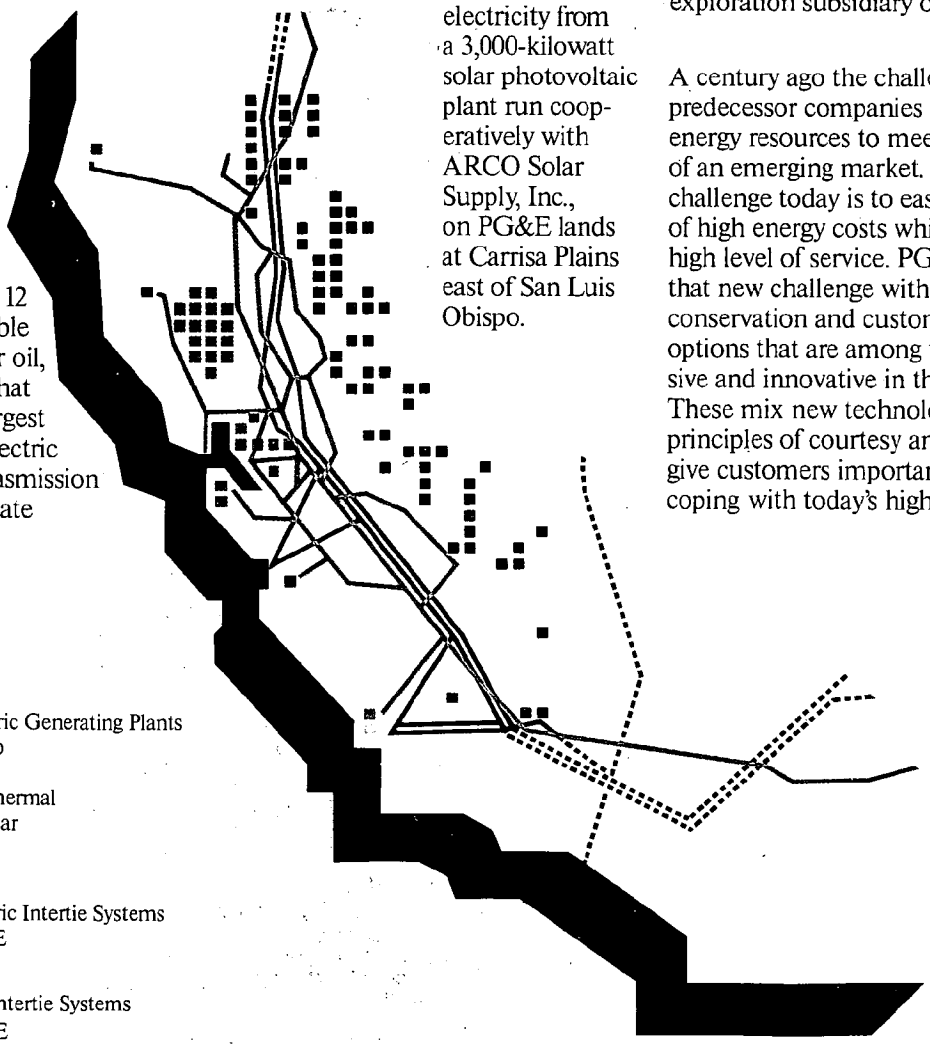
The Company provides electricity from a broad range of conventional and alternative energy resources. These include 12 fossil-fueled plants capable of burning natural gas or oil, 66 hydroelectric plants that comprise the nation's largest privately owned hydroelectric system, and a major transmission system linked to an 11-state western regional grid.

PG&E is a leader in alternative energy development. The Company's 17-unit geothermal complex at The Geysers captures the earth's natural steam and converts it to power. It is the world's largest geothermal generating system. The Company leads the nation's utilities in wind-powered generation. It has 155,000 kilowatts of capacity already connected to its system and contracts for 460,000 kilowatts more.

Cogeneration, the production of electricity in conjunction with use of energy for industrial processes, is a major alternative energy resource being pursued by PG&E.

The Company already has brought 316,000 kilowatts of cogeneration into its system and has contracts for 1,092,000 kilowatts more. A pioneering cogeneration plant has been built by the Company at its Gerber gas compressor station. It is the first such facility in the nation to generate electricity from the waste heat of a gas pipeline compressor unit.

PG&E customers also receive electricity from a 3,000-kilowatt solar photovoltaic plant run cooperatively with ARCO Solar Supply, Inc., on PG&E lands at Carrisa Plains east of San Luis Obispo.



The Company is completing the 2.2 million-kilowatt capacity Diablo Canyon Nuclear Power Plant. Diablo Unit 1 is expected to begin full-power operation in mid-1984, with Unit 2 following about ten months later. And the new Helms Pumped Storage Hydroelectric Project is expected to begin providing up to 1.1 million kilowatts of peaking power early in 1984.

To ensure dependable natural gas supplies for its customers, PG&E contracts with both Canadian and American suppliers. About 40 percent of the Company's gas supply in 1983 came from fields in Alberta, Canada, transported from the Canadian-U.S. border by Pacific Gas Transmission Company, a PG&E subsidiary. El Paso Natural Gas Company provided about 35 percent from fields in the southwestern United States. The remaining 25 percent came from California and Rocky Mountain producers, including Natural Gas Corporation of California, an exploration subsidiary of PG&E.

A century ago the challenge to PG&E's predecessor companies was to develop energy resources to meet the needs of an emerging market. An additional challenge today is to ease the burden of high energy costs while providing a high level of service. PG&E is meeting that new challenge with an array of conservation and customer service options that are among the most extensive and innovative in the industry. These mix new technology with old principles of courtesy and concern and give customers important help in coping with today's high energy costs.

UTILITY OPERATIONS

Among the highlights of a year that must be rated a very good one, were:

□ Record-breaking hydroelectric generation, with reduced electric rates thanks to the hydro output.

□ Outstanding response by PG&E employees to natural disasters.

□ Further improvements in service to customers.

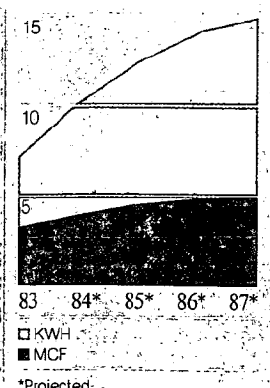
In 1983 we sold 60 billion kilowatthours of electricity and 433 million cubic feet of natural gas.

Both figures were below 1982 because of company-sponsored conservation programs, continuing effects of the 1982 recession, and generally milder summer and winter temperatures. Electric sales were down 1 percent, gas 10 percent.

On July 13 electric loads in our area reached a 1983 peak of 15,156,000 kilowatts. That was 9 percent above the 1982 area peak of 13,907,100 kilowatts, but less than the record area peak demand of 15,541,700 kilowatts in 1981. Our forecasts are that we will have only small growth in peak demand between now and 1992.

We broke all records for system hydroelectric generation in 1983 because of heavy rainfall and snowfall. Our hydroelectric units generated 18.1 billion kilowatthours of electricity, compared with 15.6 billion kilowatthours in 1982, an increase of 16 percent.

This record-breaking generation, combined with superb hydroelectric production the year before, also because of abundant rainfall and snow, enabled PG&E to reduce electric bills by almost $1.3 billion between mid-1982 and the end of 1983.



These results were aided by Kerckhoff 2, a new 140,000-kilowatt hydroelectric unit. The plant began operating on May 6, six months ahead of schedule, saving PG&E customers $20 million in fuel costs.

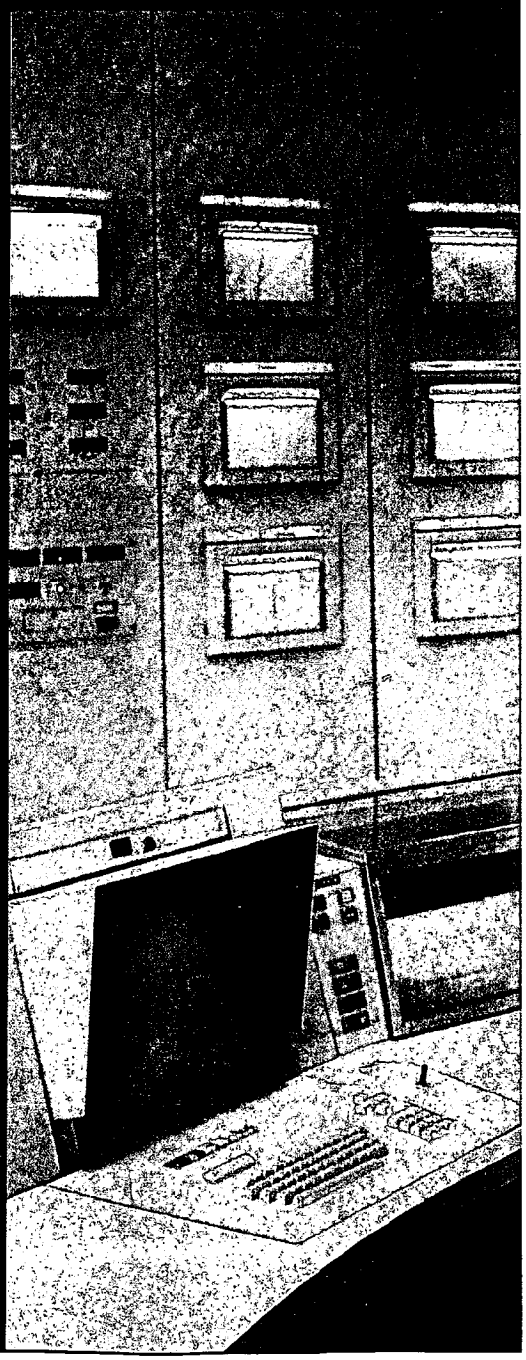
Generation at our existing geothermal units at The Geysers was increased more than 11 percent over 1982 by a number of improvements and the addition of a new unit.

The increases in hydroelectric and geothermal generation during the past two years have enabled us to reduce substantially our use of costly oil and natural gas to generate electricity.

Major new programs to upgrade and improve the reliability of electric and gas transmission and distribution systems were begun in 1983.

Our employees identified 250 ways to cut costs and improve productivity. Twenty of these each have the potential

S WE MAKE GREATER USE OF TECHNOLOGY TO INCREASE PRODUCTIVITY, WE ALSO ARE REEMPHASIZING THE FRIENDLY, PERSONAL TOUCH IN OUR CUSTOMER CONTACTS.



of reducing operating costs by $1 million a year or more.

We are embarked on a multiphase program to remove polychlorinated biphenyls (PCBs) from our system well ahead of regulatory timetables. (PCBs are excellent insulating fluids, used in electrical equipment for decades until classed as hazardous in the late 1970s.)

We are nearing completion of the first phase, begun in 1981, of a $70 million program to replace capacitors containing PCBs. The second phase, a four-year $65 million program to replace 983 PCB-containing network transformers in downtown San Francisco and Oakland, was begun in 1983.

Finally, as we routinely test and maintain poletop transformers, we are changing those with PCB concentrations of 50 parts per million or more.

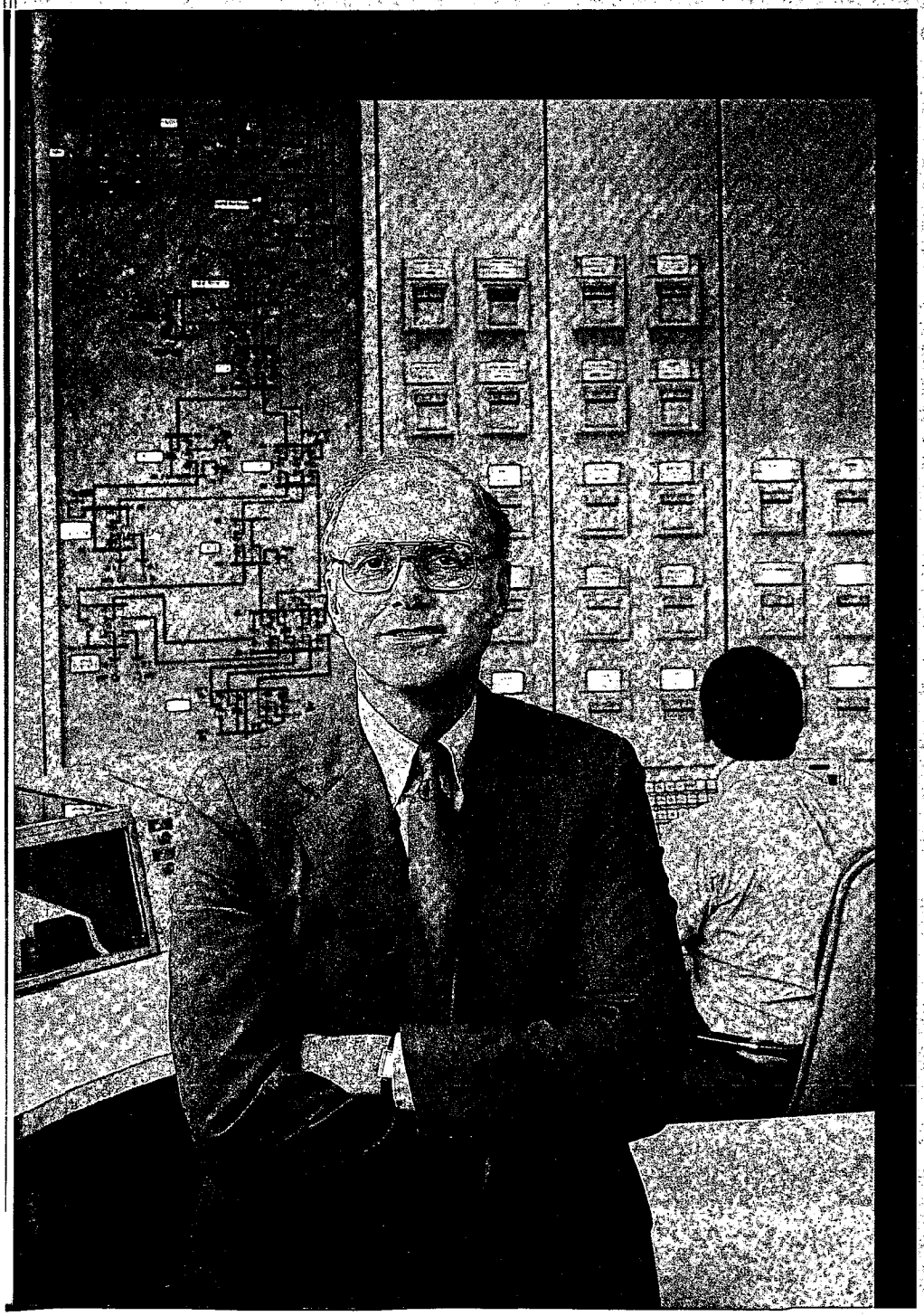
In October and November 1983 PG&E reached agreement on four-year contracts with the International Brotherhood of Electrical Workers (IBEW) Local 1245 and Engineers and Scientists of California. These two unions represent about 19,000 of our 27,000 employees.

These contracts will provide labor stability and help the Company budget better. In the contracts the unions agree to work jointly with management to improve productivity and reduce costs.

The accomplishments of 1983 reflect our determination to achieve a number of major goals:

- To improve service to customers.
- To increase the reliability of electric and gas service by upgrading our transmission and distribution system.
- To give customers an increasing number of conservation and energy choices.
- To increase productivity and efficiency in all operations.

Some of the steps we are taking to meet these goals depend on advanced technology. Others require improved organization and new systems or better management. We are encouraging ideas and cooperation from all of our employees in this endeavor.



Innovative uses of computers are helping us cut costs in several key ways. Computerized schedules for overhauls and maintenance help get power plants back into service sooner. Computer-assisted drafting cuts labor costs. A pilot project to map gas and electric lines is under way. And use of computers reduces labor costs in energy-management audits and many administrative duties.

Small hand-held computers for meter reading, successfully tested in San Francisco in 1983, will be put to wider use in 1984. Our meter readers will record readings from customers' meters on the hand-held computers. At the end of the day, this information is fed directly into PG&E's mainframe.

computer for billing. This cuts labor costs by reducing keypunching and increases meter reading speed by 8 to 13 percent.

PG&E is saving $24 million a year thanks to improved productivity resulting from audits of field crews. Since 1976 we have added an average of 61 minutes of productive time to each field crew's work day. Our goal is to add another nine minutes by 1985.

