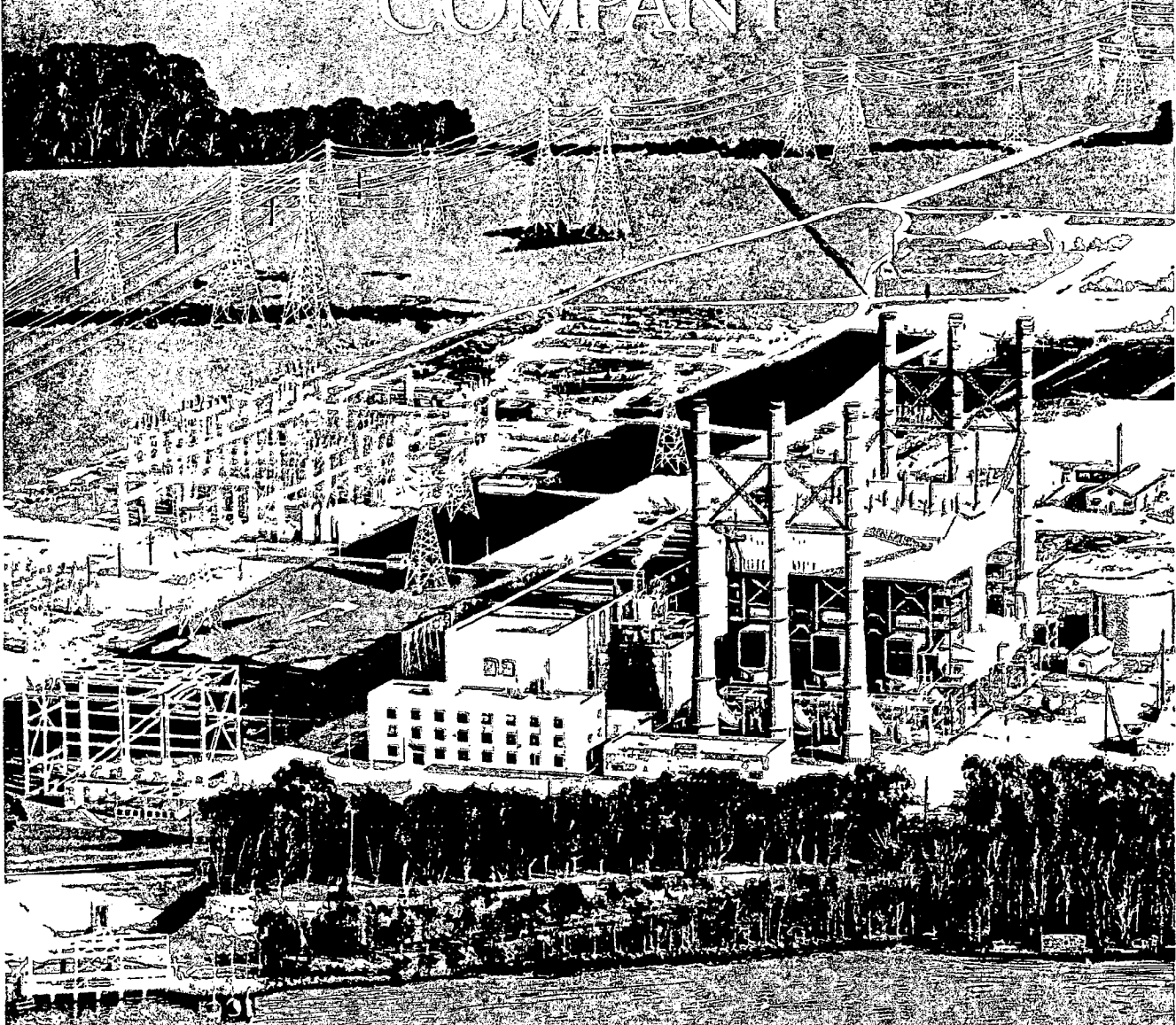


PACIFIC  
GAS AND ELECTRIC  
COMPANY

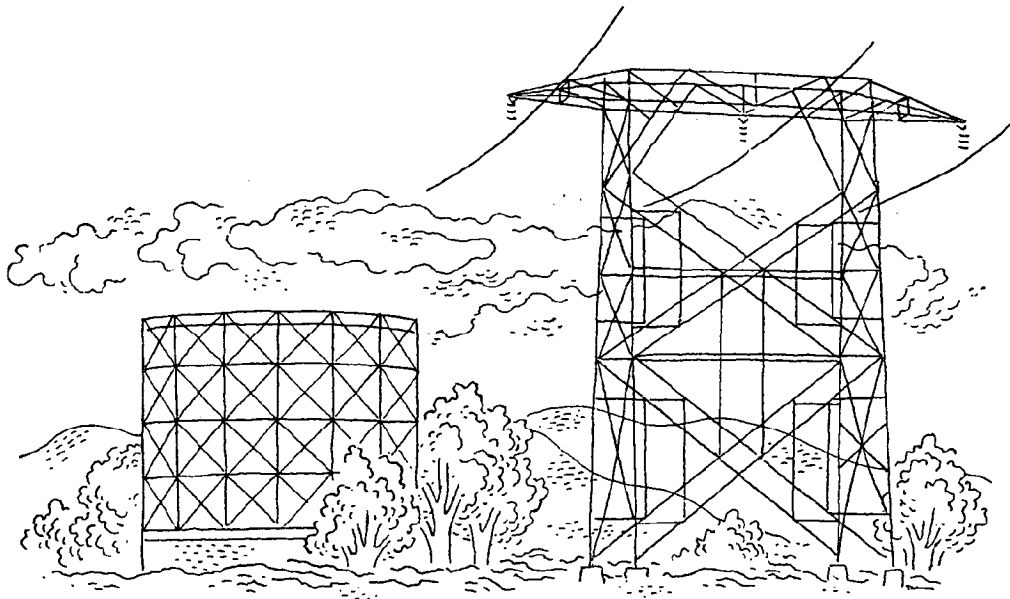


FORTY-FIFTH ANNUAL REPORT 1950

1950



# PACIFIC GAS AND ELECTRIC COMPANY



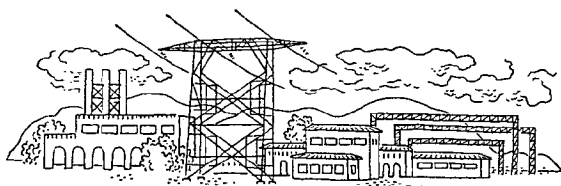
FORTY-FIFTH ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1950



General Offices of Pacific Gas and Electric Company  
San Francisco, California

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# Pacific Gas and Electric Company

245 MARKET STREET, SAN FRANCISCO 6, CALIFORNIA

## BOARD OF DIRECTORS

|                               |               |                               |               |
|-------------------------------|---------------|-------------------------------|---------------|
| JAMES B. BLACK . . . . .      | San Francisco | WALTER A. HAAS . . . . .      | San Francisco |
| FRANK E. BUCK . . . . .       | San Francisco | NORMAN B. LIVERMORE . . . . . | San Francisco |
| ALLEN L. CHICKERING . . . . . | San Francisco | JAMES K. LOCHEAD . . . . .    | San Francisco |
| JOHN P. COGHLAN . . . . .     | San Francisco | ELLIOTT McALLISTER* . . . . . | San Francisco |
| JAMES F. CRAFTS . . . . .     | San Francisco | C. O. G. MILLER . . . . .     | San Francisco |
| W. W. CROCKER . . . . .       | San Francisco | HENRY D. NICHOLS . . . . .    | San Francisco |
| W. G. B. EULER . . . . .      | San Francisco | SILAS H. PALMER . . . . .     | San Francisco |
| WALTER H. SULLIVAN . . . . .  |               | San Francisco                 |               |

\*Elected January 17, 1951, to succeed Chas. K. McIntosh, deceased.

## EXECUTIVE COMMITTEE

JAMES B. BLACK  
ALLEN L. CHICKERING                      C. O. G. MILLER  
NORMAN B. LIVERMORE                      SILAS H. PALMER

## OFFICERS

JAMES B. BLACK, *President*  
W. G. B. EULER, *Executive Vice-President*  
N. R. SUTHERLAND, *Vice-President and General Manager*  
JOHN P. COGHLAN, *Vice-President and Assistant to the President*  
L. HAROLD ANDERSON, *Vice-President and Assistant General Manager*  
J. S. MOULTON, *Vice-President and Executive Engineer*  
D. D. SMALLEY, *Vice-President in Charge of Operations*  
I. C. STEELE, *Vice-President and Chief Engineer*  
O. R. DOERR, *Vice-President in Charge of Sales*  
ERNEST J. BECKETT, *Treasurer*  
RAYMOND KINDIG, *Secretary*  
O. H. BARTHOL, *Assistant Treasurer and Assistant Secretary*  
K. C. CHRISTENSEN, *Assistant Treasurer*                      C. L. HORNBERGER, *Assistant Secretary*  
V. D. VINCENT, *Assistant Treasurer*                      E. E. MANHARD, *Assistant Secretary*  
H. C. NELSON, *Assistant Secretary*

\* \* \*

ROBERT H. GERDES, *General Counsel*                      E. W. HODGES, *Comptroller*

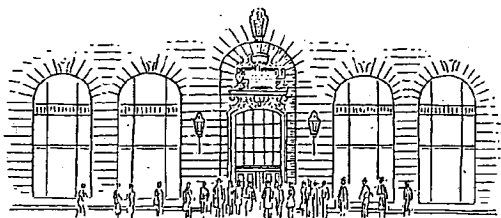
## STOCK TRANSFER AGENCIES

OFFICE OF THE COMPANY (A. W. Uhrich, Transfer Agent),  
San Francisco; BANKERS TRUST COMPANY, New York.