The Company and Local Union 1245 have developed a procedure in which many crews will report to and leave directly from a work site, instead of first checking in at and later returning to a PG&E service center. To be adopted systemwide in 1984, this procedure will significantly reduce non-productive driving time.

These and many other programs to increase PG&E productivity are expected to save tens of millions of dollars annually.

Today conservation is synonymous with good customer service. PG&E offers the broadest range of conservation and load-management choices in its history–and probably the largest number of programs of any utility. With these programs we join our customers as partners in energy management.

The 1984 programs alone will save more than 13 billion kilowatthours of electricity and 800 million therms of natural gas over the lives of the conservation measures taken–the equivalent of over 35 million barrels of oil. Savings on fuel and on the costs of generation and supply systems that would otherwise be required will more than offset the costs of the programs.

Since 1976 we have offered free residential energy audits. Our Zero Interest loan program (ZIP) helps customers finance the conservation measures recommended by the audits.

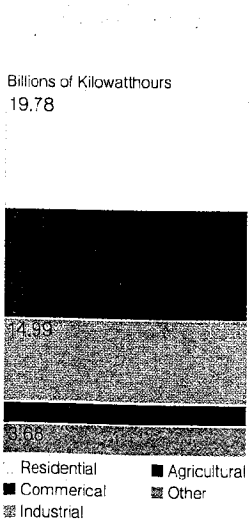
Last year we audited 220,000 single and multiple dwelling units and provided $98 million worth of interest-free financing to weatherize 143,000 dwelling units.

Starting in June, "The Great PG&E Energy Rebate" offered nonresidential customers up to $100,000 per account for the purchase of large-scale, energy-efficient equipment and systems. We accepted more than 20,000 applications for rebates totaling more than $35 million.

Like other conservation expenditures mentioned here, the rebates benefit both stockholders and customers, because it costs less to pay for such programs than to provide the new energy supplies that would be needed without them.

PG&E has adopted plans to upgrade the reliability of its electric distribution system. Expenditures are expected to be about $100 million in 1984 and to continue at that level for several years.

For example, we are increasing tree trimming significantly to reduce outages caused by falling limbs. We are also concentrating on improving distribution lines that serve customers who have had long and frequent outages during the last two stormy winters.



To ensure the continued reliability of our gas transmission and distribution system, we have developed a five-year program that will be budgeted at an average of about $40 million per year. Older steel and cast-iron gas lines will be replaced. Improvements will be made to underground gas storage fields and their pipeline delivery systems. And major improvements will be made to the central gas-dispatching center and division gas load centers to improve efficiency.

We are also planning a five-year program to upgrade the efficiency and reliability of our fuel-burning power plants. This will have the added benefit of extending the operating lives of some of these plants.

All these programs will be subject to the priorities of our operating and capital budgets, which in turn depend upon expenditure levels set by the California Public Utilities Commission (CPUC) in its rate decisions.

Today PG&E must provide a great deal more than kilowatthours of electricity or therms of natural gas. Our essential product is customer satisfaction. PG&E employees regularly go far beyond the ordinary in providing high-quality service.

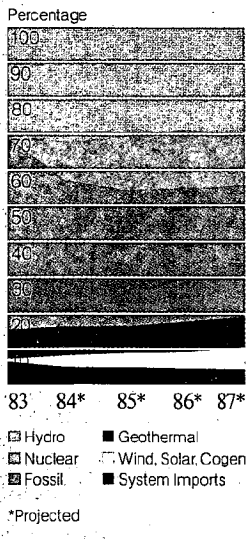
During the severe storms that struck Northern California during the winter of 1982-83 and again in December 1983, PG&E crews worked around the clock in hurricane-force winds and torrential rain to restore service. Moments after a 6.5 Richter scale earthquake struck Coalinga on May 2, 1983, PG&E employ-

ees were helping the city turn off gas connections to its municipally owned gas distribution system to prevent explosion or fire. During floods that washed over Alviso in February 1983, PG&E crews boarded rowboats to disconnect gas lines.

Those were physically heroic efforts. They were supported by tireless though less visible work staffing telephones and service centers. Together, these typify the determination of PG&E employees to provide service that is efficient, friendly and responsive to customer needs.

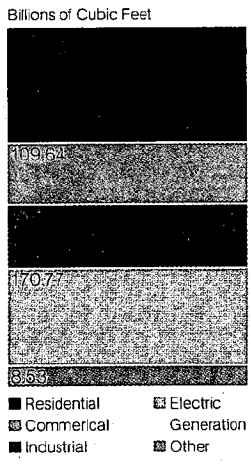
Currently 75 percent of our customers are served by offices equipped with teleprocessing devices. With them we can give immediate answers to customers' questions about their accounts. And these devices add to productivity by increasing the number of customers who can be served by one service representative. The teleprocessing system will be expanded to cover virtually all of our customers over the next three years.

To help customers reach us by telephone at busy times, we plan in 1984 to install in our large East Bay Division a system that will automatically switch calls from an office with overloaded telephone circuits to another office in the division for answering. The system will be expanded to other areas also.



With Automatic Payment Service, begun in 1983, customers can pay their bills through automatic deductions from their bank, savings and loan or credit union accounts. Our Balanced Payment Plan enables customers to even out their monthly bills, avoiding the roller coaster effect created by high bills in summer or winter months.

For those in financial need, PG&E has Customer Assistance Representatives to aid in finding public and private funding to help pay energy bills. Our HELP program provides free weatherization for low-income families. And the PG&E-sponsored REACH program, administered by the Salvation Army, provides help to customers who have exhausted all other sources of funds and still cannot pay their energy bills.



We are taking many small steps as well to improve our service. We have rearranged and redecorated our customer service offices to make customers feel more welcome. Displays in most offices provide helpful information on our many conservation and payment programs. In many offices courtesy representatives help customers accomplish their business more easily.

And we are listening to our customers. This past year we formed an 18-member Consumer Advisory Panel to improve the exchange of information between the Company and its residential customers. And each month we send a survey to some 11,000 customers who have received various kinds of PG&E service. We ask them to rate the courtesy, competence, thoroughness and timeliness of that service. In 1983 we got high marks–a 91 percent overall satisfaction rating. Where dissatisfaction is found, we take steps to correct the problem.

In our changing market, marked by higher energy prices, we are focusing on providing customers increased choices for conserving energy and reducing their bills.

In the short term, we have succeeded in reducing electric rates, primarily due to a succession of years with high hydroelectric generation. But we cannot count on excellent hydro production to reduce rates every year. Therefore, our conservation and service option programs will be needed over the longer term to ensure customers the lowest energy costs possible.

We will continue our emphasis on productivity and on holding our costs within the revenue limits set by rate decisions.

Advanced technology will help

increase productivity and improve the quality of service. But we will make sure that our use of technology does not interfere with our treating our customers as individuals with important individual needs.

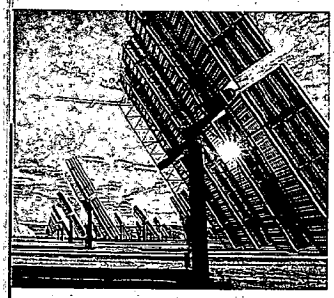
All of this requires the full support of a dedicated, well-trained, and efficient workforce. We strive to attract the highest caliber of employees and to see that each feels a commitment to provide courteous, top-quality service.

These are great challenges, but we believe that we are on course to meet them.

FACILITIES AND ELECTRIC RESOURCES DEVELOPMENT

During 1983, two major new power plants were brought on line, two even larger ones were readied for startup in 1984, and our leadership in the generation of electricity from alternative sources of energy continued.

□ We started up our seventeenth unit at The Geysers in 1983. The Geysers is the world's largest geothermal power complex, where natural steam from the earth is used to generate electrical energy.



□ In the Sierra foothills we brought the underground Kerckhoff 2 hydro powerhouse on line, on budget and six months ahead of schedule, in time to take advantage of abundant runoff from melting snow.

Together, the new Geysers and Kerckhoff units add 254,000 kilowatts to our broad base of low-cost and alternative sources of generation.

□ In November, under authorization from the Nuclear Regulatory Commission, we loaded fuel in Diablo Canyon Nuclear Power Plant's Unit 1 and began exhaustive testing aimed at full-power operation by mid-1984.

□ At year-end we were preparing for startup tests on the Helms Pumped Storage Power Plant, deep underground in the high Sierra.

Together, Diablo Unit 1 and Helms will add more than two million kilowatts of needed capacity to our system.

□ Already the nation's leader in wind-powered electricity, PG&E ended 1983 with more than 615,000 kilowatts of wind power under contract for the future from wind-farm entrepreneurs. The Company is also a leader in solar, small hydro and cogeneration. (Cogeneration is the joint use of energy for industrial production and the generation of electricity.) In 1983, with 316,000 kilowatts on line and contracts for 1,092,000 kilowatts more, we exceeded our goals for attracting developers to build such facilities under power-purchase contracts. These contracts greatly reduce the Company's capital needs.

Getting Diablo Canyon on line–generating power and operating at the highest level of safety–has been a major goal. It is now nearing achievement. To assure that the plant is built and operated safely, PG&E has employed the best and most experienced people available. We are providing them with a high level of training and technical support to assure that they carry out their work safely and efficiently.

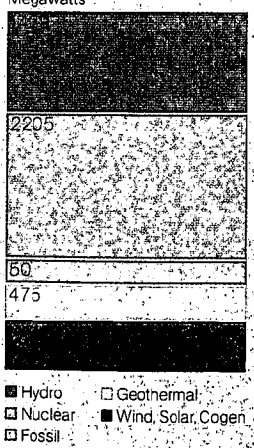
Once Helms and Diablo Units 1 and 2 are on line, no more plants of this size should be needed until well into the 1990s.

Development of very economic moderate-sized units at The Geysers natural steam field will continue.

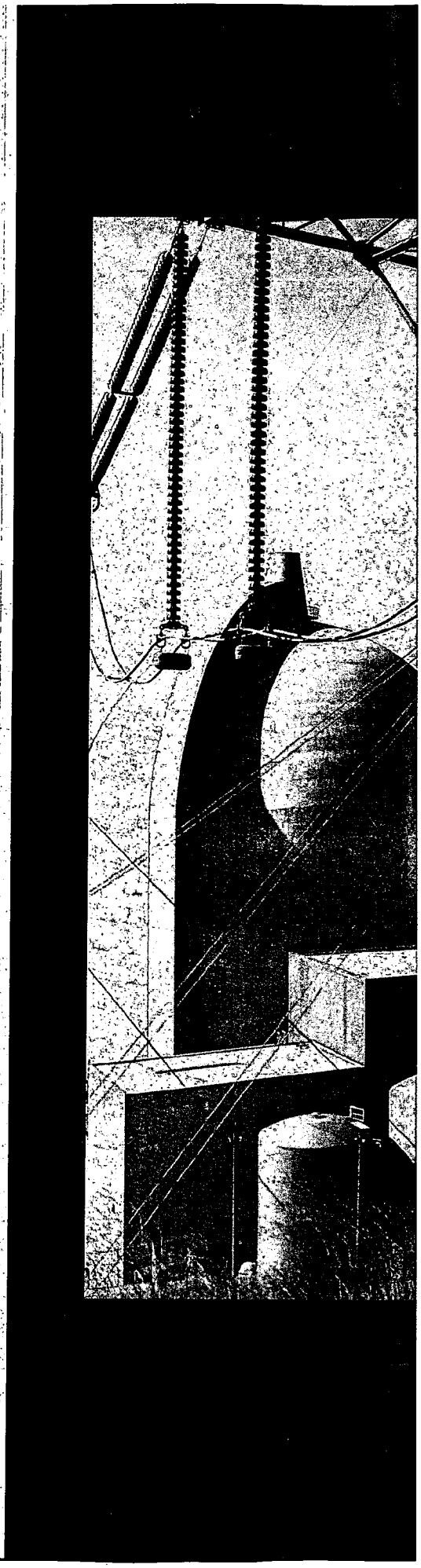
Our other principal resource goals for developing additional sources of energy will focus on conservation, load management, cogeneration, hydro development, wind energy, solar energy, and strategic power-purchase and transmission interconnection contracts with other utilities.

These preferred sources of energy will help meet customer needs while minimizing PG&E capital investment.

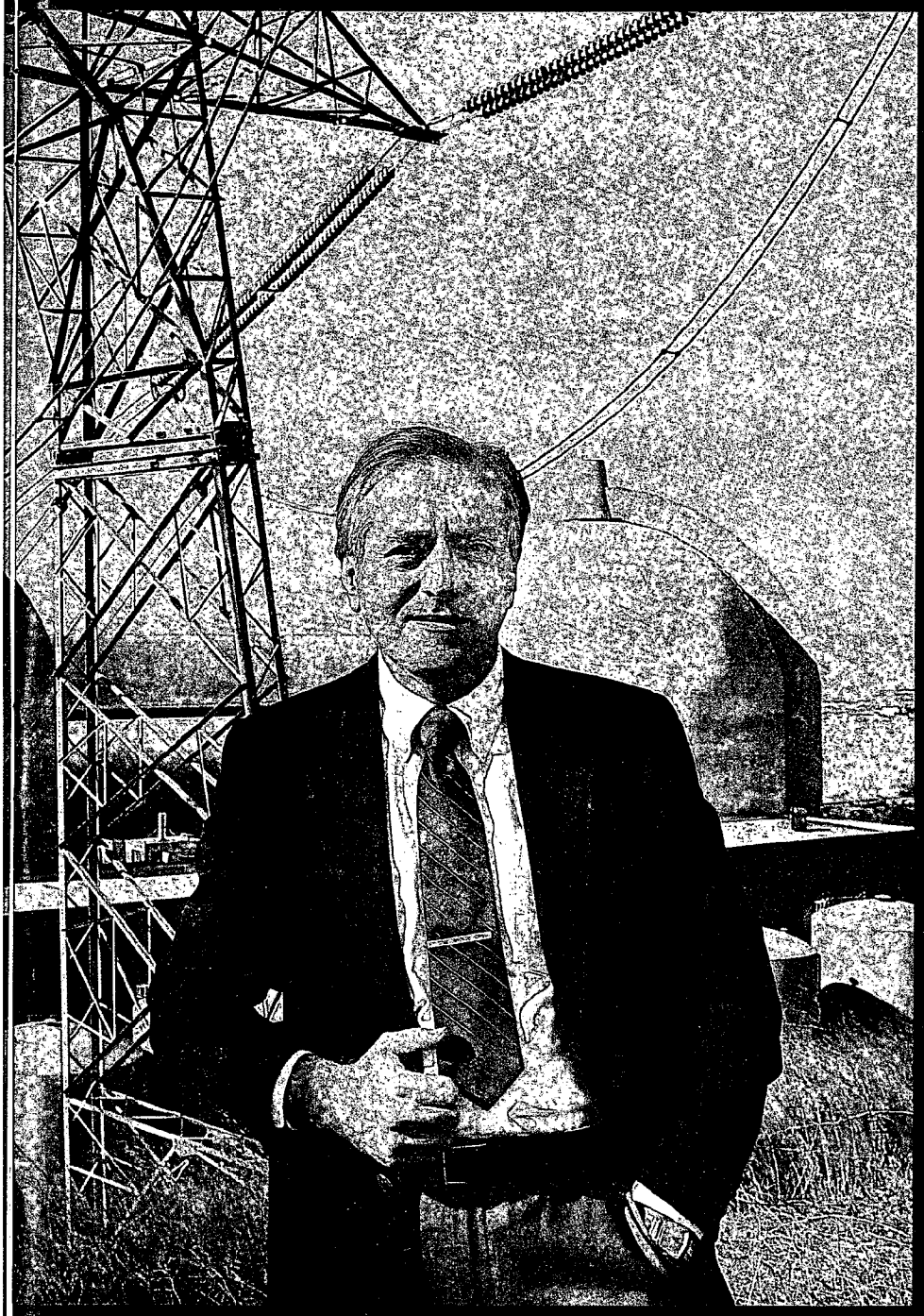
We are studying ways to increase the capacity of our transmission lines to nearby utilities. This strengthening will be needed if additional power supplies are to be obtained from these utilities in the future.



*Projected



E REACHED A MAJOR MILESTONE IN NOVEMBER WHEN WE LOADED FUEL AT OUR DIABLO CANYON NUCLEAR POWER PLANT. WHEN IN OPERATION, THIS PLANT WILL ASSURE OUR CUSTOMERS AN AMPLE SUPPLY OF LOW-COST ENERGY.