## REGISTRARS OF STOCK

THE AMERICAN TRUST COMPANY, San Francisco;  
THE NEW YORK TRUST COMPANY, New York.

*This Company makes no charge for stock transfers except as to documentary stamps  
or other charges that may be required by law.*



# Report of the Directors of the Pacific Gas and Electric Company

*San Francisco, California, February 20, 1951*

## TO THE STOCKHOLDERS:

The year 1950 was one of progress and accomplishment for your Company. Power resources were greatly enlarged, and facilities for supplying natural gas for fuel were widely expanded.

Our added resources are particularly significant in the light of the grave trend of international events and the urgent need to expand the nation's productive power for defense. The Company now is in a better position than ever to meet future demands for electric and gas service in Northern and Central California.

✓ More than 11 billion kilowatt-hours of electricity and 173 billion cubic feet of gas were sold in 1950. Both exceeded the high records established in 1949, electric sales by 8.6% and gas sales by 3.9%. Approximately 127,000 new customers were added to our lines, and at the year-end almost 2,400,000 were receiving electric, gas, water or steam service.

✓ Rates charged for electricity were increased 6% in April. This was the first increase in electric rates in a period of thirty years and followed a long series of reductions.

✓ The effect of increased sales and higher rates was to advance gross operating revenues to \$237,437,000, a gain of \$20,213,000, or about 9%.

Substantial economies were effected through the greater availability of hydro-electric energy, reduced unit costs for power produced in steam-electric generating plants, lower average prices for fuel oil, and generally improved operating efficiencies throughout the system. These economies resulted in a reduction in operating expenses,

other than depreciation and taxes, of \$9,701,000.

These lower costs were more than offset by an increase of \$3,143,000 in the provision for depreciation and amortization, and by a very large advance of \$13,923,000 in the amount of taxes chargeable to operations. The increase in taxes alone absorbed two-thirds of the gain in gross revenues. Nevertheless, after providing for these additional charges and for the larger interest and dividend payments incident to the greatly increased investment, it was possible to add approximately one-fourth of the gain in gross revenues to surplus account.

Earnings for the common stock were \$2.62 per share upon the average of 9,522,817 shares outstanding during 1950, or \$2.51 per share upon the 9,936,857 shares outstanding at the year-end. ✓ Comparable earnings in 1949 were \$2.10 per share upon an average of 8,095,597 shares, and \$2.06 per share upon 8,280,697 shares outstanding at the close of that year.

Water supply for hydro-electric operations was better than for several years. It was augmented in the closing months of 1950 by heavy storms which added greatly to the Company's water storage. At the end of the year our reservoirs were filled to approximately 82% of capacity, compared with 47% at the close of 1949.

These improved water conditions and the use of newly added hydro-electric facilities enabled the Company to generate by water power approximately two billion kilowatt-hours of electricity

more than in 1949. At the same time there was a reduction of over one billion kilowatt-hours in electricity produced in our steam-electric generating plants.

Good progress was made on the large construction program undertaken immediately after World War II. The amount spent on building activities in 1950 was \$168,634,000, which was considerably less than the outlay of \$192,480,000 in 1949. A further reduction in construction expenditures to approximately \$130,000,000 is expected in 1951.

A total of 463,500 kilowatts\* of additional electric generating capacity was added to our system in 1950—163,500 kilowatts in hydro-electric and 300,000 in steam-electric plants.

At the year-end work was also well advanced on four 100,000-kilowatt steam-electric generating units to be placed in operation in 1951. When completed these units will bring the total capacity added in the six years 1946-1951 up to almost 1,400,000 kilowatts. The installed capacity of the Company's plants will then be more than double what it was at the beginning of World War II.

Substantial reserves of generating capacity have been re-established, enabling the Company to meet largely increased demands created by growth of population and the nation's accelerated defense effort. However, to provide for continued growth four more units, each of 100,000 kilowatts capacity, have been ordered for installation in our two largest steam-electric plants during 1952-53. Plans are already under way for a still further expansion in 1954.

A large additional supply of natural gas for domestic and industrial use was made available through the completion late in 1950 of a pipe line from Texas and New Mexico gas fields to the San Francisco Bay region. Present deliveries are more than 200,000,000 cubic feet per day. These will be increased to 400,000,000 cubic feet daily in the fall of 1951.

Preliminary steps have been taken to augment

\*Electrical capacity, expressed in previous reports in terms of horsepower, will hereafter be stated in kilowatts. One kilowatt equals about one and one-third horsepower.

this supply with an additional 150,000,000 cubic feet per day of out-of-state natural gas, a portion of which it is hoped will become available late in 1952 and the balance a year later.

The Company entered 1951 in sound operating and financial condition. Offerings of preferred and common stocks and bonds made in 1950 were well received by investors. Funds so obtained, together with additional funds available from internal sources, provided the capital necessary to finance our construction requirements, with a balance at the year-end sufficient to meet our needs for the first quarter of 1951.

Materially increased costs will be incurred in 1951 as a result of the long-distance transmission of out-of-state gas, higher prices for gas from local producers, increased taxes, and other factors affecting our gas operations. To help meet these added costs, the Company applied to the California Public Utilities Commission for an increase of \$18,275,000 a year in gas rates to be effective on January 1, 1951. The Commission has not completed hearings on the application, but on January 23 authorized an interim increase in gas rates, effective February 18, 1951, estimated to produce additional gross revenues of \$7,000,000 annually. Further hearings will be held and final action on our application should be forthcoming later this year.

While we regret the necessity of asking for higher rates, it should be noted that in contrast with practically every other item of living costs, our charges for firm electric and gas service are still below the levels prevailing ten years ago.

Low rates are desirable, but are not the sole measure of good utility service. Present national conditions emphasize the fundamental importance of providing service facilities sufficient to meet expanding military and civilian requirements. Under such circumstances the need for maintaining a sound financial structure supported by earnings adequate to encourage continued investment of new capital is more than ever apparent. Regulatory commissions throughout the country appear to be increasingly alert to this situation.



## Highlights of the Year's Operations

**GROSS OPERATING REVENUES** exceeded those of the previous year by \$20,213,000, or 9.3%, reaching a new peak of \$237,437,000. Moderately higher rates charged for both gas and electric service contributed to this gain.

**SALES OF ELECTRICITY** totaled 11,042,000,000 kilowatt-hours, and sales of gas 172,683,000,000 cubic feet, exceeding the corresponding figures in 1949 by 8.6% and 3.9%, respectively.

**MORE NEW CUSTOMERS** were connected to our lines than in any previous year, except 1948. The gain was 126,995, bringing to 2,386,210 the number served at the year-end in all branches of our operations.

**CONSTRUCTION EXPENDITURES** aggregated \$168,634,000, compared with the peak of \$192,480,000 established in the previous year. These expenditures will be further reduced in 1951.

**THE "SUPER INCH"** gas transmission line for the importation of gas from Texas and New Mexico into Northern and Central California was completed and placed in commercial operation at the end of the year.

**NEW SECURITIES** aggregating \$158,904,000 par value were successfully marketed. This was the largest financing ever carried on by the Company in a single year.

**THERE WAS A GAIN** of 10,031 in the number of those participating in the ownership of the Company. At the year-end the Company had 170,498 stockholders of record.

**HIGHER ELECTRIC RATES** totaling \$8,800,000 on an annual basis were placed in effect April 15, 1950. This was our first increase in electric rates in thirty years.

**AN APPLICATION** was filed with the California Public Utilities Commission to increase gas rates \$18,275,000 annually, effective in 1951. In January 1951 the Commission established interim rates increasing revenues \$7,000,000 annually, effective February 18, 1951, pending completion of hearings and final action on the application.

**NET EARNINGS** for the common stock were \$2.62 per share, based on average shares outstanding, compared with abnormally low earnings of \$2.10 per share in the previous year.

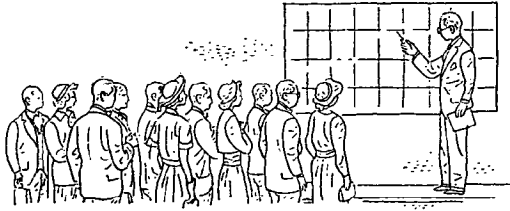
**Revenues and Sales**  
Electric and Gas Departments by Major Classes of Service

| ELECTRIC DEPARTMENT                          |                       |                       | Increase            |              |
|--|-----------------------|-----------------------|---------------------|--------------|
| ELECTRIC REVENUES                            | Year 1950             | Year 1949             | Amount              | Per Cent     |
| Residential or Domestic Sales . . . . .      | \$ 49,951,574         | \$ 44,446,712         | \$ 5,504,862        | 12.4%        |
| Small Light and Power Sales . . . . .        | 38,255,767            | 34,551,581            | 3,704,186           | 10.7         |
| Large Light and Power Sales . . . . .        | 40,966,639            | 36,745,659            | 4,220,980           | 11.5         |
| Agricultural Power Sales . . . . .           | 22,594,587            | 20,178,704            | 2,415,883           | 12.0         |
| Public Street and Highway Lighting . . . . . | 2,063,394             | 1,783,249             | 280,145             | 15.7         |
| Sales to Railroads and Railways . . . . .    | 393,118               | 406,328               | * 13,210            | * 3.3        |
| Sales to Other Electric Utilities . . . . .  | 8,299,018             | 7,653,660             | 645,358             | 8.4          |
| Company Use (Construction) . . . . .         | 135,582               | 118,545               | 17,037              | 14.4         |
| Other Miscellaneous Revenue . . . . .        | 4,145,481             | 4,657,994             | * 512,513           | *11.0        |
| TOTALS . . . . .                             | <u>\$166,805,160</u>  | <u>\$150,542,432</u>  | <u>\$16,262,728</u> | <u>10.8%</u> |
| <br>   |                       |                       |                     |              |
| ELECTRIC SALES—Kilowatt-Hours                |                       |                       |                     |              |
| Residential or Domestic Sales . . . . .      | 1,994,390,133         | 1,822,328,550         | 172,061,583         | 9.4%         |
| Small Light and Power Sales . . . . .        | 1,462,508,731         | 1,355,103,538         | 107,405,193         | 7.9          |
| Large Light and Power Sales . . . . .        | 4,075,004,529         | 3,735,032,288         | 339,972,241         | 9.1          |
| Agricultural Power Sales . . . . .           | 2,081,924,567         | 1,941,507,306         | 140,417,261         | 7.2          |
| Public Street and Highway Lighting . . . . . | 61,457,856            | 54,484,203            | 6,973,653           | 12.8         |
| Sales to Railroads and Railways . . . . .    | 33,305,069            | 35,462,453            | * 2,157,384         | * 6.1        |
| Sales to Other Electric Utilities . . . . .  | 1,325,688,055         | 1,221,433,211         | 104,254,844         | 8.5          |
| Company Use (Construction) . . . . .         | 7,646,664             | 7,057,087             | 589,577             | 8.4          |
| TOTALS . . . . .                             | <u>11,041,925,604</u> | <u>10,172,408,636</u> | <u>869,516,968</u>  | <u>8.6%</u>  |

\*Decrease

| GAS DEPARTMENT                          |                      |                      | Increase           |             |
|---|----------------------|----------------------|--------------------|-------------|
| GAS REVENUES                            | Year 1950            | Year 1949            | Amount             | Per Cent    |
| Residential or Domestic Sales . . . . . | \$40,146,540         | \$36,785,995         | \$3,360,545        | 9.1%        |
| Commercial Sales . . . . .              | 13,048,405           | 13,569,455           | * 521,050          | * 3.8       |
| Industrial Sales . . . . .              | 15,579,171           | 14,451,717           | 1,127,454          | 7.8         |
| Sales to Other Gas Utilities . . . . .  | 300,067              | 272,772              | 27,295             | 10.0        |
| Company Use (Construction) . . . . .    | 22,498               | 18,247               | 4,251              | 23.3        |
| Other Miscellaneous Revenue . . . . .   | 160,491              | 120,417              | 40,074             | 33.3        |
| TOTALS . . . . .                        | <u>\$69,257,172</u>  | <u>\$65,218,603</u>  | <u>\$4,038,569</u> | <u>6.2%</u> |
| <br>                                    |                      |                      |                    |             |
| GAS SALES—Thousands of Cubic Feet       |                      |                      |                    |             |
| Residential or Domestic Sales . . . . . | 78,732,645.8         | 78,075,623.5         | 657,022.3          | 0.8%        |
| Commercial Sales . . . . .              | 32,016,353.1         | 35,716,729.8         | *3,700,376.7       | *10.4       |
| Industrial Sales . . . . .              | 60,771,780.2         | 51,225,192.8         | 9,546,587.4        | 18.6        |
| Sales to Other Gas Utilities . . . . .  | 1,059,185.0          | 1,087,630.0          | * 28,445.0         | * 2.6       |
| Company Use (Construction) . . . . .    | 102,610.6            | 73,093.4             | 29,517.2           | 40.4        |
| TOTALS . . . . .                        | <u>172,682,574.7</u> | <u>166,178,269.5</u> | <u>6,504,305.2</u> | <u>3.9%</u> |

\*Decrease



## FINANCIAL REVIEW

There follows a more detailed review of the financial operations highlighted in the introductory section of this report. In connection with this review reference is made to the Certified Financial Statements and appended notes beginning on page 32 of this report.

### Operating Revenues

Gross operating revenues exceeded those of the previous year by \$20,213,000, or 9.3%, reaching a new peak of \$237,437,000. Other miscellaneous income of a non-operating character totaled \$547,000.

Almost one-half of the gain in gross operating revenues resulted from the moderately higher rates charged for both gas and electric service, effective late in 1949 and in the spring of 1950.

Gross revenues from electric service totaled \$166,805,000, a gain of \$16,263,000, or 10.8% over the previous year. This gain was well distributed over all major classes of service.

Revenues in the residential or domestic classification exceeded those of the previous year by 12.4%, and in the small light and power classification by 10.7%. Revenues from large light and power or industrial sales showed a gain of 11.5% for the year. In the closing months of 1950 revenues from this latter class of service, stimulated by increasing defense activities, showed unusually large gains.

Increased use of electric power in agricultural pursuits was evidenced by added gross revenues from this class of service, which gained 12% to a total of \$22,595,000.

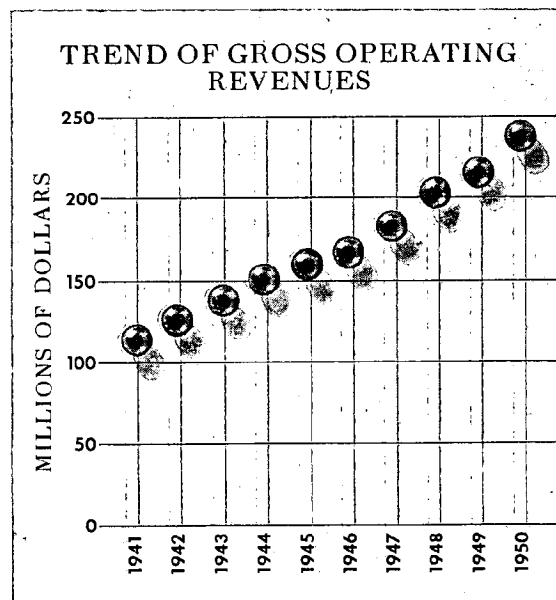
Sales of gas produced \$69,257,000, or \$4,039,000

more than in 1949. In the domestic classification there was a gain of 9.1%. Revenues from commercial sales were about 4% less, due principally to the shift of many commercial customers to more favorable firm industrial schedules following the increase in gas rates placed in effect near the close of 1949.

Revenues from industrial gas sales showed an over-all gain of 7.8%. The trend of revenues from industrial sales supplied on a firm basis continued upward, apart from the increase caused by the reclassification of customers noted above. On the other hand, notwithstanding a marked increase in the volume of gas sold, revenues from industrial sales supplied on an interruptible basis decreased. This was due to the lower average prices for fuel oil which prevailed during the year, rate schedules for this class of service being related to the price of fuel oil.

### Operating Expenses

Maintenance and operating costs aggregated \$108,703,000, a decrease of \$9,701,000.



PACIFIC GAS AND ELECTRIC COMPANY

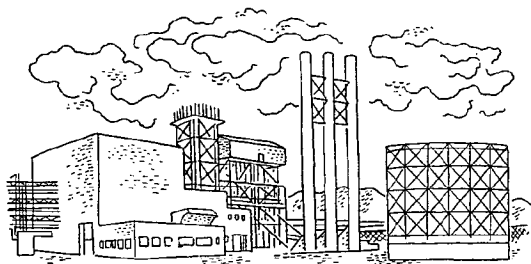
This was the first substantial decline in operating costs experienced in many years. It was significant when considered in the light of the larger volume of business handled, and was attributable in no small part to improved operating efficiencies.

Wages and salaries of operating employees totaled \$41,141,000, approximately the same as the previous year, notwithstanding higher average wage rates. A reduction in overtime payments and in the average number of employees contributed to this result, even though the Company maintained and operated expanded properties and provided service to an increased number of customers.

Payments for purchased power, \$11,385,000, were slightly less than in 1949. However, the volume purchased was larger, due to increased output of the Shasta and Keswick plants of the Central Valley Project.

Natural gas purchased for sale to customers and for use in the Company's steam-electric generating plants cost \$33,785,000, a reduction of \$822,000 compared with 1949. More natural gas was purchased, but because of lower average fuel oil prices to which some of our gas purchase contracts are related, there was a net reduction in this important item of expense.

The cost of fuel oil consumed in the Company's steam-electric generating plants was reduced by more than half—\$7,467,000 compared with \$17,122,000 in 1949. Aside from the decline in average prices paid for fuel oil, the greatly increased output of hydro-electric energy made possible a considerable reduction in power produced in our fuel-burning plants. The higher efficiency of the modern steam-electric units was also a favorable factor.



Summary Showing Sources and Disposition

SOURCES OF INCOME:

|   |  |
|---|--|
| Electric Department revenues . . . . .              |  |
| Gas Department revenues . . . . .                   |  |
| Revenues from other operating departments . . . . . |  |
| Miscellaneous income . . . . .                      |  |
| <b>Totals . . . . .</b>                             |  |

DISPOSITION OF INCOME:

|  |  |
|--|--|
| Wages and salaries of operating employees . . . . .              |  |
| Power purchased from wholesale producers . . . . .               |  |
| Natural gas purchased . . . . .                                  |  |
| Oil and other fuel . . . . .                                     |  |
| Materials and supplies, services from others, etc. . . . .       |  |
| Provision for pensions, insurance, etc. . . . .                  |  |
| Provision for depreciation and amortization . . . . .            |  |
| Taxes, including provision for Federal taxes on income . . . . . |  |
| Special charges in lieu of Federal taxes on income . . . . .     |  |
| Bond interest and other income deductions . . . . .              |  |
| Dividends paid on preferred stock . . . . .                      |  |
| Dividends paid on common stock . . . . .                         |  |
| Balance retained in the business . . . . .                       |  |
| <b>Totals . . . . .</b>  |  |

AVERAGE NUMBER OF SHARES OF COMMON STOCK

OUTSTANDING . . . . .