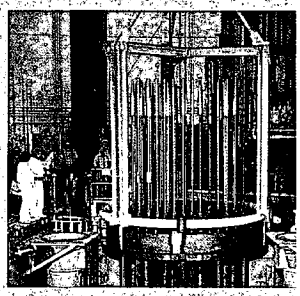


Various projects are under way to upgrade existing plants and transmission lines, extend their longevity and improve the reliability of our system.

A crucial area, affected by political factors, involves renewing our federal licenses for 16 of 66 hydroelectric plants in the next 10 years.

To retain the more than 635,000 kilowatts the 16 plants provide, PG&E must convince the Federal Energy Regulatory Commission that the Company's operation of them for the benefit of its 3.6 million electric customers is more in the public interest than letting a group of much smaller municipal systems take them over. [See page 3 for a more detailed discussion.]

Although PG&E and others are fostering conservation, the electric needs of the Northern and Central California area are expected to increase from about 79 billion kilowatthours in 1983 to more than 121 billion kilowatthours by 2002.



We expect to meet this increase by:

- Encouraging still more conservation – including spending money to get people to conserve, which is less expensive than adding new capacity.
- Encouraging entrepreneurs to invest in energy projects and sell their output to PG&E under long-term contracts.
- Developing our own alternative resources, primarily geothermal, solar, wind and small hydro, with modest investment of PG&E capital.
- Upgrading and extending the lives of our existing fossil-fueled power plants.
- Strengthening our transmission interconnections with other utilities.

FUELS AND GAS RESOURCES DEVELOPMENT

Due to market conditions and substantial efforts by the Company, there were significant reductions in prices the Company paid to suppliers of natural gas.

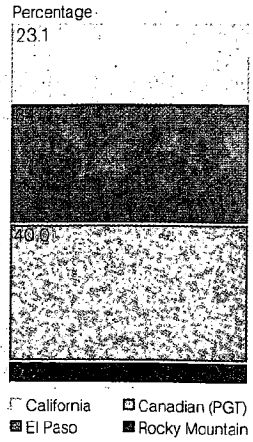
□ Canada twice lowered its border price of exported gas. Savings of about $250 million a year were passed on to our customers.

□ Following our strong requests, El Paso Natural Gas Company negotiated reductions in the prices it pays its producers, lowering gas costs to us and benefiting our customers.

□ PG&E's subsidiary, Natural Gas Corporation of California, renegotiated its contracts for gas from the Rocky Mountain region, similarly lowering our gas costs to the benefit of customers.

The National Energy Board of Canada in January 1983 allowed additional gas exports to the United States. This decision is conditioned upon U.S. regulatory approval; when this is obtained, Alberta and Southern Gas Co. Ltd., PG&E's gas-purchasing subsidiary, will be able to maintain its export licenses at their currently authorized levels through 1990; previously, those levels had been licensed only through 1985.

The California Public Utilities Commission (CPUC) approved the Company's plan to give customers more than $64 million of the profits from the 1982 sale of its Utah coal properties. The CPUC applied the remaining $40.6 million in gain against $22.5 million invested in the cancelled Montezuma coal-fired power plant, allowing the Company to retain the $18.1 million difference.



To develop reliable fuel and gas resources at the lowest feasible cost and with minimum use of capital, the Company will continue to rely on its major existing sources–gas from the southwestern United States purchased from El Paso Natural Gas Company, gas from Canada purchased from suppliers there, and gas from California and the Rocky Mountain region purchased from suppliers in those areas.

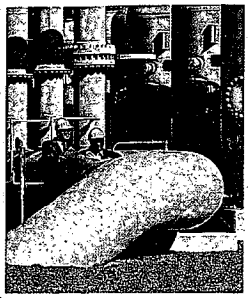
To offset projected declines in some of these sources, the Company is investigating and seeking access at reasonable cost to additional gas supplies as follows:

□ Canadian gas export license extensions.

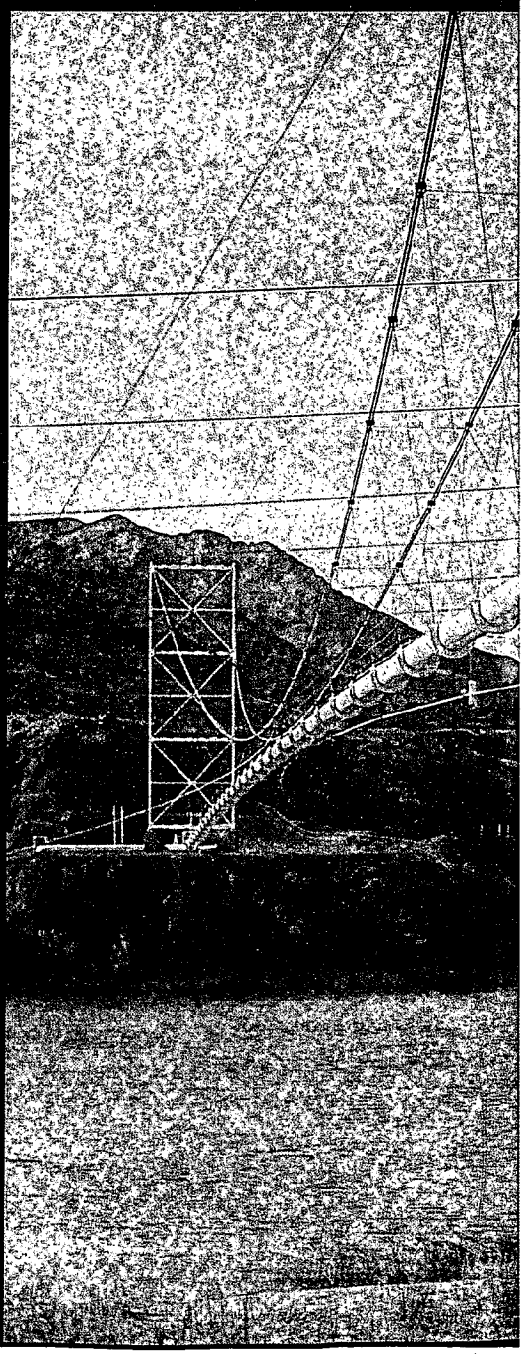
□ Gas developed under the Gas Exploration and Development Adjustment program authorized by the CPUC, under which the carrying costs of the needed capital are paid for in rates charged to customers.

□ Additional Rocky Mountain gas.

□ Alaska North Slope gas to be delivered through the Alaska Natural Gas Transportation System.



LEXIBILITY AND DIVERSITY ARE THE KEYS TO ASSURING OUR CUSTOMERS THE RELIABLE AND ECONOMIC FUEL SUPPLIES THEY NEED.



□ Liquefied natural gas from Alaska and Indonesia.
□ Renewable biomass sources.

In October, Chevron U.S.A. sued the CPUC and PG&E in U.S. District Court, alleging that the CPUC acted unlawfully in several decisions concerning contracts for low-sulfur fuel oil between PG&E and Chevron.

Chevron claims PG&E breached the contracts when it stopped purchasing oil in 1982 after the CPUC requested it to do so in favor of lower-cost fuels, and when PG&E did not pay amounts that Chevron claims are due under those circumstances.

The suit asks that the CPUC be prevented from enforcing its decisions concerning the contracts and that PG&E be required to compensate Chevron.

PG&E believes it has acted properly and within its contractual rights. The Company will continue to protect the best interests of customers and stockholders and will vigorously defend against Chevron's lawsuit.

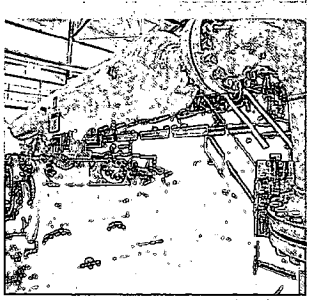
Since 1972, PG&E has been a member of a partnership seeking to build a pipeline system from Alaska, through Canada, to bring gas from the North Slope to California and other states.

Because of financing difficulties, completion of this project has been deferred and PG&E has established a reserve for the possible loss of its investment thus far. We are continuing, however, to work on developing a viable financing plan for the project's completion.

Because of changes in the gas market, completion of the project to bring liquefied natural gas from Indonesia and South Alaska to California has also been deferred. The Company and its equal partner, Pacific Lighting Corporation, seek to preserve the "LNG Option" for the future. Accordingly, we have applied for approval by the CPUC of the necessary rate treatment; a decision is expected by mid-1984.

Because of these developments, the Company has also established a reserve for possible loss of a portion of its investment in the LNG project.

PG&E management acted decisively during 1983 to revise its Canadian gas supply arrangements. This gave us additional flexibility to buy gas on a least-cost basis and better balance purchases from various suppliers.

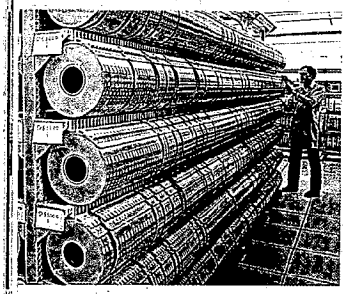


After long and intense negotiations, significant reductions were obtained in contract obligations for minimum purchases from most Canadian producers. The revised arrangements, filed with U.S. and Canadian authorities in early January 1984, provide both short-term and long-term relief from too-high minimum purchase obligations. The successful negotiations reflect well on the solid relationships with Canadian suppliers which have been the foundation for the high reliability of our Canadian gas supply.

FINANCE AND RATES

Many noteworthy financial achievements were realized in 1983:

- □ A two-for-one common stock split.
- □ Sales of new common stock above book value.
- □ Listing of our common stock on the London Stock Exchange.
- □ Successful sale of our fifth Eurobond offering.
- □ Timely receipt of a general rate increase for 1984.
- □ Implementation of a new, comprehensive budgeting system.
- □ Development and implementation of state-of-the-art computer financial models.



PG&E is dedicated to maintaining its financial health. Achieving that goal requires a financial condition that can on a continuing basis support a quality, double-A debt rating and a common stock market price in excess of book value.

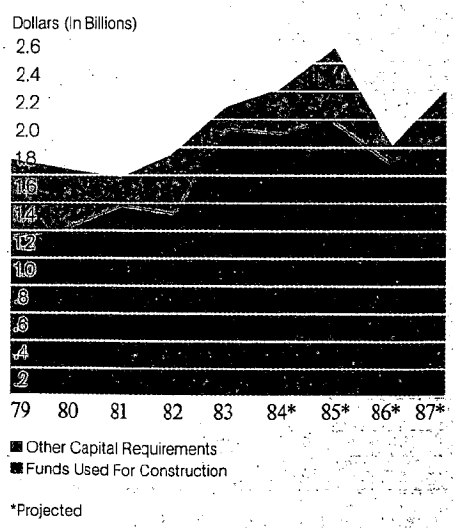
Excellent progress was made in 1983 in those areas necessary for financial health: reasonable and timely rate increases, rigorous budgeting and cost controls, and creative financial planning. Effective January 1, 1983, the California Public Utilities Commission (CPUC) increased electric and gas rates by approximately $157 million and $46 million, respectively, to offset the effects of inflation on such costs as labor, materials and interest.

Overall during 1983, however, total electric rates were reduced by an annualized $371 million, primarily because of fuel cost savings from excellent hydroelectric conditions. Although total gas rates were increased by an annualized $266 million, primarily because of higher prices from suppliers, our average combined electric and gas residential bills remain among the lowest in the United States.

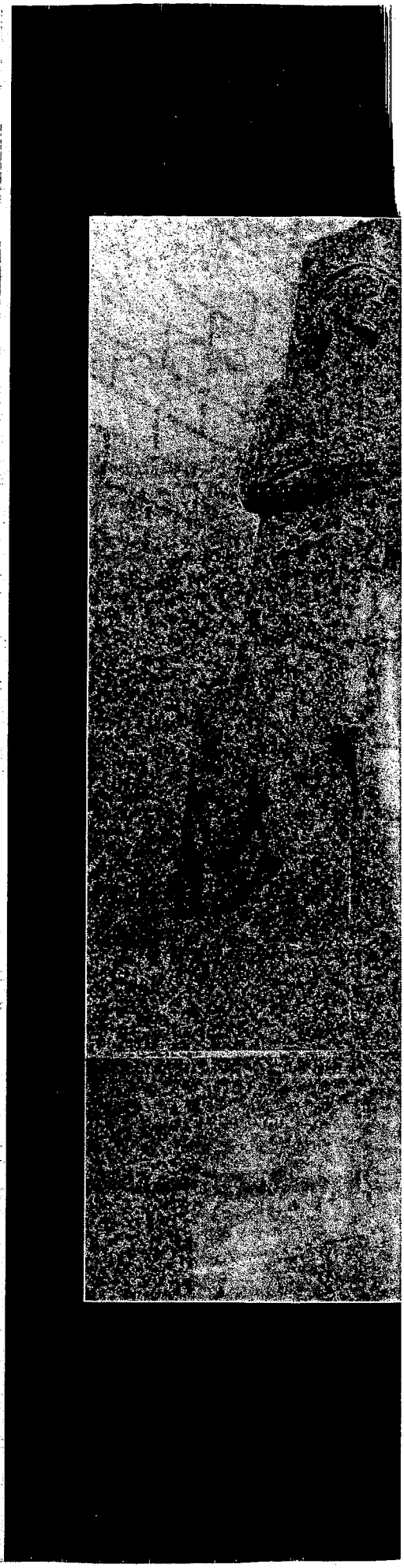
On December 22, 1983, the CPUC increased the Company's nonfuel-related revenues by $427 million annually effective January 1984. This is about 55 percent of the revenue increase finally requested by the Company. Net revenues in 1984, however, will be increased by only $404 million annually after a credit of $23 million is given for load management expenditures not incurred during 1983. Although the Commission reduced the previously authorized 16 percent return on equity to 15.75 percent, we believe the new rates will give us a reasonable opportunity, with careful budgeting, to provide adequate service to our customers and to earn a satisfactory return for our stockholders.

Reductions in rates because of higher than anticipated electric sales and reduced fuel costs were also ordered by the CPUC in December, bringing the net increase starting January 1, 1984, to approximately $283 million annually.

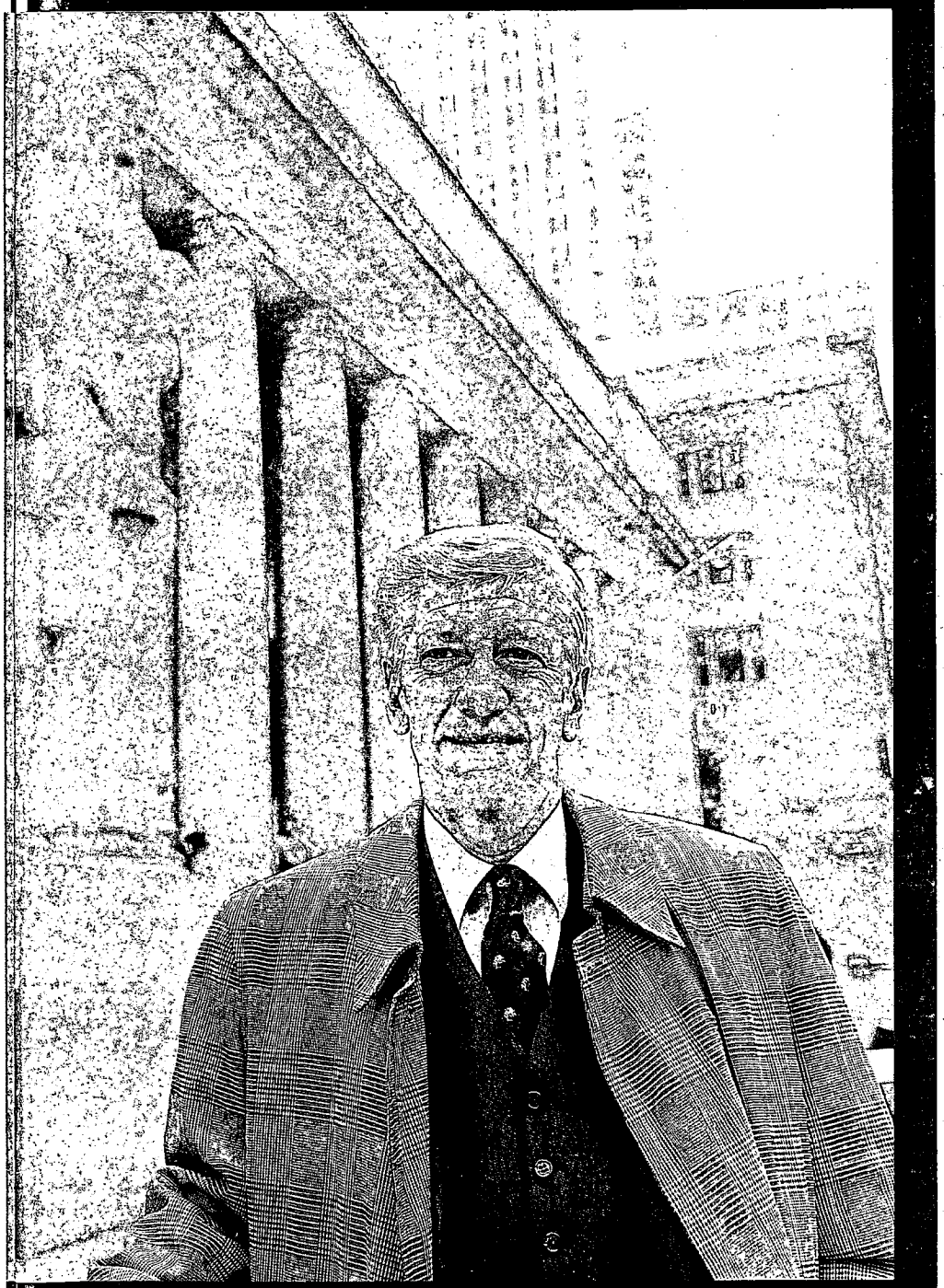
A new comprehensive budgeting system, implemented in 1983, will allocate dollars to achieve the highest level of consumer service possible within the overall limits set by general rate case decisions.