EARNINGS PER SHARE ON AVERAGE NUMBER OF SHARES

OUTSTANDING . . . . .

DIVIDENDS PAID PER SHARE OF COMMON STOCK . . . . .

RETAINED IN THE BUSINESS, PER SHARE OF COMMON STOCK . . . . .

\*Denotes red figure. †See Note 5 to Financial Statements.

Taxes

The Company's tax bill reached unprecedented proportions in 1950, exceeding even the high levels of World War II. Taxes of all kinds paid or accrued totaled \$54,703,000, an average of \$150,000 per day and an increase of \$14,454,000, or 36% over

FORTY-FIFTH ANNUAL REPORT

**Pacific Gas and Electric Company**

of Income for the Years 1946-1950 inclusive, and Average for Five-Year Periods 1946-1950 and 1941-1945

| Year<br>1950            | Year<br>1949         | Year<br>1948         | Year<br>1947         | Year<br>1946         | Average<br>Five Years<br>1946-50 | Average<br>Five Years<br>1941-45 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------------------|----------------------------------|
| \$166,805,000           | \$150,542,000        | \$136,276,000        | \$127,751,000        | \$118,275,000        | \$139,930,000                    | \$ 97,526,000                    |
| 69,257,000              | 65,219,000           | 66,562,000           | 55,443,000           | 48,607,000           | 61,017,000                       | 39,821,000                       |
| 1,375,000               | 1,464,000            | 1,404,000            | 1,131,000            | 1,005,000            | 1,276,000                        | 1,215,000                        |
| 547,000                 | 310,000              | 428,000              | 303,000              | 442,000              | 406,000                          | 345,000                          |
| <u>\$237,984,000</u>    | <u>\$217,535,000</u> | <u>\$204,670,000</u> | <u>\$184,628,000</u> | <u>\$168,329,000</u> | <u>\$202,629,000</u>             | <u>\$138,907,000</u>             |
| \$ 41,141,000           | \$ 40,715,000        | \$ 36,838,000        | \$ 34,232,000        | \$ 28,768,000        | \$ 36,339,000                    | \$ 20,000,000                    |
| 11,385,000              | 11,720,000           | 13,499,000           | 8,266,000            | 7,539,000            | 10,482,000                       | 6,656,000                        |
| 33,785,000              | 34,607,000           | 32,369,000           | 26,008,000           | 17,526,000           | 28,859,000                       | 11,507,000                       |
| 7,467,000               | 17,122,000           | 12,004,000           | 12,318,000           | 6,760,000            | 11,134,000                       | 2,373,000                        |
| 11,867,000              | 11,437,000           | 10,344,000           | 9,806,000            | 8,135,000            | 10,318,000                       | 7,212,000                        |
| 3,058,000               | 2,803,000            | 2,372,000            | 2,207,000            | 1,766,000            | 2,441,000                        | 1,997,000                        |
| 28,123,000              | 24,980,000           | 22,922,000           | 22,294,000           | 26,518,000           | 24,967,000                       | 19,098,000                       |
| 49,850,000              | 35,927,000           | 36,105,000           | 34,237,000           | 35,957,000           | 38,415,000                       | 32,653,000                       |
| —                       | * 1,720,000          | —                    | —                    | 61,000               | * 332,000                        | 3,576,000                        |
| 13,462,000              | 12,346,000           | 10,879,000           | 9,986,000            | 9,858,000            | 11,306,000                       | 11,635,000                       |
| 12,906,000 <sup>†</sup> | 10,582,000           | 8,823,000            | 8,431,000            | 8,431,000            | 9,835,000                        | 8,323,000                        |
| 19,045,000              | 16,191,000           | 14,745,000           | 13,131,000           | 12,523,000           | 15,127,000                       | 12,523,000                       |
| 5,895,000               | 825,000              | 3,770,000            | 3,712,000            | 4,487,000            | 3,738,000                        | 1,354,000                        |
| <u>\$237,984,000</u>    | <u>\$217,535,000</u> | <u>\$204,670,000</u> | <u>\$184,628,000</u> | <u>\$168,329,000</u> | <u>\$202,629,000</u>             | <u>\$138,907,000</u>             |
| 9,522,817               | 8,095,597            | 7,372,582            | 6,565,358            | 6,261,274            | 7,563,526                        | 6,261,274                        |
| \$2.62                  | \$2.10               | \$2.51               | \$2.57               | \$2.72               | \$2.50                           | \$2.22                           |
| \$2.00                  | \$2.00               | \$2.00               | \$2.00               | \$2.00               | \$2.00                           | \$2.00                           |
| \$0.62                  | \$0.10               | \$0.51               | \$0.57               | \$0.72               | \$0.50                           | \$0.22                           |

page 38.

1949. Of the total, \$49,850,000 was charged to income and the balance to capital and other accounts.

Taxes charged to income account were the largest single item of cost in providing service to our customers, absorbing 21% of gross operating revenues

from all sources. Measured by other standards, these taxes exceeded by almost \$9,000,000 the total payroll of all employees except those engaged in construction work, and by approximately \$18,000,000 the amount paid in dividends to the 170,000 stockholders who own the business.

PACIFIC GAS AND ELECTRIC COMPANY

Of the numerous taxes paid by the Company, two—ad valorem property taxes and Federal corporation income taxes—accounted for over 80% of the total tax bill.

Property taxes advanced \$3,839,000 to a total of \$25,764,000. More property was placed on the assessment rolls as a result of the Company's large construction program, and local tax rates were generally higher. Public school districts received about \$10,500,000, or 40% of the total paid in property taxes.

The provision for Federal corporation income tax was approximately double that made in the

previous year and totaled \$19,006,000. The increase reflected both the Company's improved earnings position and the higher corporate income tax rates imposed by the Federal Revenue Act of 1950.

Federal tax legislation enacted early in January 1951 provides for the imposition of an excess profits tax on corporations. Because of the moderate return earned on the Company's investment in plants and properties, it does not appear that any liability for excess profits taxes under the new law was incurred in 1950 or will be incurred in 1951.

On numerous occasions the attention of stockholders has been directed to the almost complete

Taxes—By Classes and Comparison with Previous Year

|                 |  | Year<br>1950 | Year<br>1949 | Increase     |
|-----------------|--|--------------|--------------|--------------|
| LOCAL TAXES:    | Ad Valorem property . . . . .            | \$25,764,353 | \$21,924,902 | \$ 3,839,451 |
|                 | Franchise payments . . . . .             | 1,248,176    | 1,148,603    | 99,573       |
|                 | Total local taxes . . . . .              | 27,012,529   | 23,073,505   | 3,939,024    |
| STATE TAXES:    | Bank and corporation franchise . . . . . | 1,194,981    | 1,296,378    | * 101,397    |
|                 | Unemployment . . . . .                   | 1,291,042    | 266,367      | 1,024,675    |
|                 | Other . . . . .                          | 181,371      | 200,958      | * 19,587     |
|                 | Total state taxes . . . . .              | 2,667,394    | 1,763,703    | 903,691      |
| CITY AND STATE: | Sales and use . . . . .                  | 1,908,730    | 2,108,247    | * 199,517    |
| FEDERAL TAXES:  | Corporation income . . . . .             | 19,006,013   | 9,725,799    | 9,280,214    |
|                 | Electric energy . . . . .                | 3,001,259    | 2,730,156    | 271,103      |
|                 | Unemployment . . . . .                   | 153,684      | 160,896      | * 7,212      |
|                 | Old Age benefits . . . . .               | 773,825      | 531,756      | 242,069      |
|                 | Other . . . . .                          | 179,634      | 155,312      | 24,322       |
|                 | Total federal taxes . . . . .            | 23,114,415   | 13,303,919   | 9,810,496    |
|                 | Total taxes . . . . .                    | \$54,703,068 | \$40,249,374 | \$14,453,694 |
| CHARGED TO:     | Income account—Taxes . . . . .           | \$49,850,085 | \$35,926,846 | \$13,923,239 |
|                 | Capital and other accounts . . . . .     | 4,852,983    | 4,322,528    | 530,455      |
|                 | Total taxes . . . . .                    | \$54,703,068 | \$40,249,374 | \$14,453,694 |

\*Denotes decrease

exemption from taxes accorded government-owned utilities. No justification has ever existed for this subsidy. It is less defensible now than ever because of the revenues urgently needed by the Federal government to defray the cost of the nation's defense program. It is increasingly apparent that this gross inequity should be corrected by appropriate legislation.

### *Depreciation and Amortization*

During the year the sum of \$28,123,000 was provided out of income for depreciation and amortization. This provision was \$3,143,000 greater than in 1949 and absorbed 11.8% of gross operating revenues.

The total reserve for depreciation and amortization on December 31, 1950 was \$276,803,000. The reserve ratio is about 20% of the Company's investment in utility plant stated on the basis of original cost.

There has been some decline in this reserve ratio in recent years. This does not signify any basic change in depreciation policy, but is chiefly a result of the reduction in the average age of our properties due to large plant additions made since World War II.

### *Fixed Charges and Dividends*

Interest on the Company's long-term debt aggregated \$17,710,000 for the year, an increase of \$2,305,000. Sale of large blocks of First and Refunding Mortgage Bonds in both 1949 and 1950 accounts for this increase.

Income deductions were credited with the sum of \$5,293,000 for interest charged to projects under construction. This credit, calculated at the rate of 5%, reflects capital carrying costs associated with an average of more than \$100,000,000 of invested capital temporarily tied up in construction work in progress and hence not productive of current earnings.

Dividends paid on the outstanding preferred stock totaled \$12,906,000, exceeding the corre-

sponding figure in 1949 by \$2,324,000. This increase was the result of additional preferred stock issued in the past two years.

Dividends aggregating \$19,045,000 were paid on the common stock at the annual rate of \$2.00 per share which has been in effect for many years. There was an increase of 1,427,220 shares in the average number of common shares outstanding, resulting in increased dividend disbursements of approximately \$2,854,000.

After payment of dividends there remained for reinvestment in the business \$5,895,000, representing 62 cents per share on the average number of common shares outstanding during the year. This compares with 10 cents per share similarly retained in 1949, and an average of 50 cents annually for the past five years.

### *Financing*

New securities aggregating \$158,903,900 par value were issued and sold in 1950. Net proceeds exceeded par value by more than \$10,000,000.

This was the largest volume of financing ever carried on by the Company in a single year, although actual construction expenditures were less than in 1949. This situation resulted from the fact that toward the close of 1949 the Company relied on temporary bank loans to carry forward its construction program, and closed that year with \$16,000,000 of such loans outstanding. Early in January 1950 additional bank credit in the amount of \$12,000,000 was obtained. Both loans were later paid from the proceeds of preferred stock issued in February. The bank loans were provided under a standby credit agreement with a number of the nation's major banks. This agreement expired on March 1, 1950 and was not renewed.

The preferred stock issued was in a new series of 1,500,000 shares of 4.80% Redeemable First Preferred Stock. This issue was sold February 1, 1950, and was well received. Large blocks were purchased by a number of leading insurance companies.

Toward the close of the first quarter, subscription rights were issued to common stockholders of

record on March 14, 1950, entitling them to subscribe for 1,656,156 additional shares of common stock in the ratio of one share for each five shares then held. The subscription price was \$30 per share.

It was deemed in the best interests of the Company and its stockholders to have this offering underwritten by a nationwide group of underwriters.

Subscriptions were received for 1,613,463 shares, or 97.42% of the total shares offered. These figures include stock subscribed by underwriters through the exercise of rights purchased by them in the open market.

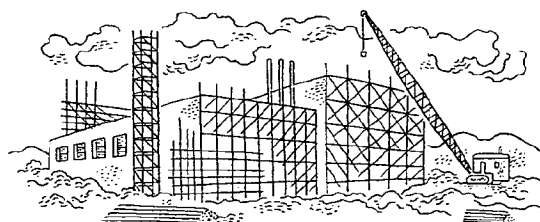
The remaining shares offered were purchased by the underwriters in accordance with the terms of the underwriting agreement. The Company shared in the profits from the sale of this stock to the public.

In many respects, this was one of the most successful offerings ever made by the Company. It brought into the business a large amount of needed common stock equity capital. The success of the offering, despite the abnormally low earnings per share recorded in 1949, afforded gratifying evidence of the confidence of investors in the fundamental strength and earnings prospects of the Company.

Shortly after the common stock offering, the Company entered the capital market again, in June 1950, this time with an issue of \$80,000,000 face amount of its First and Refunding Mortgage Bonds, Series T, due in 1976. The offering was sold at competitive bidding and was quickly absorbed, principally by institutional investors.

This financing enabled the Company to carry forward its construction program for the remainder of 1950 and to enter 1951 with a balance of cash and temporary cash investments totaling \$52,259,000.

Common stockholders have already been advised of the Company's intention to make another offering of common stock through subscription rights during the first quarter of 1951 to provide additional funds for carrying forward our construction work this year.



### CONSTRUCTION PROGRAM

Satisfactory progress was made in 1950 on the Company's building program. Construction expenditures aggregated \$168,634,000, compared with the peak established in the previous year of \$192,480,000. In the past five years \$664,000,000 has been spent on this expansion program.

Reference was made in last year's report to the completion of additional electric generating capacity in the early months of 1950. Capacity added in that period included 37,500 kilowatts in Cresta hydro-electric plant and 126,000 kilowatts in Rock Creek hydro-electric plant, both on the Feather River, and 100,000 kilowatts in Kern steam-electric generating station near Bakersfield.

The first unit of 100,000 kilowatts capacity of our Moss Landing steam-electric generating plant was placed in operation in April, and a second unit of similar size in December. A third unit, also of 100,000 kilowatts, was paralleled with the system in February 1951.

With the completion of these units, the Company in the past five years has added almost 1,100,000 kilowatts to its electric generating resources.

Work on the Contra Costa steam-electric generating plant is progressing on schedule, and we expect to have three 100,000-kilowatt units in operation at this plant by midsummer 1951.

In anticipation of further rapid growth in power requirements in this area, construction has been authorized on four additional 100,000-kilowatt steam-electric generating units. Two of these will be installed in the Moss Landing Plant and two in the Contra Costa Plant. Upon completion of these



units in 1952 and 1953, the Moss Landing and Contra Costa plants will each have an aggregate installed capacity of 500,000 kilowatts, and will be the largest steam-electric generating stations west of the Mississippi River.

The Company also is constructing a hydro-electric project on the Bear River, a tributary of the Mokelumne. This project will add 33,000 kilowatts of capacity and by better control of headwaters will increase the output of our down-stream plants.

Stockholders have previously been informed of the controversy arising from the Company's proposal to develop an additional 279,000 kilowatts of capacity on the Kings River, licenses for which were authorized by the Federal Power Commission late in 1949. Opposing the authorization granted us, the Secretary of the Interior, acting for the Bureau of Reclamation, applied for a rehearing which was granted on January 9, 1950. Briefs were filed by the interested parties and oral arguments were heard on March 21, 1950, but no decision had been announced by the Commission as of the date of this report.

The Company's section of the gas transmission line from Texas and New Mexico fields into Northern and Central California was completed and placed in commercial operation about the close of 1950. This line, 34 inches in diameter and 502 miles in length, is the largest diameter pipe line ever constructed for the transmission of natural gas. Deliveries through this line are now exceeding 200

million cubic feet per day. Three compressor stations will be constructed during 1951, which by the fall of this year, will permit increasing deliveries to 400 million cubic feet of natural gas daily.

A sound motion picture in color was made by the Company as construction work progressed on the line. Since its completion, more than 100 audiences a month have viewed the film throughout our service area.

In addition to work on major projects, substantial additions were made to extend and enlarge our electric and gas distribution systems. Illustrating this phase of construction activities, about 2000 miles of electric distribution lines were constructed during the year, mostly in rural territory.



### CUSTOMERS

More new customers were connected to our lines in 1950 than in any previous year, except 1948. There was a net gain of 126,995, bringing to 2,386,210 the number served at the year-end in all branches of our operations.

#### Customers—By Departments and Increase During Year

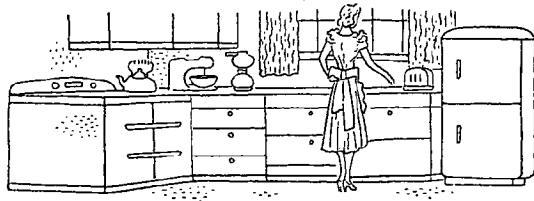
|   | December 31<br>1950 | December 31<br>1949 | Increase<br>during 1950 |
|---|---------------------|---------------------|-------------------------|
| Electric Department . . . . .             | 1,333,717           | 1,267,588           | 66,129                  |
| Gas Department . . . . .                  | 1,033,424           | 973,586             | 59,838                  |
| Water and Irrigation Department . . . . . | 18,330              | 17,300              | 1,030                   |
| Steam Sales Department . . . . .          | 739                 | 741                 | *2                      |
| <b>TOTALS . . . . .</b>                   | <b>2,386,210</b>    | <b>2,259,215</b>    | <b>126,995</b>          |

\*Denotes decrease.

This is the fourth consecutive year in which the Company has connected more than 100,000 new customers. Extension of service to these customers has required the construction in each of these four years of the equivalent of a large-sized utility system.

The large numerical growth in customers in recent years reflects the extraordinary gain in population in the Company's service area. Preliminary census figures for 1950 indicate a population of slightly over 5,000,000 in the forty-six California counties into which our lines extend, a gain of more than 1,700,000 since 1940.

We have achieved an outstanding record in rural electrification. Over 98% of the farms in our field of operations enjoy electric service. About 35% of our domestic electric customers reside outside the limits of incorporated cities and towns.



**SALES**

Sales of electricity reached a new high record of 11,042,000,000 kilowatt-hours in 1950, exceeding by 8.6% the preceding year's sales of 10,172,000,000 kilowatt-hours.

Gains in the major classifications ranged from 7% to 13%. Gains in the domestic and small light and power classifications were somewhat restricted because of Daylight Saving Time, which was not in effect in California during 1949.

Average consumption of our domestic customers was 1905 kilowatt-hours, an increase of 77 kilowatt-hours over the previous year.

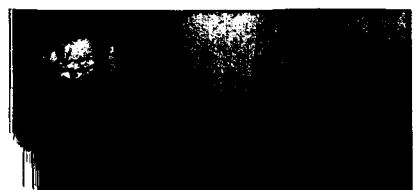
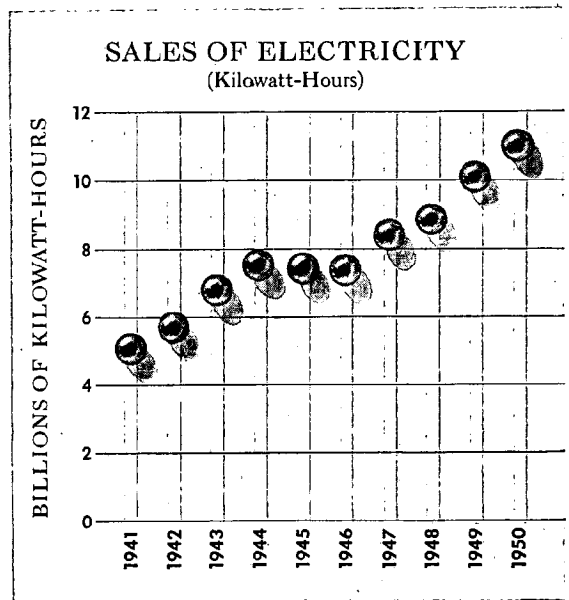
The constantly greater use of electric appliances and the improvement of lighting standards

in the home are evidenced by the fact that average residential consumption in 1950 was more than double the corresponding average of 945 kilowatt-hours in 1938. Meanwhile, the average price received by the Company for this service dropped from 3.46 cents to 2.52 cents per kilowatt-hour.