*Projected



E HAVE ACTED DECISIVELY TO IMPROVE THE COMPANY'S FINANCIAL CONDITION. WE HAVE THE ABILITY AND DEDICATION TO MAINTAIN IT FOR THE BENEFIT OF BOTH CUSTOMERS AND STOCKHOLDERS.



This emphasis on rigorous cost controls has significantly improved the Company's financial condition. For example, 1983 was the second consecutive year in which earned return on utility operations exceeded 99 percent of the allowed return–an achievement not experienced for more than a decade.

Finally, we raised almost $1 billion in new capital at the lowest possible cost through a variety of creative financing methods.

Our fifth Eurobond offering brought to $335 million the total debt capital raised in Europe during the past three years.

Another major step to keep PG&E before the European financial community was listing of our common stock on the London Stock Exchange. Our stock also trades on the Zurich, Amsterdam and Basel exchanges.

We were among the first companies to use the new SEC "shelf registration" procedure to sell new shares of common stock on an advantageous schedule.

Through this procedure, on March 1 and again through 1983, we sold new common stock above book value for the first time in several years.

During the year we arranged for a new financing subsidiary to borrow $150 million without recourse to PG&E for special-purpose conservation loans.

We are fortunate to operate in a state with a generally responsible regulatory environment. We have the managerial tools to operate within the revenue and expenditure limits of rate case decisions. Thus we view the future confident of our ability to maintain the Company's financial integrity for the benefit of both customers and stockholders.

FINANCIAL SECTION CONTENTS

SELECTED FINANCIAL INFORMATION

Pacific Gas and Electric Company

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

	1983	1982	1981	1980	1979
	In Thousands (except percentage and per share information)				
Operating Revenues	**$ 6,646,699**	$ 6,785,095	$ 6,194,575	$ 5,258,899	$ 4,364,469
Operating Income	**$ 959,872**	$ 913,244	$ 647,209	$ 573,147	$ 515,903
Net Income	**$ 787,967**	$ 810,178	$ 564,606	$ 524,770	$ 458,234
Earnings Per Common Share*	**$2.15**	$2.46	$1.71	$1.80	$1.78
Dividends Declared Per Common Share*	**$1.58**	$1.47	$1.36	$1.30	$1.19
Book Value Per Common Share at Year-end*	**$16.39**	$15.88	$15.15	$14.97	$14.83
Market Price Per Common Share at Year-end*	**$14⅞**	$14 1/16	$10½	$10¼	$11½
Dividend Payout Ratio	**73.5%**	59.7%	79.8%	72.2%	67.0%
Total Assets at Year-end	**$14,721,533**	$13,635,318	$12,366,659	$11,295,203	$10,310,763
Long-term Debt and Preferred Stock at Year-end	**$ 7,055,825**	$ 6,509,648	$ 5,849,705	$ 5,464,531	$ 4,940,013

*Data reflects the two-for-one common stock split effective June 15, 1983.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pacific Gas and Electric Company

Results of Operations

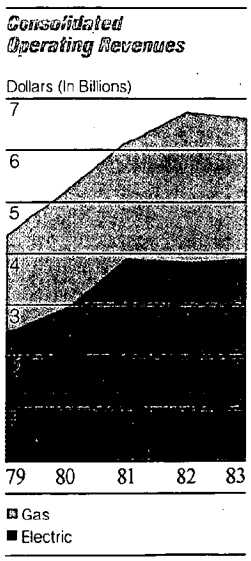
Earnings per share of the Company in 1983 were $2.15 as compared to $2.46 in 1982 and $1.71 in 1981. These per share amounts reflect a two-for-one common stock split which was effective June 15, 1983. The 1983 earnings are equivalent to a 13.4% corporate return on weighted average common equity. The Company did not achieve the 15.8% corporate return on common equity which it attained in 1982 due to several nonrecurring adjustments. Project costs of $70 million were denied rate recovery by the California Public Utilities Commission (CPUC) in 1983 and were charged against Other Income. The Company also established reserves against possible loss of its investment in the Alaskan natural gas pipeline project and a portion of its investment in a liquefied natural gas project. An $18.1 million net gain from the sale of coal properties included the write-off of the related Montezuma power plant feasibility studies. The impact on 1983 earnings per share of these adjustments, net of tax, was a reduction of 44¢ per share.

	1981	1982	**1983**
		In Thousands	
Earnings Available for Common Stock	$430,907	$657,624	**$628,143**
Weighted Average Common Shares Outstanding*	253,102	268,018	**292,107**

*Data reflects two-for-one common stock split effective June 15, 1983.

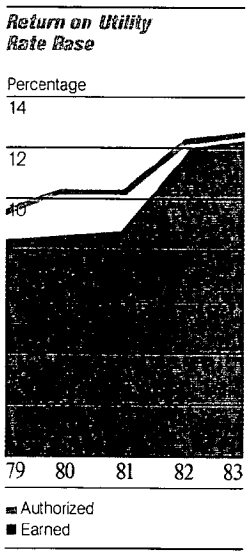
Net income was $788 million for 1983, as compared to $810 million and $565 million for 1982 and 1981, respectively. Net income in 1983 as compared to 1982 decreased as a result of the disallowed project costs and the reserves against investments in projects referred to above. The Company's interest costs on long-term debt were higher in 1983 than 1982 because of additional debt issued in late 1982 and 1983. Most of the additional interest was capitalized through the allowance for borrowed funds used during construction.

The Company's basic utility operations remain sound. Several factors have contributed to this. General



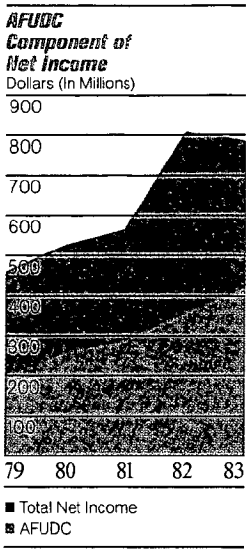
rate increases of $202 and $834 million were authorized by the CPUC for 1983 and 1982, respectively. The 1983 general rate increase was a result of the Attrition Rate Adjustment (ARA) established by the CPUC in its 1982 general rate case decision. The ARA was primarily designed to increase 1983 rates to recover certain expense increases caused by inflation and nominal growth. The 1983 and 1982 rate increases, coupled with management's rigorous cost controls set to operate within the approximate revenue and expense limits established in those rate decisions, have allowed the Company to attain an improved level of financial health.

The Company maintains energy-cost and sales-fluctuation balancing accounts authorized by the CPUC. The energy-cost balancing accounts recover costs for fuels used to generate electricity and the cost of purchased power. Generally, the energy-cost balancing account procedure permits revenues to track the incurrence of energy costs with little effect on earnings. The CPUC has established a procedure whereby certain portions (2% for 1982 and 1983; 9% thereafter) of electric energy costs are provided annual rate treatment outside the balancing account procedure. The sales-fluctuation balancing accounts reduce the impact of electric and gas sales fluctuations on earnings 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. Authorization by the CPUC to use such balancing accounts has reduced significantly the impact conservation effects and costs not controllable by the Company could have on operating income.



The soundness of our current utility operations is shown by the high percentage earned during 1983 and 1982 as compared to the authorized rate of return on utility rate base found fair and reasonable by the CPUC.

The allowances for equity and borrowed funds used during construction (AFUDC) have increased in 1983 as compared to 1982 and to 1981 due to the size of the Company's construction program. Although AFUDC is included in net income, it is not a source of cash income. Contribution to the Company's cash flow begins when construction is completed and the project is placed in service and included in utility rate base.



For several years, AFUDC and other noncash items have represented a significant portion of net income. When the Company's two large projects, Diablo Canyon Nuclear Power Plant Unit Nos. 1 and 2 (Diablo) and the Helms Pumped Storage Project (Helms), are placed in service, the amounts of AFUDC will decrease significantly.

It is expected that inflation will continue to impact the Company's operations. Successful achievement of the Company's goals relating to its construction program and its overall financial stability is based, in part, on timely and adequate rate relief which incorporates this impact. The Company has prepared certain required information relating to inflation and changing prices in accordance with Financial Accounting Standards Board Statement No. 33. Such information is contained on pages 39 and 40.

Liquidity and Capital Resources

The Company's capital requirements stem from the need to construct facilities to meet anticipated demand for electric and gas service, to replace worn-out facilities and to comply with pollution control regulation. The CPUC's policy is not to permit inclusion of construction work in progress (CWIP) costs or a return on such costs in current rates. Only when construction is completed and the project is placed in service and included in utility rate base can it contribute to the Company's cash flows.

The Company's Diablo and Helms projects have been under construction for a number of years. The construction costs relating to these projects have required the Company to generate significant amounts of cash. These cash flow requirements will decrease as construction is completed and the plants are placed into service.

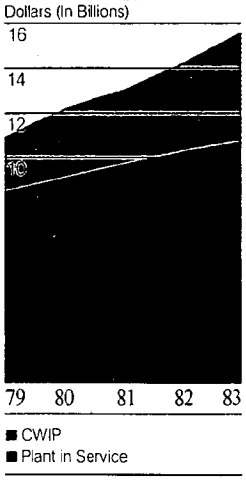
The low-power license for Diablo Unit No. 1 was suspended in November 1981 because of discrepancies discovered by the Company in the seismic design of the plant. The Company has completed an independent design verification program. Appeals by intervenors arising out of the licensing process are pending before the Nuclear Regulatory Commission and the Atomic Safety and Licensing Appeal Board. Given reasonably prompt action on these appeals and no unusual problems in startup, Unit No. 1 could reach full-power operation by mid-1984. Unit No. 2 is expected to be operational approximately ten months later.

There have been some technical start-up problems which have caused a delay in Helms, which was scheduled to begin commercial operation in the fall of 1983. Modification work continues and is expected to be completed by April, 1984, with commercial operation scheduled for shortly thereafter.

The CPUC has provided a procedure to treat large projects such as Diablo and Helms as special rate cases when they become operational. Under this procedure, general rates will be increased to cover the costs of depreciation, return on investment, and operating expenses, while the associated energy rates covering the costs of fuel and purchased power will be reduced.

The uncertainties surrounding ultimate rate treatment of these projects are discussed more fully in Note 10 to the financial statements.

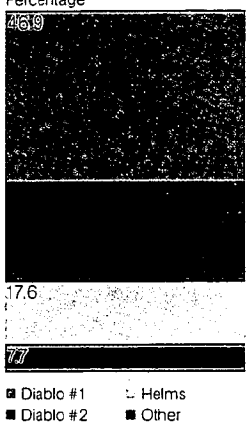
Construction Work in Progress and Plant in Service



Helms and Diablo represent a significant portion of the amount of CWIP at the end of 1983. Diablo also represents a significant portion of the expected construction expenditures for 1984.

After 1984, planned construction expenditures will mainly be for smaller projects with a short construction period. Capital will still be required, but the carrying costs of such construction (AFUDC) should be much less. The Company also plans to minimize its capital requirements by signing long-term purchase contracts for energy from projects developed by others and by continuing to develop conservation programs.

Distribution of Construction Work in Progress 1983



Maturing debt and preferred stock issues are additional capital requirements of the Company.

	1983	1984	1985
		In Millions	
Funds Used for Construction *Projected	**$1,933**	$1,900*	$2,000*
Maturing Debt and Preferred Stock (Including Debt and Preferred Stock Sinking Fund Requirements)	**$118**	$108	$276

The Company relies on internally generated funds and external financings to meet its capital requirements. External financings were the source of 42% of the Company's capital requirements, down from a five-year high of 65% in 1982. This external financing percentage should decline further in future years once Diablo and Helms are placed in service and included in utility rate base.

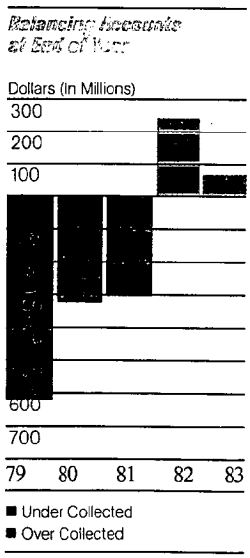
	1981	1982	**1983**
		In Millions	
Proceeds from Financing:			
Common Stock	$122	$ 326	**$244**
Preferred Stock	132	114	**74**
Long-term Debt	569	696	**568**
Total Proceeds	$823	$1,136	**$886**

Important sources of common stock financing are public offerings and the Company's dividend reinvestment and savings fund plans. Long-term debt and preferred stock have been sold in the United States through public and private offerings. The Company also sells in the Eurobond market. The Company's bond indenture permits the issuance of first mortgage bonds up to the amount approved by the Company's Board of Directors (currently an additional $3 billion) subject to indenture provisions as to earnings coverage and bondable property available for security. Each bond issue must also be approved by the CPUC prior to issuance.

Short-term debt, primarily commercial paper, is issued for interim financing of the construction program and any unrecovered balances in the balancing accounts. The Company maintains bank lines of credit sufficient to support sales of commercial paper. These facilities have given the Company the flexibility it needs to fund its capital expenditures and to structure permanent and long-term debt financing costs.

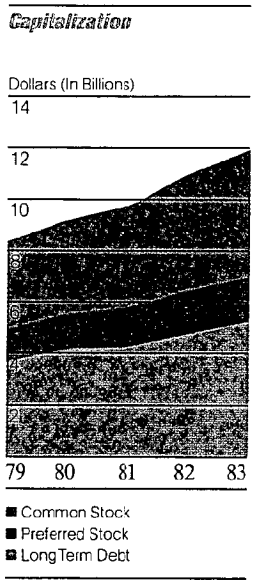
	1981	1982	1983
		In Millions	
Net Short-term Borrowing (Investments) at Year-end	$913	$ (13)	**$295**
Lines of Credit Maintained at Year-end	$932	$671	**$607**

The Company experiences fluctuations in cash flow as a result of the operation of the regulatory balancing accounts authorized by the CPUC. When revenues have been undercollected due to the balancing account procedure, the Company borrows funds to cover its costs until such revenues, with interest, are collected. If the revenues have been overcollected due to the balancing account procedure, the Company uses the funds until the revenues, with interest, are refunded.



Use of overcollected funds allows other financings to be reduced. In the last two years, the Company has overcollected revenues and has been able to reduce its other borrowings.

In funding its total capital requirements, the Company's objective is to maintain its capitalization ratios at levels that are comparable with those in the most recent general rate case decision. This objective was met in 1983 and 1982. Management believes this balanced capital structure provides the financial flexibility to maintain adequate credit ratings and help insure access to capital markets on a reasonable basis.