The average annual use in incorporated areas was 1482 kilowatt-hours, and in unincorporated areas 2680 kilowatt-hours. The difference arises principally from the fact that low-priced natural gas is available in most cities and towns. Where available it has largely pre-empted the market for domestic cooking and water heating, whereas electricity is more widely used for these purposes where piped natural gas is not generally available.

Sales to approximately 55,000 agricultural power customers exceeded two billion kilowatt-hours. This was more than the combined usage of the Company's one million domestic customers. In no other area in the world is electricity used so extensively in agriculture as in California.

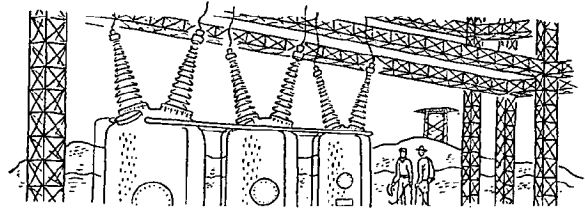
Aside from its pre-eminence in the cultivation of many types of field and orchard crops, California in recent years has become one of the major cotton



producing states of the nation. The yield per acre is more than double the national average. About 600,000 acres were planted to cotton in 1950, and with the removal of acreage restrictions it is expected that over 1,000,000 acres will be planted in 1951. Substantially all of this acreage will be irrigated, involving extensive use of electric power for pumping purposes.

Sales of gas totaled 172,683,000,000 cubic feet, a gain of 6,504,000,000 cubic feet, or 3.9% over 1949. Sales to residential or domestic customers exceeded those of the previous year by less than 1%. Average temperatures, slightly above normal in 1950, were well below normal in 1949. Had temperatures been comparable, the increase in gas sold in 1950 for domestic use would have been considerably larger than was actually recorded.

The volume of gas supplied our industrial customers was 18.6% greater than in 1949. While attributable in part to the transfer of many customers from commercial to industrial tariffs, this gain was due in larger measure to steadily growing industrial consumption and to the greater volume of gas available on an interruptible basis.



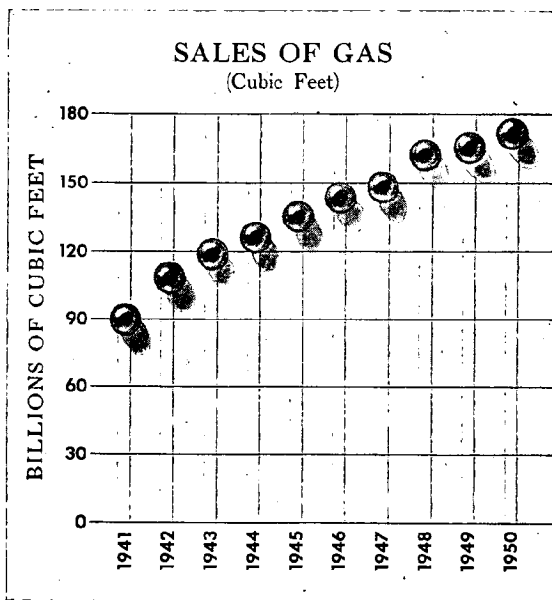
**OPERATIONS**

Rain and snowfall in the 1949-50 season was the best experienced in five years, but was still slightly below the long-term average. In the late months of 1950, however, unusually heavy storms greatly increased the availability of hydro-electric power and permitted substantial reduction in the output of the Company's steam-electric generating plants normally required in those months. Since the close of the year, further rainfall has brought the water supply in this area to well above normal for the season to date.

Gross output of electricity was 14.0 billion kilowatt-hours, compared with 12.9 billion in 1949. About 7.2 billion kilowatt-hours were generated in the Company's hydro-electric plants, or 2.0 billion more than in the previous year, reflecting the more favorable water conditions as well as increased hydro capacity added to our system. As a result only 4.3 billion kilowatt-hours of electricity were produced in the Company's steam-electric generating plants, compared with 5.4 billion in 1949.

Restoration of adequate operating margins, depleted during the World War II period, made it possible to shut down several older and less efficient steam-electric stations, with resultant economies in operating costs. As additional steam units are completed and placed in operation, it is estimated that by 1952 the over-all efficiency of our fuel-burning generating plants will have increased about 35% compared with 1948.

The maximum demand on our system occurred on July 25, 1950. It was 2,509,300 kilowatts and exceeded the previous year by 9%. At the time of this peak, generating capacity still available was 476,000 kilowatts, a margin of 19%. This did not in-



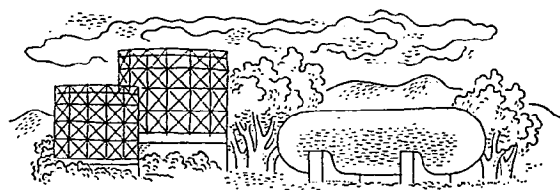
clude 104,000 kilowatts in older steam plants shut down in cold reserve nor capacity available through interconnection with other power companies.

During the year two substations and four hydroelectric plants were converted to automatic operation. This completes the automatic conversion program started in 1937, which has resulted in large savings in operating costs as well as in improved efficiencies.

Over 212 billion cubic feet of natural gas were purchased and transported in our gas transmission system to supply the needs of our customers and for use as fuel in the Company's steam-electric generating plants.

The maximum day's send-out for the year, 855 million cubic feet, occurred on December 27, 1950.

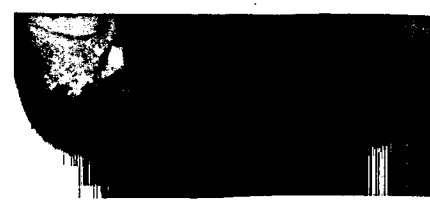
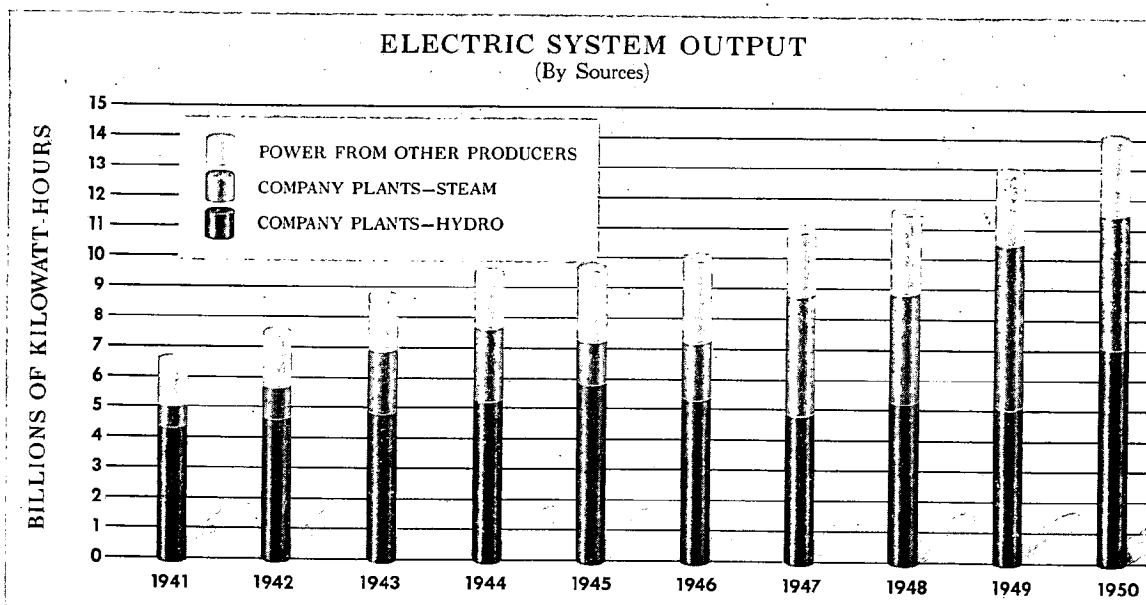
Our gas facilities include eleven standby gas plants, with a total production capacity of about 158 million cubic feet of gas a day. These plants are maintained for emergency use and to relieve peak conditions during periods of exceptionally cold weather.