The Company continues to receive adequate and timely rate increases to meet its operational requirements and permit external financing of its construction program at a reasonable cost. On December 22, 1983, the CPUC granted the Company a $427 million increase in general rates for 1984. The return on weighted average common equity authorized was 15.75% as compared to the 16.0% granted for 1983 and 1982.

The Company continually analyzes and implements alternative operating methods to meet its financial goals. These methods have included cost reductions by means of a more stringent budgeting system and the adoption of an employee incentive plan for reducing costs. In the near future, the Company's continued financial health will depend on completion of its Helms and Diablo projects and their successful inclusion in rates. The Company must also hold expenditures within the levels adopted by the CPUC. If these objectives are attained, the Company's goal of achieving and maintaining a financial condition adequate to support a quality double-A debt rating and a common stock market price in excess of book value should be realized.

STATEMENTS OF CONSOLIDATED INCOME

Pacific Gas and Electric Company

For the Years Ended December 31,	1983	1982	1981
	In Thousands (except per share amounts)		
Operating Revenues			
Electric	**$3,905,814**	$3,848,602	$3,905,873
Gas	**2,740,885**	2,936,493	2,288,702
Total Operating Revenues	**6,646,699**	6,785,095	6,194,575
Operating Expenses			
Operation			
Cost of Electric Energy	**1,449,203**	1,502,181	2,123,484
Cost of Gas Sold	**1,842,571**	2,109,355	1,870,731
Transmission	**140,437**	137,683	115,977
Distribution	**177,798**	148,164	135,828
Customer Accounts and Services	**251,636**	218,493	180,022
Administrative and General	**439,436**	379,741	316,935
Other	**21,811**	73,855	70,534
Total Operation	**4,322,892**	4,569,472	4,813,511
Maintenance	**250,478**	224,352	181,508
Depreciation	**391,105**	370,997	303,479
Gas Exploration	**41,493**	27,946	19,135
Income Taxes	**555,323**	567,250	124,216
Property and Other Taxes	**125,536**	111,834	105,517
Total Operating Expenses	**5,686,827**	5,871,851	5,547,366
Operating Income	**959,872**	913,244	647,209
Other Income and (Income Deductions)			
Allowance for Equity Funds Used During Construction	**338,706**	286,052	225,550
Interest Income	**71,287**	60,730	81,661
Minority Interest in Net Income of Subsidiary Companies	**(12,552)**	(14,653)	(15,826)
Reserve–Construction Projects	**(103,858)**	–	–
Disallowed Project Costs	**(70,220)**	–	–
Other–Net	**101,428**	60,871	61,814
Total Other Income and (Income Deductions)	**324,791**	393,000	353,199
Income Before Interest Expense	**1,284,663**	1,306,244	1,000,408
Interest Expense			
Interest on Long-term Debt	**525,456**	454,976	376,927
Other Interest Charges	**62,201**	113,114	118,293
Less Allowance for Borrowed Funds Used During Construction	**(90,961)**	(72,024)	(59,418)
Total Interest Expense	**496,696**	496,066	435,802
Net Income	**787,967**	810,178	564,606
Preferred Dividend Requirements	**159,824**	152,554	133,699
Earnings Available for Common Stock	**$ 628,143**	$ 657,624	$ 430,907
Weighted Average Common Shares Outstanding*	**292,107**	268,018	253,102
Earnings Per Common Share*	**$2.15**	$2.46	$1.71
Dividends Declared Per Common Share*	**$1.58**	$1.47	$1.36

*Data reflects the two-for-one common stock split effective June 15, 1983.

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

[redacted]

CONSOLIDATED BALANCE SHEETS

Pacific Gas and Electric Company

December 31,	1983	1982*
	In Thousands	
Assets		
Plant in Service (at original cost)		
Electric	**$ 8,085,779**	$ 7,635,383
Gas	**2,663,245**	2,591,419
Total Plant in Service	**10,749,024**	10,226,802
Accumulated Depreciation	**(3,934,247)**	(3,623,202)
Net Plant in Service	**6,814,777**	6,603,600
Construction Work in Progress	**5,038,646**	4,090,681
Gas Exploration Costs	**261,256**	263,420
Advances to Gas Producers	**283,078**	228,653
Construction Funds Held by Trustee	**49,909**	69,841
Investments		
LNG Partnerships	**141,814**	198,856
Alaska Natural Gas Transportation System	**–**	38,302
Alberta Natural Gas Company Ltd	**39,280**	34,120
ANGUS Chemical Company	**24,166**	22,097
Other Investments	**11,178**	6,451
Total Investments	**216,438**	299,826
Customer Conservation Loans Receivable (net of current portion $32,638,000 in 1983; $16,000,000 in 1982)	**91,495**	49,659
Current Assets		
Cash	**4,480**	2,373
Short-term Investments (at cost which approximates market)	**75,499**	201,294
Accounts Receivable		
Customers	**533,553**	601,065
Other	**169,936**	155,393
Allowance for Uncollectible Accounts	**(11,446)**	(12,975)
Deferred Income Taxes–Current Portion	**70,738**	153,529
Inventories (at average cost)		
Fuel Oil	**315,963**	502,769
Gas Stored Underground	**326,193**	268,237
Materials and Supplies	**119,847**	108,455
Prepayments	**21,978**	5,244
Total Current Assets	**1,626,741**	1,985,384
Deferred Charges		
Unamortized Project Costs	**90,067**	–
Workers' Compensation and Disability Claims Recoverable	**68,000**	–
Unamortized Debt Expense	**15,209**	13,962
Other–Net	**165,917**	30,292
Total Deferred Charges	**339,193**	44,254
Total Assets	**$14,721,533**	$13,635,318

*Changed to conform to 1983 presentation.

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

December 31,	1983	1982*
	In Thousands	
Capitalization and Liabilities		
Capitalization		
Common Stock	**$ 1,502,456**	$ 1,422,625
Additional Paid-in Capital	**1,368,853**	1,205,344
Reinvested Earnings	**2,054,953**	1,888,456
Common Stock Equity	**4,926,262**	4,516,425
Preferred Stock Without Mandatory Redemption Provision	**1,427,451**	1,427,451
Preferred Stock With Mandatory Redemption Provision	**260,000**	185,000
Long-term Debt	**5,368,374**	4,897,197
Total Capitalization	**11,982,087**	11,026,073
Customer Conservation Loans Funding	**97,000**	25,000
Current Liabilities		
Short-term Borrowings	**370,818**	187,855
Accounts Payable–Trade Creditors	**479,527**	531,829
Accounts Payable–Other	**174,786**	122,781
Regulatory Balancing Accounts Payable	**68,087**	242,376
Accrued Taxes	**79,069**	346,830
Long-term Debt–Current Portion	**107,915**	112,088
Interest Payable	**75,067**	69,810
Dividends Payable	**121,252**	106,613
Amounts Due Customers	**61,689**	31,033
Other	**117,597**	77,016
Total Current Liabilities	**1,655,807**	1,828,231
Deferred Credits		
Customer Advances for Construction	**104,685**	92,015
Deferred Investment Tax Credits	**310,755**	154,743
Deferred Income Taxes	**286,018**	192,091
Unamortized Gain on Reacquired Debt	**86,012**	95,788
Workers' Compensation and Disability Claims	**68,000**	—
Other	**39,292**	138,556
Total Deferred Credits	**894,762**	673,193
Minority Interest in Subsidiary Companies	**91,877**	82,821
Contingencies (Note 10)		
Total Capitalization and Liabilities	**$14,721,533**	$13,635,318

[redacted]

STATEMENTS OF CONSOLIDATED FUNDS USED FOR CONSTRUCTION

Pacific Gas and Electric Company

For the Years Ended December 31,	1983	1982*	1981*
		In Thousands	
Funds From Operations			
Net Income	**$ 787,967**	$ 810,178	$ 564,606
Nonfund Items in Net Income			
Depreciation (including charges to other accounts)	**396,601**	376,185	308,014
Allowance for Equity Funds Used During Construction	**(338,706)**	(286,052)	(225,550)
Reserve–Construction Projects	**103,858**	–	–
Disallowed Project Costs	**70,220**	–	–
Other–Net	**205,331**	73,894	24,512
Funds From Operations	**1,225,271**	974,205	671,582
Regulatory Balancing Accounts	**(174,289)**	545,792	21,944
Deferred Taxes Related to Regulatory Balancing Accounts	**89,208**	(279,358)	(11,235)
Net Operational Funds	**1,140,190**	1,240,639	682,291
Funds From Financing			
Common Stock Sold	**244,205**	325,454	122,114
Preferred Stock Sold	**74,135**	113,840	131,541
Long-term Debt Sold	**567,770**	696,233	569,314
Construction Funds Held by Trustee	**19,932**	(23,038)	(46,803)
Net Short-term Borrowings (Investments)	**308,758**	(926,710)	269,297
Funds From Financing	**1,214,800**	185,779	1,045,463
Funds From Changes in			
Accrued Taxes	**(234,377)**	296,270	(105,840)
Other Working Capital[a]	**128,681**	51,406	15,561
Other–Net	**(58,918)**	44,535	(42,754)
Customer Conservation Loans Funded	**72,000**	25,000	–
Sale of Coal Properties (net of $52,720,000 estimated taxes)	**–**	94,076	–
Sale of Nuclear Fuel	**–**	–	219,546
Total Other Funds	**(92,614)**	511,287	86,513
Total Funds Provided	**2,262,376**	1,937,705	1,814,267
Funds Used for Other Than Construction			
Long-term Debt Matured	**(72,734)**	(223,847)	(38,902)
Long-term Debt Purchased for Sinking Fund (at cost)	**(45,619)**	(44,725)	(47,495)
Dividends on Preferred and Common Stock	**(620,580)**	(545,963)	(476,060)
Fuel Oil and Natural Gas Inventories	**128,850**	(31,242)	(82,992)
Conservation Loans to Customers	**(58,474)**	(43,414)	(10,654)
Total Funds Used for Other Than Construction	**(668,557)**	(889,191)	(656,103)
Construction Expenditures	**1,593,819**	1,048,514	1,158,164
Allowance for Equity Funds Used During Construction	**338,706**	286,052	225,550
Total Funds Used for Construction	**$1,932,525**	$1,334,566	$1,383,714

(a) Other Working Capital excludes changes in current portions of long-term debt: 1983, ($4,173,000); 1982, ($115,688,000); 1981, $217,412,000; and conservation loans to customers: 1983, ($16,638,000); 1982, ($8,885,000); 1981, ($3,504,000).

*Changed to conform to 1983 presentation.

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

[redacted]

STATEMENTS OF CONSOLIDATED COMMON STOCK EQUITY AND PREFERRED STOCK

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, 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 (11,406,014 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 (25,420,124 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
Net Income for 1983			**787,967**	**787,967**		
Preferred Stock Sold (750,000 shares)		**(865)**		**(865)**		**75,000**
Common Stock Sold (15,966,194 shares*)	**79,831**	**164,374**		**244,205**		
Cash Dividends Declared						
Preferred Stock			**(158,851)**	**(158,851)**		
Common Stock			**(461,729)**	**(461,729)**		
Foreign Currency Translation Adjustment			**(890)**	**(890)**		
Balance, December 31, 1983	**$1,502,456**	**$1,368,853**	**$2,054,953**	**$4,926,262**	**$1,427,451**	**$260,000**

*Data reflects the two-for-one common stock split effective June 15, 1983.

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,	1983		1982	
	In Thousands (except percentages)			
Common Stock, Par Value $5 Per Share (authorized 400,000,000 shares, issued and outstanding at December 31, 1983: 300,491,156; 1982: 284,524,962)*	**$ 1,502,456**		$ 1,422,625	
Additional Paid-in Capital	**1,368,853**		1,205,344	
Reinvested Earnings	**2,054,953**		1,888,456	
Common Stock Equity	**4,926,262**	**41%**	4,516,425	41%
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 shares outstanding	**325,000**		325,000	
	1,427,451		1,427,451	
Preferred Stock With Mandatory Redemption Provision				
Par Value $100 Per Share (authorized 10,000,000 shares)				
9% to 14.75%–2,600,000 and 1,850,000 shares outstanding	**260,000**		185,000	
Total Preferred Stock	**1,687,451**	**14%**	1,612,451	14%
Pacific Gas and Electric Company				
First and Refunding Mortgage Bonds				
Maturity **Interest Rates**				
1983–1984 3% to 7.9%	**50,245**		121,869	
1985–1986 3.375% to 9.5%	**216,785**		226,099	
1987–1988 3.375% to 9.375%	**38,079**		38,379	
1989–2011 4.25% to 9.375%	**2,491,411**		2,491,411	
1992–2022 9.625% to 16.25%	**2,209,761**		1,737,517	
Principal Amounts Outstanding	**5,006,281**		4,615,275	
Unamortized Discount Net of Premium	**(35,735)**		(33,220)	
Total Mortgage Bonds	**4,970,546**		4,582,055	
Other Long-term Debt	**18,794**		15,296	
Total PG&E Long-term Debt	**4,989,340**		4,597,351	
Pacific Gas and Electric Finance Company N.V.				
Guaranteed Debentures, 12% to 16%, due 1988-1991	**335,000**		260,000	
Unamortized Discount	**(491)**		(598)	
Total PG&E Finance N.V. Long-term Debt	**334,509**		259,402	
Pacific Gas Transmission Company				
Mortgage Bonds, 5.25% and 8%, due 1986-1990	**22,398**		27,465	
Unamortized Discount	**(26)**		(32)	
Subordinated Debentures, 5.5%, due 1986	**187**		261	
Bank Term Loan	**104,400**		124,700	
Total PGT Long-term Debt	**126,959**		152,394	
Natural Gas Corporation of California Other Long-term Debt	**25,481**		138	
Total Long-term Debt of PG&E and Subsidiaries	**5,476,289**	**45%**	5,009,285	45%
Less: Long-term Debt-Current Portion				
PG&E	**83,100**		87,867	
Subsidiary Companies	**24,815**		24,221	
Total Long-term Debt–Current Portion	**107,915**		112,088	
Long-term Debt in Total Capitalization	**5,368,374**		4,897,197	
Total Capitalization	**$11,982,087**		$11,026,073	

*Data reflects the two-for-one common stock split effective June 15, 1983.

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		
1983				
Operating Revenues	**$ 3,905,814**	**$2,740,885**		**$ 6,646,699**
Intersegment Sales[a]	**5,760**	**960,650**	**$ (966,410)**	**–**
Total Operating Revenues	**3,911,574**	**3,701,535**	**(966,410)**	**6,646,699**
Depreciation	**264,010**	**127,095**	**–**	**391,105**
Income Taxes[b]	**374,364**	**180,959**	**–**	**555,323**
Other Operating Expenses[b]	**2,605,985**	**3,100,824**	**(966,410)**	**4,740,399**
Total Operating Expenses	**3,244,359**	**3,408,878**	**(966,410)**	**5,686,827**
Operating Income	**$ 667,215**	**$ 292,657**	**$ –**	**$ 959,872**
Funds Used for Construction[c]	**$ 1,668,966**	**$ 263,559**		**$ 1,932,525**
Net Plant in Service and Construction Work in Progress[c]	**$10,250,347**	**$1,603,076**		**$11,853,423**
Other Identifiable Assets	**$ 1,173,280**	**$1,334,701**		**2,507,981**
Corporate Assets				**360,129**
Total Assets				**$14,721,533**
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
Funds Used for Construction[c]	$ 1,031,718	$ 302,848		$ 1,334,566
Net Plant in Service and Construction Work in Progress[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
Funds Used for Construction[c]	$ 917,805	$ 465,909		$ 1,383,714
Net Plant in Service and Construction Work in Progress[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

(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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pacific Gas and Electric Company
For the Years Ended December 31, 1983, 1982, and 1981

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. All significant intercompany transactions and accounts have been eliminated in consolidation.

PG&E's major subsidiaries are Pacific Gas Transmission Company (PGT), a 50%-owned company 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 arranging for its transportation to the U.S. border; Natural Gas Corporation of California (NGC), which is a natural gas exploration and production company; and Pacific Conservation Services Company, which provides loans to PG&E residential customers for installation of conservation and weatherization measures. Other subsidiaries include JWP Land Company, which was formed in 1983 to acquire, develop, and otherwise hold real property; Standard Pacific Gas Line Inc. which transports natural gas; and Eureka Energy Company which was engaged in the development of coal resources.

Subsidiaries of PG&E engaged in projects still in the development stages include Calaska Energy Company, a member of the partnership formed 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 deliver natural gas by ship to California.

Alberta Natural Gas Company Ltd (ANG) is the largest subsidiary of PGT. ANG owns and operates a pipeline which transports 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 hydrocarbons from the gas stream. ANG and PGT own ANGUS Chemical Company (ANGUS), which is engaged in the production and sale of nitroparaffins. ANGUS Petrotech Corporation (ANGUS Petrotech), which is involved in enhanced oil recovery ventures in partially depleted oil properties, was purchased from ANGUS in 1983 and is currently a subsidiary of PGT and ANG.

The investments in Pacific Indonesia LNG Company, ANG, and ANGUS, which are less than 50%-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 significantly affect the Company's earnings.

Utility Plant
The costs of additions to plant in service and replacements of retirement units of property are capitalized. Until an addition is placed in service, the costs are accumulated in Construction Work in Progress. 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 pronouncements, 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 plant in service 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 plant in service is computed using a straight-line remaining life method 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
PG&E and its 80% or more owned subsidiaries file a consolidated federal income tax return. Income taxes are allocated, for financial reporting purposes, to PG&E and its subsidiaries on a separate return basis.

PG&E in 1983 again led the nation in wind power. Purchases from 16 wind farms and other producers totaled more than 30 million kilowatthours.

Income tax expense includes the tax liability generated from the year's operations plus deferred taxes provided on certain timing differences between financial and income tax reporting. Deferred income taxes are provided to the extent permitted for rate-making purposes.

Prior to 1982, the regulatory commissions had only allowed the recognition of deferred taxes related to balancing accounts, property taxes charged to major projects under construction, and gas exploration costs. In 1982, the CPUC authorized the Company to recover deferred income taxes (normalization) for rate purposes in order to comply with the provisions of the Economic Recovery Tax Act of 1981. Tax effects of timing differences related to depreciation of property under the provisions of the Accelerated Cost Recovery System (ACRS) were authorized to be deferred. Previously, all tax benefits of accelerated depreciation had been passed to the ratepayer. The CPUC ruling also allowed Investment Tax Credits (ITC) generated currently to be deferred and amortized over the life of the related asset. Prior to 1982, most ITC was deducted currently from income tax expense.

Although the tax effect of most major timing differences is deferred, the tax effect of certain deductions is recorded when paid. These include overhead costs capitalized, removal costs, state depreciation, and repair allowances.

Because the recognition of most tax deferrals was allowed only recently, timing differences exist for which deferred taxes were not provided and, therefore, have not yet been recovered through rates. At December 31, 1983, the cumulative net amount of timing differences for which deferred income taxes have not been provided is approximately $1,900,000,000 for federal purposes and approximately $1,700,000,000 for state purposes; the tax effects of which are expected to be recovered in future rates.

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 issues. The federal income tax on such gain is recognized over the life of the remaining property, and the loss is recognized currently.

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 results of the Company's gas exploration program did not affect the Company's income because of the operation of the balancing account.

Workers' Compensation and Disability Claims
Beginning in 1983, the liability for future workers' compensation and disability claims has been recorded in deferred credits in accordance with Statement of Financial Accounting Standards No. 71. The corresponding amount to be recovered through future rates is shown as a deferred charge.

Note 2: Preferred Stock

The nonredeemable Preferred Stock Without Mandatory Redemption Provision (issued at $25 par) consists of a 5%, a 5.5%, 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 (issued at $25 par) is subject to redemption, in whole or in part, solely at the option of PG&E 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 to $2.05	$25.75 to $28.75
9% to 10.46%	$2.25 to $2.615	$26.50 to $30.10
12.8% to 17.38%	$3.20 to $4.345	$30.70 to $31.85

The Preferred Stock With Mandatory Redemption Provision (issued at $100 par) consists of a 9%, 10.17%, and a 14.75% series. Each series is entitled to a sinking fund providing for the retirement of outstanding stock at $100 per share plus accrued dividends. There are no redemption requirements for 1984. The combined aggregate amount of redemption requirements for each of the years 1985 through 1987 is $7,500,000 and in 1988 is $9,250,000, excluding any accrued dividends.

In addition to retirements through the sinking fund, the 9% series, the 14.75% series, and after August 14, 1993, the 10.17% series, may be redeemed at the option of PG&E at $100 per share plus accrued dividends and a redemption premium. At December 31, 1983, the redemption premium for the 9% series and the 14.75% series was $7.50 per share and $14.75 per share, respectively.

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

Women engineers typi the career opportunitie and upward mobility available to both wome and minorities.

thereof may differ as to the amounts of dividends or liquidation payments to which they are entitled. Upon liquidation or dissolution of PG&E, holders of the preferred stock are entitled to receive an amount equal to the par value of such shares plus all accumulated and unpaid dividends thereon.

Note 3: Long-term Debt

The First and Refunding Mortgage Bonds of PG&E are issued in series, bear annual interest from 3.125% to 16.25%, and mature from February 16, 1984 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 $8,000,000,000. 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 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 1% of the aggregate bonded indebtedness outstanding on the preceding November 30 and May 31, respectively. Bonds of any series may be used to satisfy this requirement.

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. Substantially all of PGT's real properties (except for oil and gas production properties) and certain personal properties are subject to the lien of the mortgage. Long-term gas purchase, gas sale, and gas transportation contracts are also pledged as collateral.

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 date. The debentures are subordinated in right of payment to mortgage bonds and certain other indebtedness.

PGT's bank term loan is to be repaid in five annual payments through 1988. The interest rate on the amount outstanding at December 31, 1983 was 10.41%. This interest rate is subject to redetermination in accordance with the terms of the credit agreement.

When trouble occurs, line crews respond quickly. Crews from many of PG&E's 13 divisions often work together clearing major storm-caused outages.

NGC maintains a $25,000,000 revolving line of credit that is convertible, on July 12, 1985, into a term loan requiring repayment in equal quarterly installments from August 1, 1985 through May 1, 1990. The interest rate on the line of credit is based on the prime interest rate or the certificate of deposit rate at the option of NGC. At December 31, 1983, the full $25,000,000 was outstanding at an effective interest rate of 11.25%.

For the years 1984 through 1988, the Company's combined aggregate amount of debt maturing and sinking fund requirements, as of December 31, 1983 are $107,915,000; $268,886,000; $108,661,000; $93,815,000; and $170,031,000, respectively.

Note 4: Short-term Borrowings

PG&E maintains lines of credit with various banks, principally to support the sale of commercial paper. On December 31, 1983, these lines of credit totaled $530,000,000. 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. On December 31, 1983, 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 on December 31, 1983, translated into U.S. dollars was $7,713,000.

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, 1983.

PG&E also has an agreement with Pacific Energy Trust (Energy) which permits borrowing of 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, 1983, PG&E 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:

For the Years Ended December 31,	1983	1982
	In Thousands (except percentages)	
Balance of Short-term Borrowings		
Commercial Paper	$363,105	$182,555
Bank Loans	$ 7,713	$ 5,300
Weighted Average Interest		
Commercial Paper	9.9%	12.5%
Bank Loans	11.0%	13.0%

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 systemwide. Concurrent with the offering of ZIP loans systemwide, PG&E formed a wholly-owned subsidiary, Pacific Conservation Services Company (PCSC), to assume responsibility for the customer conservation loan programs. Operational expenses and debt service expenses are recovered through the Conservation Financing Adjustment (CFA) tariffs, proceeds of which are 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.

In 1983, PCSC entered into a revolving line of credit with 11 banks in order to fund the ZIP and 8% loans. The 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 1/2 of 1% on the first $50,000,000 not used and 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. On December 31, 1983, the balance outstanding was $97,000,000 at an average interest rate of 10.5%.

Note 6: Regulatory Matters

On December 22, 1983, PG&E received a decision from the CPUC setting general rates to be effective in 1984 and 1985. This general rate decision also included resolution of the following matters which required adjustment in the 1983 financial statements.

Feasibility Studies and Research, Development and Demonstration (RD&D) Project Costs

The CPUC denied recovery of AFUDC on certain feasibility study and RD&D project costs. The total AFUDC disallowed was $53,700,000 which represents a decrease in after-tax 1983 earnings of 18¢ per common share. The CPUC granted recovery of direct costs over a four-year period beginning in 1984; rate base treatment of these costs was not allowed. As of December 31, 1983, there were $90,100,000 of these direct costs in Unamortized Project Costs on the balance sheet. Almost all of this amount was transferred from Construction Work in Progress.

Montezuma Power Plant Project

In 1982, PG&E sold its Utah coal reserves, originally purchased for use in the proposed Montezuma power plant. As of December 31, 1982, an after-tax gain of approximately $94,000,000 was recorded on the balance sheet as Deferred Credits-Other. On June 16, 1983, the CPUC ordered the distribution to ratepayers of $57,300,000 representing the net gain on the portion of the property which had been in rate base, plus $7,500,000 interest accrued from May 31, 1982. These amounts were distributed to electric ratepayers during August and September of 1983.

In the general rate decision, the CPUC ordered that PG&E's shareholders would receive the remainder of the gain net of the feasibility study costs applicable to the Montezuma project. The net gain recognized was $18,100,000 which produced an increase in after-tax earnings of 9¢ per common share.

Load Management Underexpenditures

The CPUC also ordered that approximately $23,000,000 of unexpended load management funds, including interest, be carried over and applied against 1984 revenue requirements. This amount was recorded as Current Liabilities-Other on the balance sheet with an offsetting reduction to 1983 revenues. The after-tax effect on 1983 earnings is a decrease of 4¢ per common share.

AFUDC Rate Adjustments

Additionally, the CPUC ordered PG&E to adjust AFUDC rates applicable in 1979 through 1982. The effect of applying the adjusted rates was to decrease 1983 earnings by $16,500,000 or 6¢ per common share.

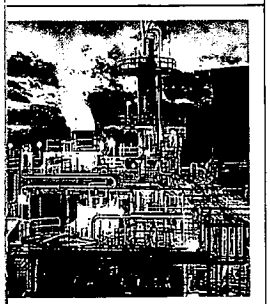
Note 7: Income Taxes

Income before tax expense for the years 1983, 1982, and 1981 was $1,271,784,000, $1,292,201,000, and $624,226,000, respectively.

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

	1983	1982	1981
		In Thousands	
Included in operating expenses	**$555,323**	$ 567,250	$124,216
Included in other income	**(71,506)**	(85,227)	(64,596)
Total	**$483,817**	$ 482,023	$ 59,620

Through cogeneration, a growing number of industrial plants not only produce enough electricity for their own use but have excess to sell to PG&E.



Development at The Geysers–PG&E's complex of geothermal power plants–continued as a 17th unit raised capacity to 1,137,000 kilowatts.

The components of income tax expense (credit) are:

	1983	1982	1981
		In Thousands	
Current			
Federal	**$ 57,691**	$ 438,068	$ 13,122
State and other	**93,396**	146,968	18,410
Deferred			
Changes in regulatory balancing accounts			
Federal	**72,476**	(226,962)	(9,128)
State	**16,732**	(52,396)	(2,107)
ACRS	**35,684**	25,783	–
Investment tax credits			
Major construction projects	**135,568**	16,508	18,114
Other construction projects	**36,984**	42,147	–
Utilized against deferred taxes	**–**	87,483	(20,422)
Amortization of deferred ITC	**(16,540)**	(13,943)	(8,776)
Nuclear fuel financing			
Federal	**38,822**	–	–
State	**8,962**	–	–
Gas exploration			
Federal	**(7,316)**	17,198	26,447
State and other	**(1,654)**	3,970	6,105
Other-net	**13,012**	(2,801)	17,855
Total	**$483,817**	$ 482,023	$ 59,620

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

	1983	1982	1981
Federal income tax rate	**46%**	46%	46%
Increases (reductions) resulting from:			
Allowance for equity and borrowed funds used during construction	**(15.5)**	(12.7)	(21.0)
Investment tax credits	**(1.4)**	(1.7)	(11.6)
State income tax	**5.3**	4.3	2.2
Book depreciation in excess of tax depreciation	**3.3**	2.5	(0.8)
Overhead construction costs	**(1.6)**	(1.4)	(2.8)
Disallowed project costs	**2.5**	–	–
Property taxes	**(0.2)**	(0.4)	(1.0)
Property removal expenses	**(0.5)**	(0.6)	(1.1)
Other-net	**0.1**	1.3	(0.3)
Effective tax rate	**38.0%**	37.3%	9.6%

Note 8: Retirement Plan

The Company provides a retirement plan covering substantially all employees. The cost of this plan charged to expense and utility plant for 1983, 1982, and 1981 was $74,000,000, $66,000,000 and $66,000,000, respectively. These amounts include amortization of past service cost. Costs of the retirement plan are accrued in accordance with an actuarial cost method (entry age normal method). The Company makes contributions to the plan equal to the amounts accrued for pension expense. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plan is presented here:

January 1,	1983	1982
	In Thousands	
Actuarial present value of accumulated plan benefits:		
Vested	**$1,114,000**	$1,042,000
Nonvested	**106,000**	61,000
Total actuarial present value of accumulated plan benefits	**$1,220,000**	$1,103,000
Net assets available for benefits	**$1,211,000**	$1,025,000

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% in 1983 and 1982. The actuarial present values are based on historic pay as prescribed by the Financial Accounting Standards Board.

Note 9: Commitments

Funds to be used for construction for the year 1984 including AFUDC are estimated at $1,900,000,000.

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 reduction 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 has recently obtained agreement from most Canadian producers to further reduce the minimum purchase requirements.

PG&E is committed to lease nuclear fuel from Energy for use at the Diablo Canyon Nuclear Power Plant. At the end of 1983, the total investment by Energy in nuclear fuel was approximately $395,000,000. Lease payments will begin when electric energy is generated into the system during precommercial operation. The payments will consist of the cost of nuclear fuel burned, including capitalized finance charges prior to precommercial operation, plus the finance charges on the net fuel investment in the core during the period. If the nuclear fuel lease is terminated,

PG&E is obligated to reimburse Energy for costs arising out of ownership of the nuclear fuel.

PG&E has entered into a Comprehensive Agreement with the State of California, Department of Water Resources (DWR) whereby PG&E is entitled to request DWR to provide up to $73,500,000 to pay for the costs of reinforcements to the Table Mountain-Tesla and Los Banos-Midway substations. PG&E is obligated to repay the funds DWR provides, together with interest at 7.4% per year, over a period of approximately 20 years. PG&E retains full ownership of the facilities and is currently constructing the Table Mountain-Tesla reinforcements. Indebtedness to DWR, as provided by the agreement has been incurred in the amount of approximately $5,000,000 (including $119,000 interest) as of December 31, 1983. This amount is recorded as a long-term obligation in the Company's consolidated balance sheet. Estimated total cost of the Table Mountain-Tesla reinforcements is approximately $31,000,000 not including interest. If requested by DWR, the Los Banos-Midway reinforcements will be constructed at an estimated total cost of approximately $42,500,000 not including interest.

Note 10: 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 an assessment if losses exceed premiums, reserves and other NML or NEIL resources. As of December 31, 1983 the maximum assessment is approximately $45,000,000.

The Company's public liability for claims resulting from any nuclear incident is limited to $580,000,000 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, 1983, the Company had one reactor subject to this assessment.

Deferred Projects

The Company is in partnership with pipeline and distribution companies to construct the Alaska Natural Gas Transportation System (ANGTS). ANGTS is a proposed overland pipeline system running from the Alaskan North Slope into the United States. Because of financing difficulties, completion of this project has been deferred and as a result, in March 1983, the Company began providing a reserve against its investment in the ANGTS project. The net after-tax effect on Company earnings for the year ended December 31, 1983 is a decrease of approximately $27,000,000 or 9¢ per share.

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. In accordance with an October 1982 CPUC decision the Company and PLC elected to suspend further construction work on the facilities. PG&E applied to the CPUC for recovery of approximately $195,000,000 (including $103,000,000 of AFUDC) of its investment, not including $5,200,000 of deferred taxes. Subsequently the request was reduced by $57,000,000 to reflect a revised AFUDC rate. A reserve was established in June 1983 against the Company's investment in the LNG Project to reflect this reduction. The net after-tax effect of this reserve on earnings per share for the year ended December 31, 1983 is a decrease of 20¢.