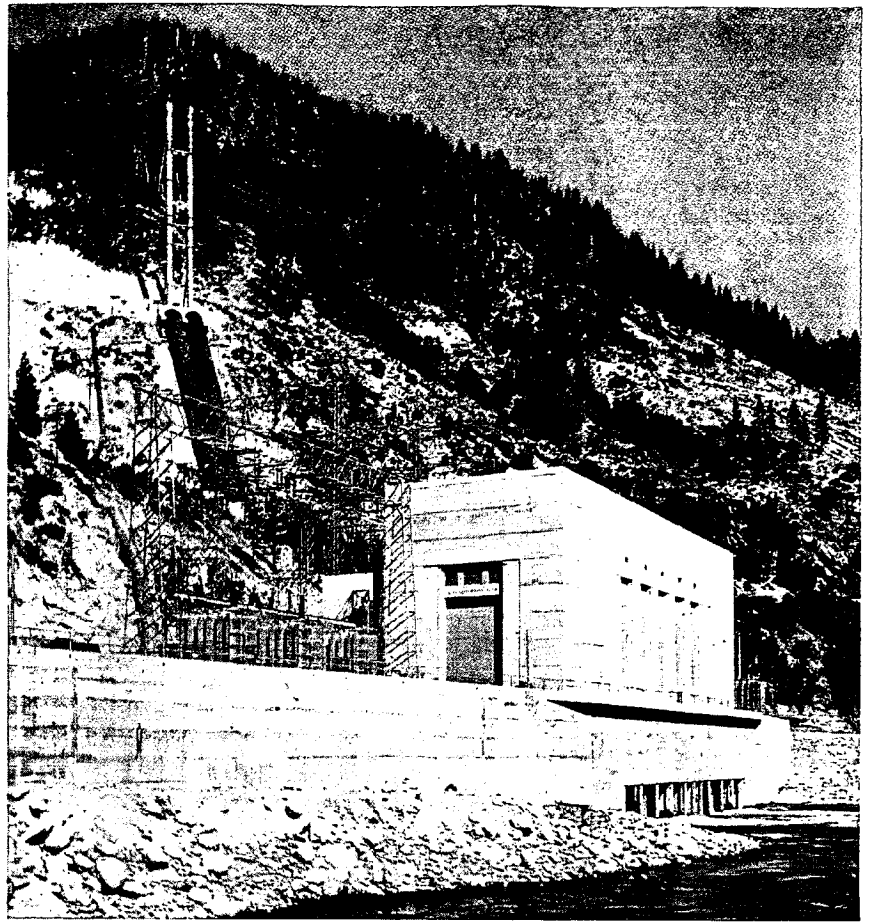
### GAS SUPPLY

Construction of the Topock-Milpitas gas transmission line approximately trebled our investment in gas transmission facilities and made the Company one of the major gas pipe line operators in the country as well as one of the nation's chief distributors of natural gas. The line connects at the California-Arizona border with a pipe line constructed by El Paso Natural Gas Company.

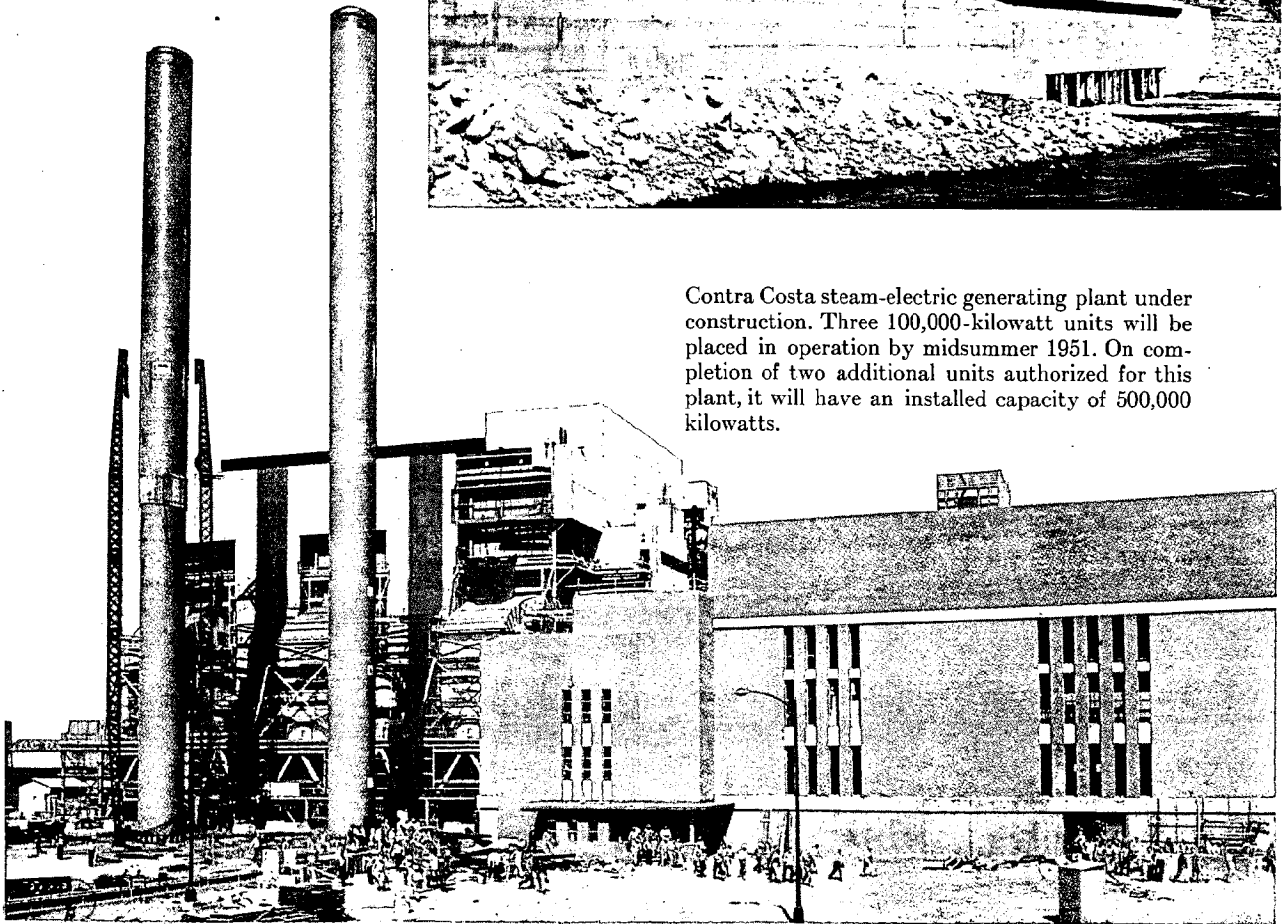
Gas now being delivered through this line originates in the Permian Basin in southeastern New Mexico and west Texas. In the fall of 1951 it will be augmented by additional supplies from the San Juan Basin in northwestern New Mexico. Includ-



Rock Creek hydro-electric plant on the Feather River was placed in operation in February 1950, adding 126,000 kilowatts to the system capacity.



Contra Costa steam-electric generating plant under construction. Three 100,000-kilowatt units will be placed in operation by midsummer 1951. On completion of two additional units authorized for this plant, it will have an installed capacity of 500,000 kilowatts.










# TERRITORY SERVED BY THE PACIFIC GAS AND ELECTRIC COMPANY





DECEMBER 31, 1950

The Company operates an integrated system extending into 46 California counties with a population exceeding 5,000,000

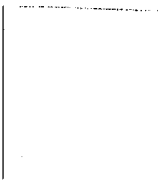
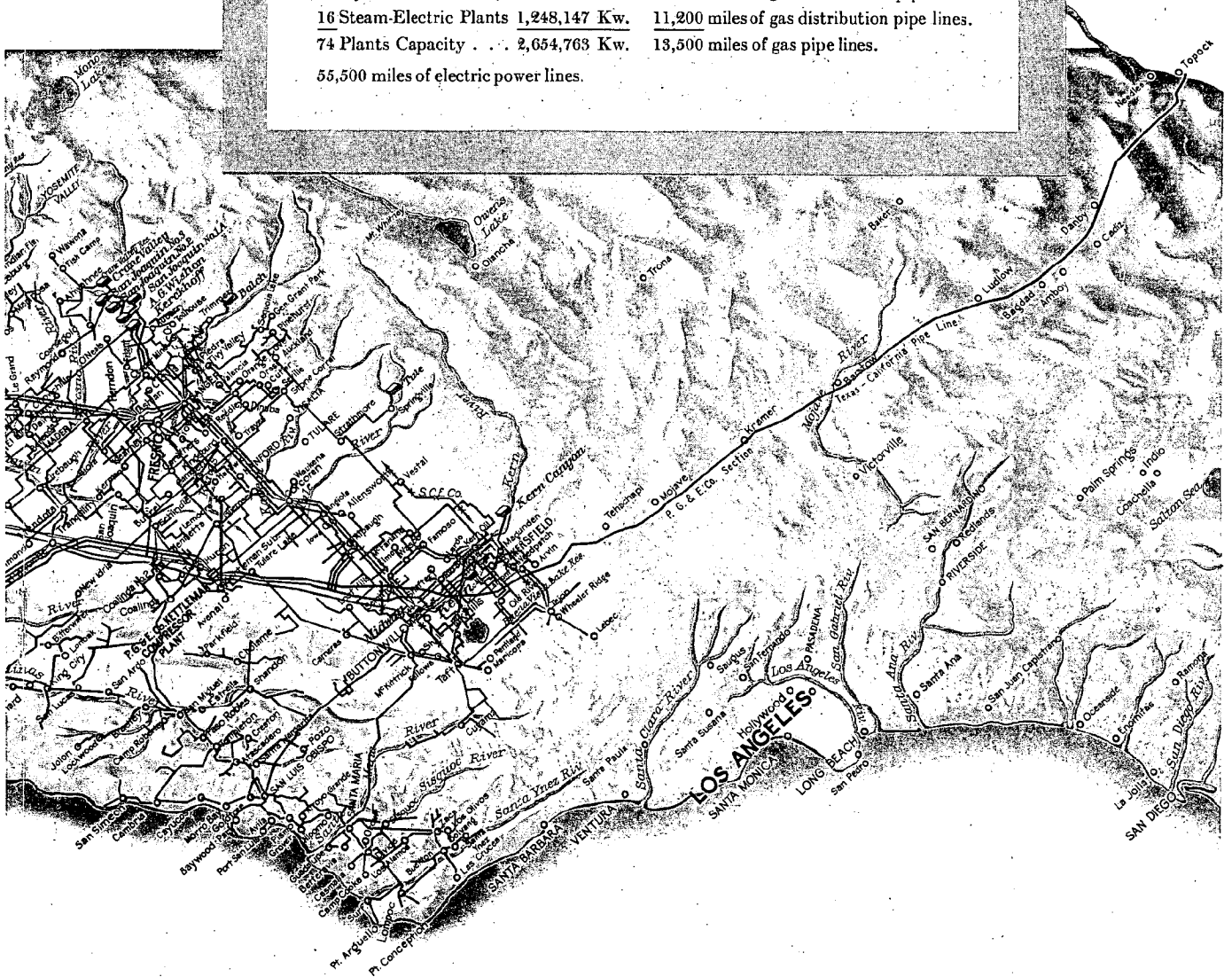
## ELECTRIC SYSTEM