Humboldt Bay Nuclear Power Plant

In 1983, PG&E elected to decommission the Humboldt Bay Nuclear Power Plant Unit No. 3 (Unit 3). On September 19, 1983, PG&E filed an application with the CPUC seeking capital recovery of its net investment in Unit 3 and of the costs it will incur during 1984 and 1985 to place the unit into custodial safe storage. Recorded costs of approximately $84,000,000 for Unit 3 have been transferred from utility plant and other accounts to other deferred charges in the consolidated balance sheets. An additional $8,800,000 of costs will be required to place the unit into custodial safe storage. In addition, consistent with the CPUC's recent generic investigation into the financing of nuclear decommissioning, PG&E requested an annual amount of approximately $3,600,000 to be accrued and ultimately used to decommission the unit. The estimated cost of decommissioning is $49,000,000 (in constant 1983 dollars). The Company believes that all significant costs will be recovered through regulatory proceedings and that any unrecovered amount would not have a significant impact on its financial condition. A decision is expected in late 1984.

Helms Pumped Storage Project (Helms)

Rate recovery of costs incurred for Helms will be addressed by the CPUC through a special rate case procedure at the time it is placed in service. CPUC hearings on Helms, which were interrupted in September 1982 due to a water conduit rupture

A "Lookin' Good" competition brightened PG&E offices. Pleasing new designs included a coffee bar and a play area for customers' children.

During 1983, a PG&E subsidiary and its partners drilled 30 gas wells in the Sacramento Valley and another 50 in the Rocky Mountain area.

during testing, have resumed. PG&E has applied to the CPUC for inclusion in rate base of Helms project costs totaling $738,000,000, which do not include those costs related to the rupture of the water conduits. Recovery of the costs related to the conduit rupture will be sought from contractors and other third parties. The consultants hired by the CPUC staff have recommended a disallowance of $4,500,000. As an alternative to their consultants' recommendation, the staff has recommended a disallowance of up to $50,000,000. However, there is presently a motion pending to have the staff's recommendation stricken from the record. The Company strongly disagrees that any costs should be disallowed as the Company believes that all costs have been prudently incurred.

There have been some technical start-up problems which have caused a delay in Helms, which was scheduled to begin commercial operation in the fall of 1983. Modification work continues and is expected to be completed by April, 1984, with commercial operation scheduled for shortly thereafter. As of December 31, 1983, total construction costs at Helms were $886,000,000, including AFUDC which is being accrued on total plant investment at approximately $6,000,000 per month. The Company believes that all significant costs will be recovered through rates or from third parties. In the event conduit rupture costs are not recovered from third parties, the Company will pursue recovery of these costs through the regulatory process.

Diablo Canyon Nuclear Power Plant (Diablo)

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. Project costs for both units incurred through that date were $2,070,000,000, including $775,000,000 of AFUDC. The Company has completed an independent design verification program and expects to be in commercial operation in 1984. The verification program is presently being reviewed by the Nuclear Regulatory Commission (NRC). The Atomic Safety and Licensing Appeal Board (Appeal Board) reopened the full-power license proceedings to hear evidence on quality assurance matters involving the design of the plant. Hearings were concluded in November 1983 and a decision by the Appeal Board is expected soon. On October 24, 1983 the Appeal Board denied a motion to reopen the operating license proceeding to consider the adequacy of the Company's construction quality assurance program. This motion has been appealed to the NRC. On November 8, 1983 the NRC approved fuel loading and cold-system testing for Unit No. 1. After an unsuccessful attempt by intervenors in the proceedings to obtain a court stay of this decision, fuel loading was completed on November 20, 1983. In the event that any of the above proceedings are reopened, the Company would expect the licensing schedule for Unit No. 1 to be delayed. In addition, the NRC staff has indicated that it will not support plant operation until certain allegations pertaining to the design and construction of the plant are resolved.

As of December 31, 1983, total construction costs incurred at Diablo for both units were $3,838,000,000, including $1,320,000,000 of AFUDC. AFUDC is currently being accrued on total plant investment at Diablo at approximately $28,000,000 per month. With continuing accrual of AFUDC and other costs associated with regulatory approval, investment in the plant is currently estimated to reach approximately $4.9 billion, assuming Unit No. 1 becomes commercially operable in mid-1984 and Unit No. 2 ten months thereafter. This figure represents approximately 33% of the Company's total assets as of December 31, 1983. The Company believes that all costs for the Diablo plant, including AFUDC, should be allowed for ratemaking purposes and intends to pursue full recovery of all such costs. However, all investment in new facilities is subject to determination by the CPUC as to whether all such costs will be permitted to be placed in rate base and recovered in rates. Because the Diablo plant represents such a large portion of the Company's assets, a significant disallowance of costs for ratemaking purposes could have a significant effect on the Company's financial position. The Company is currently unable to predict whether any portion of the costs will be disallowed or whether any such disallowance would have a significant impact on its financial position or results of operations.

Pending Litigation

On October 3, 1983, Chevron U.S.A., Inc. (Chevron) filed an action against the CPUC and the Company seeking to nullify and prevent enforcement of certain CPUC actions and alleging that the Company's failure to purchase fuel oil as called for under a 1976 contract has damaged Chevron in an amount not less than $350,000,000. In addition, Chevron alleges that the Company's failure to pay amounts required under a revised fuel oil agreement executed in 1982 has damaged Chevron in an amount which has a present value of not less than $150,000,000. Chevron also alleges that the Company's refusal and failure to comply with a related gas transportation agreement has damaged and will damage Chevron in an amount estimated to be not less than an additional $100,000,000.

The Company believes it has acted in accordance with the contract terms and plans to vigorously defend against this lawsuit. If Chevron should be successful in this action, the Company would expect to include any costs in existing or special fuel cost recovery proceedings and, therefore, believes that any costs unrecovered through rates would not have a significant impact on its financial condition.

REPORT OF INDEPENDENT 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, 1983, and 1982, 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 each of the three years in the period ended December 31, 1983. 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.

As discussed more fully in Note 10 to the financial statements, the Diablo Canyon Nuclear Power Plant has experienced continued significant delays and substantial cost increases. The Company is currently unable to predict whether any portion of the Diablo costs will be disallowed by the California Public Utilities Commission for ratemaking purposes, or whether any such disallowance would have a significant impact on its financial position and results of operations.

In our opinion, subject to the effects on the 1983 financial statements of such adjustments, if any, that might have been required had the outcome of the uncertainties discussed in the preceding paragraph been known, 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, 1983 and 1982, and the results of their operations and funds used for construction for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

San Francisco, California
February 15, 1984

SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

Pacific Gas and Electric Company

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-1983 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.

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

For the Year Ended December 31, 1983	Conventional Historical Cost	Constant Dollar	Current Cost
		In Thousands	
Operating Revenues	$6,647,000	C$6,647,000	C$6,647,000
Operation, Maintenance, and Other	5,468,000	5,468,000	5,468,000
Depreciation	391,000	832,000	1,008,000
Total	5,859,000	6,300,000	6,476,000
Income from continuing operations (excluding adjustment to net recoverable cost)	$ 788,000	C$ 347,000*	C$ 171,000
Increase during the year in specific prices of utility plant**			C$ 432,000
Adjustment to net recoverable cost		C$ (10,000)	590,000
Effect of increase in general price level			(856,000)
Excess of change in general price level over changes in specific prices after adjustment to net recoverable cost			166,000
Reduction of purchasing power loss through debt financing		261,000	261,000
Net		C$ 251,000	C$ 427,000

C$-Dollars having approximately the same purchasing power as the real dollar had in mid-1983.
*Including the adjustment to net recoverable cost, the income from continuing operations on a constant dollar basis would have been C$337,000,000.
**At December 31, 1983, current cost of utility plant (net of accumulated depreciation) and construction work in progress was C$21,906,000,000 while historical cost or net cost recoverable through depreciation was $11,853,000,000.

Five-Year Comparison of Selected Consolidated Financial Data Adjusted for Effects of Changing Prices As Required By SFAS No. 33

For the Years Ended December 31,	**1983**	1982	1981	1980	1979
		In Thousands (except per share amounts)			
Operating Revenues	**C$6,647,000**	C$6,989,000	C$6,814,000	C$6,363,000	C$5,979,000
Historical Cost Information Adjusted for General Inflation					
Income from continuing operations (excluding adjustment to net recoverable cost)	**C$ 347,000**	C$ 427,000	C$ 217,000	C$ 211,000	C$ 295,000
Income per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)*	**C$ .64**	C$ 1.01	C$ .28	C$ .34	C$ .82
Net assets at year-end at net recoverable cost	**C$4,828,000**	C$4,607,000	C$4,160,000	C$4,264,000	C$4,381,000
Current Cost Information					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	**C$ 171,000**	C$ 241,000	C$ 2,000	C$ (61,000)	C$ 14,000
Income (loss) per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)*	**C$ .04**	C$ .31	C$ (.57)	C$ (.83)	C$ (.54)
Excess of change in general price level over change in specific prices after adjustment to net recoverable cost	**C$ 166,000**	C$ 70,000	C$ (204,000)	C$ (535,000)	C$ (786,000)
Net assets at year-end at net recoverable cost	**C$4,828,000**	C$4,607,000	C$4,160,000	C$4,264,000	C$4,381,000
General Information					
Reduction of purchasing power loss through debt financing	**C$ 261,000**	C$ 309,000	C$ 529,000	C$ 794,000	C$ 869,000
Cash dividends declared per common share*	**C$ 1.58**	C$ 1.51	C$ 1.50	C$ 1.57	C$ 1.63
Market price per common share at year-end*	**C$ 14.58**	C$ 14.34	C$ 11.13	C$ 11.79	C$ 14.95
Average consumer price index Base year 1967-100	**298.5**	289.1	272.4	246.8	217.4

C$-Dollars having approximately the same purchasing power as the real dollar had in mid-1983.
*Data reflects the two-for-one common stock split effective June 15, 1983.

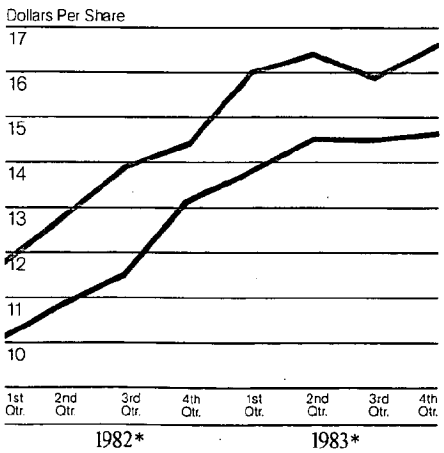
Quarterly Consolidated Financial Data

Quarterly financial data for the four quarters of 1983 and 1982 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, Pacific, London, Amsterdam, Basel and Zurich Stock Exchanges. The approximate number of common stockholders of record as of December 31, 1983 was 268,000. 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)			
1983				
Operating Revenues	$1,625,307	$1,646,408	$1,585,109	$1,789,875
Operating Income	$ 211,340	$ 276,260	$ 242,804	$ 229,468
Net Income	$ 164,299	$ 257,474	$ 171,159	$ 195,035
Earnings Per Common Share*	$ .41	$ .74	$ .46	$ .54
Dividends Declared Per Common Share*	$ .40	$ .40	$ .40	$ .38
Common Stock Price Per Share*				
High	$ 16 5/8	$ 15 7/8	$ 16 7/16	$ 16 1/16
Low	$ 14 5/8	$ 14 1/2	$ 14 9/16	$ 13 15/16
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*	$ .48	$ .69	$ .68	$ .61
Dividends Declared Per Common Share*	$ .38	$ .38	$ .38	$ .33
Common Stock Price Per Share*				
High	$ 14 3/8	$ 13 13/16	$ 12 9/16	$ 11 3/4
Low	$ 13 1/8	$ 11 1/2	$ 10 13/16	$ 10 1/8

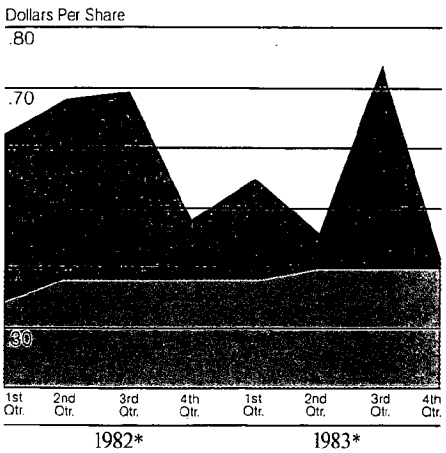
*Data reflects the two-for-one common stock split effective June 15, 1983.

Quarterly High and Low Price of Common Stock



*Adjusted to reflect two-for-one split of Common Stock 6/83

Quarterly Earnings and Dividends Per Share



*Adjusted to reflect two-for-one split of Common Stock 6/83

PG&E COMPARATIVE STATISTICS

(Unaudited)

Pacific Gas and Electric Company

For the Years Ended December 31,	1983	1982	1981
Electric Statistics			
Net System Output (Millions of KWH)	**71,602**	71,333	72,829
Net System Output–Percent			
Hydroelectric Plants	**25.3%**	21.9%	14.6%
Thermal Electric Plants	**31.8**	34.8	54.0
Other Producers	**42.9**	43.3	31.4
Total	**100.0%**	100.0%	100.0%
System Capability–KW (at annual peak)			
Hydroelectric Plants (adverse conditions)	**2,374,700**	2,362,700	2,377,200
Thermal Electric Plants	**8,923,000**	8,675,000	8,847,000
Other Producers (adverse conditions)	**3,466,800**	3,245,100	5,621,300
Total	**14,764,500**	14,282,800	16,845,500
Net System Peak Demand–KW	**13,243,100**	12,214,600	13,680,100
Reserves Capacity Margin at Peak–Percent	**8.8%**	9.6%	5.9%
Annual Load Factor–Percent	**61.7%**	66.7%	60.8%
Average Annual Residential Consumption–KWH	**6,386**	6,252	6,489
Average Residential Revenue Per KWH	**6.03¢**	7.33¢	5.77¢
Average Annual Residential Bill	**$385.18**	$458.46	$374.21
Total Customers (end of year)	**3,594,124**	3,545,923	3,515,099
Plant Investment Per Customer	**$2,847**	$2,554	$2,310
Customers Per Mile of Distribution Line	**39.4**	39.1	39.2
Gas Statistics			
Gas Purchased for U.S. Operations (Thousands of MCF)	**621,539**	698,166	835,684
Source of Gas Purchased–Percent			
From California	**23.1%**	18.2%	19.5%
From Other States	**36.9**	45.4	49.2
From Canada	**40.0**	36.4	31.3
Total	**100.0%**	100.0%	100.0%
Average Cost of Gas Purchased Per MCF (U.S. Operations)			
From California	**$3.40**	$3.09	$2.60
From Other States	**$4.02**	$3.54	$2.57
From Canada	**$4.49**	$5.14	$4.86
Average	**$4.06**	$4.04	$3.29
Peak Day Sendout–MCF	**2,996,913**	3,133,028	3,143,546
Average Annual Residential Consumption–MCF	**73.0**	78.3	72.7
Average Residential Revenue Per MCF	**$4.84**	$4.39	$3.91
Average Annual Residential Bill	**$353.42**	$344.07	$284.20
Total Customers (end of year)	**2,948,950**	2,914,977	2,897,455
Plant Investment Per Customer	**$471**	$474	$475
Customers Per Mile of Distribution Main	**97.2**	96.8	96.9
Miscellaneous Statistics			
Customers Served Per Employee	**240**	249	241
Depreciation and Amortization as a Percent of Average Depreciable Plant			
Electric	**3.5%**	3.5%	3.3%
Gas	**4.2%**	4.2%	3.5%
PG&E Composite includes Common Utility Plant	**3.7%**	3.7%	3.4%

1980	1979	1978	1977	1976	1975	1974	1973
69,962	70,339	67,669	65,428	66,416	63,078	60,932	60,572
19.0%	16.8%	19.9%	9.2%	12.2%	22.7%	25.6%	21.5%
50.5	59.1	49.5	72.4	62.0	43.9	38.1	53.4
30.5	24.1	30.6	18.4	25.8	33.4	36.3	25.1
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2,354,600	2,360,000	2,350,900	2,350,900	2,419,900	2,396,900	2,396,900	2,384,800
8,754,000	8,612,000	8,294,000	8,294,000	8,261,000	8,053,000	7,947,000	7,841,000
3,971,000	4,112,900	2,791,100	3,302,900	3,743,400	3,766,100	2,948,700	2,554,700
15,079,600	15,084,900	13,436,000	13,947,800	14,424,300	14,216,000	13,292,600	12,780,500
13,440,400	13,215,200	12,970,600	12,191,800	12,245,800	11,632,800	11,648,800	10,867,800
9.0%	12.1%	8.4%	10.6%	5.0%	15.5%	13.0%	19.3%
59.3%	60.8%	59.6%	61.3%	61.7%	62.2%	59.5%	63.6%
6,535	6,811	6,553	6,408	6,509	6,462	6,260	6,417
5.16¢	3.54¢	3.93¢	3.81¢	3.02¢	2.81¢	2.62¢	2.29¢
$337.43	$240.88	$257.66	$243.86	$196.48	$181.51	$164.31	$146.69
3,447,739	3,365,950	3,270,302	3,179,362	3,087,300	3,005,518	2,936,106	2,854,585
$2,199	$2,032	$1,869	$1,755	$1,666	$1,594	$1,496	$1,425
39.1	38.9	38.5	38.1	37.7	37.2	36.9	36.5
781,643	843,381	711,052	817,745	852,935	876,721	888,193	997,912
16.0%	16.8%	16.4%	16.1%	16.5%	15.9%	16.6%	23.3%
43.7	37.0	35.1	36.2	37.5	40.7	43.1	37.9
40.3	46.2	48.5	47.7	46.0	43.4	40.3	38.8
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
$2.16	$1.74	$1.59	$1.12	$.96	$.57	$.43	$.37
$2.30	$1.79	$1.35	$1.10	$.83	$.73	$.56	$.43
$4.34	$2.61	$2.22	$2.00	$1.75	$1.23	$.55	$.36
$3.10	$2.16	$1.81	$1.53	$1.28	$.92	$.53	$.39
3,275,016	3,398,281	3,243,552	3,186,229	3,348,384	3,352,881	3,020,215	3,423,896
81.6	90.4	86.9	90.5	100.8	111.1	104.5	113.4
$3.70	$2.37	$1.97	$1.85	$1.71	$1.55	$1.19	$1.04
$301.67	$214.17	$170.97	$167.45	$172.63	$172.37	$124.86	$117.44
2,858,129	2,805,471	2,738,767	2,674,890	2,611,551	2,555,216	2,503,203	2,443,889
$467	$450	$441	$441	$439	$437	$431	$422
97.0	97.2	97.4	97.2	96.8	96.4	96.1	95.9
229	230	228	230	232	223	207	201
3.3%	3.1%	3.0%	3.0%	3.0%	2.9%	2.9%	2.8%
3.5%	3.1%	3.1%	3.1%	3.2%	2.8%	2.8%	2.7%
3.4%	3.2%	3.1%	3.1%	3.1%	3.0%	3.0%	2.9%

[redacted]

CONSOLIDATED REVENUES AND SALES

(Unaudited)

Pacific Gas and Electric Company

For the Years Ended December 31,	1983	1982	1981
Electric Department			
Revenues			
Residential	**$1,192,997**	$1,401,267	$1,128,851
Commercial	**1,326,406**	1,530,542	1,233,564
Industrial (1000 Kw demand or over)	**914,786**	1,078,493	860,577
Agricultural Power	**157,528**	235,164	241,221
Public Street and Highway Lighting	**48,320**	53,224	41,498
Other Electric Utilities	**129,992**	172,819	117,791
Miscellaneous	**40,350**	56,256	70,094
Other	**7,890**	8,008	7,313
Regulatory Balancing Accounts	**87,545**	(687,171)	204,964
Total	**$3,905,814**	$3,848,602	$3,905,873
Sales–KWH			
Residential	**19,778,553**	19,107,415	19,575,283
Commercial	**19,259,758**	18,662,382	18,722,954
Industrial (1000 Kw demand or over)	**14,986,722**	15,843,646	16,401,293
Agricultural Power	**2,304,205**	2,922,541	3,890,088
Public Street and Highway Lighting	**339,823**	365,119	401,930
Other Electric Utilities	**3,341,984**	3,544,563	2,676,998
Total Sales to Customers	**60,011,045**	60,445,666	61,668,546
Gas Department			
Revenues			
Residential	**$ 972,150**	$ 935,996	$ 764,468
Commercial	**651,332**	681,520	607,417
Industrial	**648,832**	712,341	794,786
Other Gas Utilities	**39,202**	52,589	158,433
Miscellaneous	**5,469**	8,835	2,290
Regulatory Balancing Accounts	**91,820**	149,817	(276,749)
Subsidiary Companies (U.S. and Canada)	**332,080**	395,395	238,057
Total	**$2,740,885**	$2,936,493	$2,288,702
Sales–MCF			
Residential	**200,774**	213,031	195,631
Commercial	**109,637**	124,622	128,758
Industrial	**114,310**	132,789	171,769
Other Gas Utilities	**8,532**	12,021	35,135
Total Sales to Customers	**433,253**	482,463	531,293
Company Use (primarily electric generation)	**170,773**	201,219	280,990
By Subsidiary Companies (in U.S.)	**254**	227	179
Total	**604,280**	683,909	812,462

1980	1979	1978	1977	1976	1975	1974	1973
			In Thousands				
$ 998,130	$ 693,368	$ 720,112	$ 661,502	$ 517,574	$ 465,818	$ 411,001	$ 355,635
1,067,198	752,359	852,265	789,401	536,937	443,601	382,682	338,629
699,073	461,653	531,593	498,462	277,694	197,221	169,993	140,420
212,770	142,727	149,986	212,649	115,952	87,006	75,612	59,796
38,225	30,491	34,179	33,501	24,537	20,454	18,135	16,191
71,926	67,740	69,855	103,890	61,664	52,478	22,262	15,466
58,568	50,111	43,584	42,075	33,727	23,733	22,585	18,718
5,336	4,115	3,814	3,664	3,757	3,240	2,445	2,645
(223,385)	261,281	(308,455)	9,989	249,106	—	—	—
$2,927,841	$2,463,845	$2,096,933	$2,355,133	$1,820,948	$1,293,551	$1,104,715	$ 947,500
19,329,190	19,605,541	18,314,721	17,383,011	17,147,610	16,582,796	15,658,439	15,557,883
18,283,154	17,891,820	17,166,973	16,771,232	17,162,248	16,571,989	15,746,918	16,258,430
14,801,260	15,253,371	14,815,289	14,354,359	14,258,149	12,811,653	12,618,192	13,514,558
3,540,022	3,715,026	3,120,644	5,113,726	4,601,147	3,781,864	3,581,124	3,287,606
431,564	455,445	485,725	491,558	465,387	448,046	427,982	405,634
1,906,465	2,807,249	2,232,563	3,957,141	2,925,285	2,590,095	2,229,291	1,643,094
58,291,655	59,728,452	56,135,915	58,071,027	56,559,826	52,786,443	50,261,946	50,667,205
$ 799,307	$ 555,017	$ 432,865	$ 414,087	$ 416,660	$ 407,181	$ 288,681	$ 264,473
626,611	406,497	346,229	365,623	130,878	117,692	76,080	69,020
708,259	499,242	340,546	366,293	502,942	395,381	247,069	200,915
148,074	85,867	18,384	14,349	13,492	11,958	6,876	7,571
(6,560)	7,128	4,315	4,773	10,914	7,608	3,334	677
(133,807)	176,354	193,960	(19,477)	35,665	—	—	—
189,174	170,519	136,141	128,749	117,047	107,054	56,104	29,328
$2,331,058	$1,900,624	$1,472,440	$1,274,397	$1,227,598	$1,046,874	$ 678,144	$ 571,984
216,184	234,295	220,076	223,732	243,258	262,363	241,664	255,388
146,827	143,707	144,162	163,828	74,718	83,244	74,756	79,826
161,060	186,165	138,975	162,529	284,261	315,799	346,548	362,005
34,821	36,013	9,926	7,810	8,716	9,459	8,581	11,449
558,892	600,180	513,139	557,899	610,953	670,865	671,549	708,668
202,964	216,062	125,636	217,272	194,949	159,135	123,194	246,169
151	134	119	12	—	—	—	—
762,007	816,376	638,894	775,183	805,902	830,000	794,743	954,837

DIRECTORS, OFFICERS AND DIVISION MANAGERS

Board of Directors

John F. Bonner
Executive consultant and former President and Chief Executive Officer, Pacific Gas and Electric Company

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

Charles de Bretteville
Former Chairman of the Board, The Bank of California, N.A.

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

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

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

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

Leslie L. Luttgens
San Francisco Bay Area community leader

Richard B. Madden
Chairman of the Board and Chief Executive Officer, Potlatch Corporation (diversified forest products)

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

Frederick W. Mielke, Jr.
Chairman of the Board and Chief Executive Officer, Pacific Gas and Electric Company

William F. Miller
President and Chief Executive Officer, SRI International (research and consulting)

Richard H. Peterson
Consultant and former Chairman of the Board, Pacific Gas and Electric Company

John B. M. Place
Chairman of the Board and Chief Executive Officer, Crocker National Bank

Wilson C. Riles
President, Wilson Riles and Associates, Inc. (educational development and consulting)

Barton W. Shackelford
President, Pacific Gas and Electric Company

John Lyons Sullivan
Rancher and Chairman Emeritus, California Canners and Growers

Advisory Directors*

Ira Michael Heyman
Chancellor, University of California, Berkeley

Carl E. Reichardt
Chairman of the Board, President, and Chief Executive Officer, Wells Fargo Bank, N.A.

*Appointed in anticipation of election as directors when board vacancies occur.

Committees of the Board of Directors

Executive Committee
Within limits, may exercise powers and perform duties of the Board.
Frederick W. Mielke, Jr. (Chairman);
John F. Bonner
Alfred W. Eames, Jr.
L. W. "Bill" Lane, Jr.
Richard B. Madden
Barton W. Shackelford

Audit Committee
Reviews financial statements and internal accounting and control procedures with independent certified public accountants.
Lewis S. Eaton (Chairman);
Harry M. Conger
Alfred W. Eames, Jr.
Wilson C. Riles
John Lyons Sullivan

Finance Committee
Recommends long-range financial policies and objectives and actions required to achieve those objectives.
Frederick W. Mielke, Jr. (Chairman);
Charles de Bretteville
Richard B. Madden
William F. Miller
John B. M. Place
Barton W. Shackelford

Compensation and Management Development Committee
Recommends compensation and employee benefit policies and practices. Reviews planning for executive development and succession.
Robert B. Hoover (Chairman);
Charles de Bretteville
Leslie L. Luttgens
Richard B. Madden
John B. M. Place

Advisory Nominating Committee
Recommends candidates for nomination as directors.
Frederick W. Mielke, Jr. (Chairman);
Charles de Bretteville
Peter A. Magowan
Richard H. Peterson
John B. M. Place
John Lyons Sullivan

Officers

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

Barton W. Shackelford*
President

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

George A. Maneatis*
Executive Vice President Facilities and Electric Resources Development

Stanley T. Skinner*
Executive Vice President and Chief Financial Officer

John A. Sproul*
Executive Vice President Fuels and Gas Resources Development

John S. Cooper*
Senior Vice President Personnel

Malcolm H. Furbush*
Senior Vice President and General Counsel

Ellis B. Langley, Jr.*
Senior Vice President Operations

Malcolm A. MacKillop*
Senior Vice President Corporate Relations

G. Stanley Bates
Vice President
General Construction

Donald A. Brand
Vice President
Engineering

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 Economic Analysis

Daniel E. Gibson
Vice President
Fuel Resources

Grant N. Horne
Vice President
Corporate Communications

Elmer F. Kaprielian
Vice President
Electric Operations

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

Gordon R. Smith
Vice President
Finance and Treasurer

John F. Taylor
Vice President and Corporate Secretary

William H. Wallace
Vice President
Computer Systems and Services

Mason Willrich
Vice President
Corporate Planning

Alan W. Beringsmith
Assistant Treasurer

Anthony J. Duffy
Assistant Treasurer

David B. Allison
Assistant Secretary

Brian L. McGrath
Assistant Secretary

Division Managers

Coast Valleys Division
Robert D. Mullikin
Salinas

Colgate Division
A. Dale Johnson
(Acting)
Marysville

De Sabla Division
John C. Keyser
Chico

Drum Division
Robert E. Metzker
Auburn

East Bay Division
Floyd C. Marks
Oakland

Humboldt Division
Donald C. Albright
Eureka

North Bay Division
James B. Stoutamore
San Rafael

Sacramento Division
Robert J. LaRue, Jr.
Sacramento

San Francisco Division
Owen H. Davis
San Francisco

San Joaquin Division
C. Robert Martin
Fresno

San Jose Division
Grant N. Radford
San Jose

Shasta Division
John L. Ulrich
(Acting)
Red Bluff

Stockton Division
J. Lewis Kirkegaard
Stockton

*Member Management Committee

Annual Meeting of Stockholders

The annual meeting of stockholders of Pacific Gas and Electric Company will be held at the Masonic Auditorium, 1111 California Street, San Francisco, California, on Wednesday, April 18, 1984 at 2 p.m. Stockholders are urged to attend; but if they cannot, their proxies should be mailed in. A proxy statement and form of proxy will be mailed to stockholders on or about March 7, 1984.

10-K Report Available

A copy of the Company's 1983 Form 10-K Report to the Securities and Exchange Commission is available on request to the Vice President and Corporate Secretary at the Company's office:
77 Beale Street,
San Francisco, CA 94106

Dividend Payment Dates–1984

Common Stock
January 16
April 16
July 16
October 15

Preferred Stock
February 15
May 15
August 15
November 15

Stockholder Communications

To notify the Company of change of address, lost certificates, elimination of duplicate mailings, or to request transfer of stock to another name, please write to:

Stock Transfer Agent
Room 1580
77 Beale Street
San Francisco, CA 94106

Please include your account number(s).

Duplicate Mailings

Sometimes stockholders receive duplicate mailings of annual and quarterly reports despite efforts to prevent them. This happens primarily because they own more than one class of security, or shares owned by one stockholder are held in different though similar names. For example, Robert A. Johnson may appear on one class of security, but R. A. Johnson or R. Allan Johnson on another. The Company is required by law to mail to each name on the stockholder list unless the stockholder asks that duplicates be eliminated. If a husband, wife and children each own stock in their own names, reports will be sent to each unless the Company receives a request to eliminate this duplication. Send labels or label information indicating which name you wish to keep on the list and which names should be deleted. This will not affect dividend or proxy mailings.

Dividend Reinvestment Plan

During 1983, the number of stockholders in the Company's Dividend Reinvestment and Common Stock Purchase Plan increased by more than 23,000 to 106,363. Dividends and cash invested through the Plan during the last ten years by owners of some 47 million shares now total nearly $284 million. Under present law, stockholders can defer reinvested dividends of up to $750 annually ($1,500 for a joint return) from income on their federal returns.
A prospectus describing the Plan and an enrollment form are available by writing to the Stock Transfer Department, or by telephoning (415) 777-4347. This address and telephone number can be used for any stockholder communications involving dividends.

Stock Exchange Listings

Common stock of the Company is listed on the New York, Pacific, London, Basel, Zurich, and Amsterdam Stock Exchanges. Preferred stocks of the Company are listed on the American and Pacific Stock Exchanges.

Stock Transfer Agent

Daniel T. Lamey
Pacific Gas and Electric Co.
77 Beale Street
San Francisco, CA 94106

Registrar of Stock

First Interstate Bank of California
405 Montgomery Street
San Francisco, CA 94104

Questions and Comments

Questions and comments about PG&E or any information appearing in the annual report, quarterly reports or any PG&E publication are welcome and may be directed to Steven R. Polcyn, Manager of Public and Employee Communications, 77 Beale Street, San Francisco, CA 94106; telephone (415) 541-6372.

Financial questions should be directed to Jack Helms, Manager of Financial Planning and Analysis; or Ann Lazarus, Director of Investor Relations, 77 Beale Street, San Francisco, CA 94106; telephone (415) 781-4211.

Design: Jonson Pedersen Hinrichs & Shakery Major Photography: Jon Brenneis Painting: George Ricks & Sons

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

Bulk Rate
U.S. Postage Paid
Pacific Gas and
Electric Company