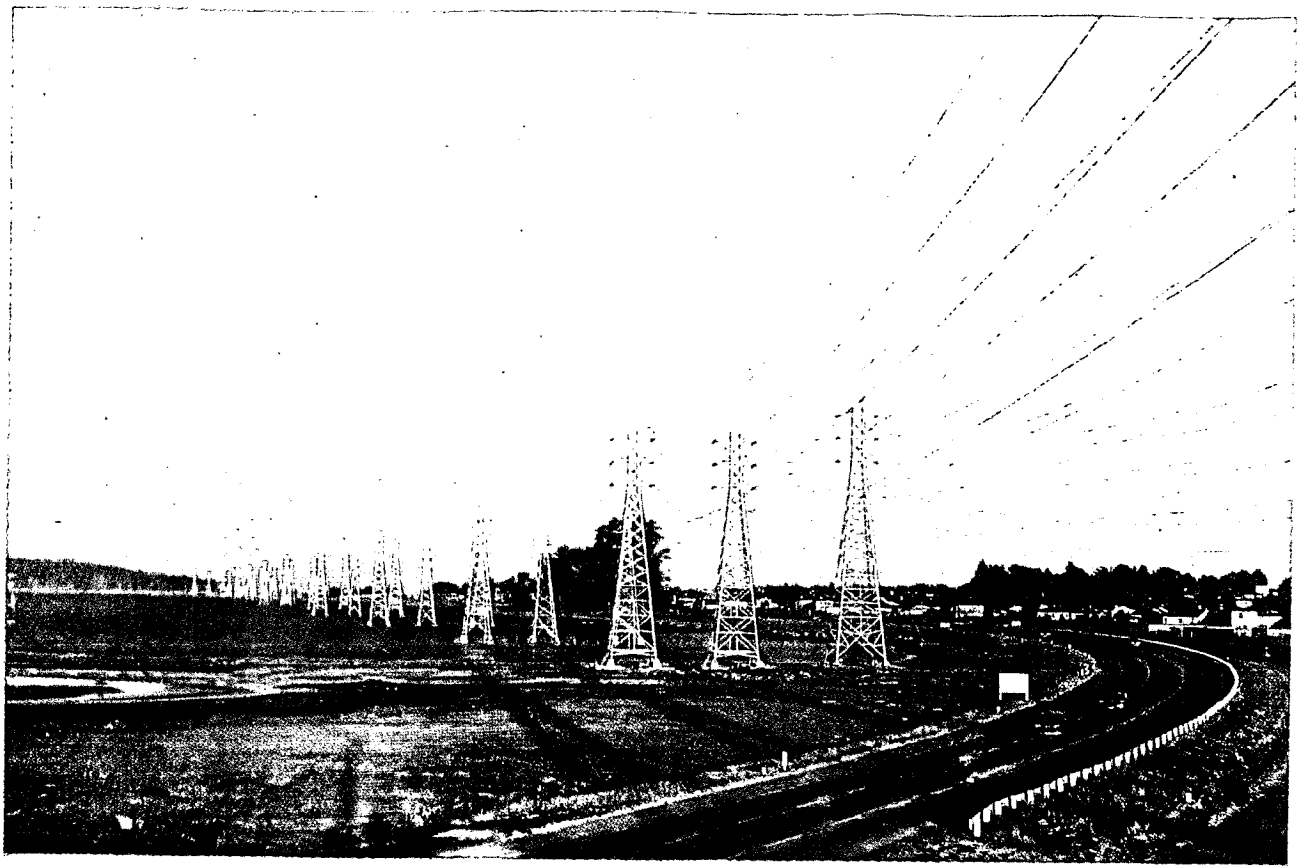
-  Generating Plants—Steam-Electric
-  Generating Plants—Hydro-Electric
-  Transmission Lines
-  Connecting Companies
-  U. S. Govt. Line Used by Company

## GAS SYSTEM

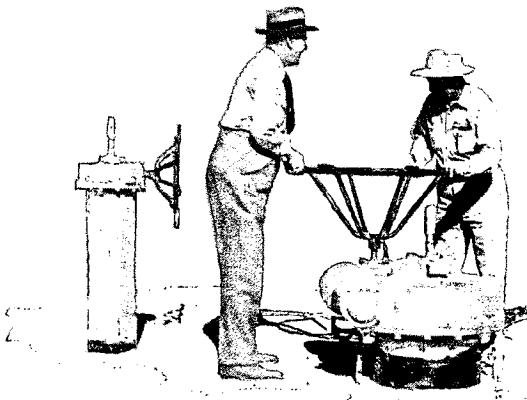
-  Generating Plants
-  Transmission Lines
-  Connecting Companies
-  Standard—Pacific Gas Line, Inc.

|  |  |
|--|--|
| 58 Hydro-Electric Plants 1,406,616 Kw. | 2,300 miles of gas transmission pipe lines.  |
| 16 Steam-Electric Plants 1,248,147 Kw. | 11,200 miles of gas distribution pipe lines. |
| 74 Plants Capacity . . . 2,654,763 Kw. | 13,500 miles of gas pipe lines.              |
| 55,500 miles of electric power lines.  |  |





High tension power lines gracefully skirt San Francisco Bay, a part of the Company's interconnected transmission system extending throughout Northern and Central California.



With the turn of a valve, a man-made dust storm erupts as the last section of the "Super Inch" gas transmission line is purged and made ready for operation.

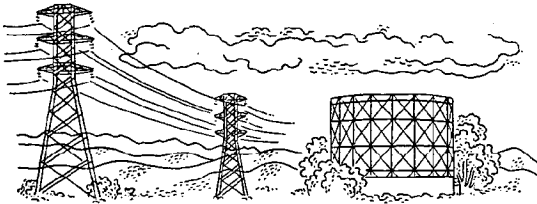




ing compressor facilities now being built to permit of carrying this additional gas supply, our section of the line will cost approximately \$63,000,000.

The building of this line represents a realistic response by the Company to an urgent need of the people of Northern and Central California. Confronted with mounting demands for gas from a rapidly growing population and expanding industry and a simultaneous decline in available gas within the state, the Company was under the necessity of supplementing its existing sources of supply with natural gas from out-of-state fields. The alternatives were curtailment in the use of gas or resort to more costly and less desirable manufactured gas.

Looking farther into the future, tentative arrangements, subject to regulatory approval, have been made to increase total deliveries from the El Paso Company to 500 million cubic feet of gas per day beginning late in 1952, and 550 million a year later. Additional pipe line capacity will be obtained by paralleling the present line for portions of its length and by installing additional compressor facilities.



### *RATE MATTERS*

On March 21, 1950, the California Public Utilities Commission granted the Company's application, filed in October 1949, for an increase in electric rates of 6%, or \$8,800,000 on an annual basis.

This increase, which became effective April 15, was the first upward revision of our electric rate schedules since 1920, although repeated reductions were made in the intervening years. Our application was filed only after it became clear that existing

rates were inadequate to offset mounting operating expenses and capital costs. The amount of the increase requested was not calculated to produce immediately a normal rate of return on our investment in electric properties. It was our hope that continued growth in business, improved operating efficiencies and other factors would, within a reasonable time, raise the return to more normal levels. Whether this will prove to be the case remains to be seen, particularly in view of recent increases in Federal taxes and other items of operating cost. If it should later appear that the new rates are inadequate, we shall not hesitate to seek further relief.

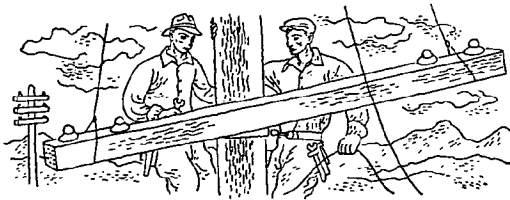
The increase in electric rates followed by a few months an increase in gas rates of \$4,000,000 per annum, which became effective November 28, 1949.

It was apparent that these moderately higher gas rates would be inadequate to compensate the Company for the substantially increased costs associated with the importation of out-of-state gas, higher taxes and materially higher field prices to be paid for gas purchased from California producers in 1951. The Company therefore applied in June 1950 for authority further to increase gas rates, effective January 1, 1951. As later amended, our application requested increases in these rates totaling \$18,275,000 annually.

During the course of hearings on this application it became evident that because of the crowded condition of the Commission's calendar, final disposition of the case would be delayed several months. Accordingly, on November 22, 1950, the Company requested the establishment of such interim rates as the Commission might deem proper, pending the completion of hearings and final action on the application.

On January 23, 1951, the Commission acted on the Company's motion, authorizing the establishment of interim rates estimated to produce additional revenues of \$7,000,000 on an annual basis, effective February 18, 1951. Hearings will be resumed shortly for the presentation of additional evidence on the requested increase.





**PERSONNEL**

Relations with employees continued on a satisfactory basis throughout 1950.

The Company offers a high degree of employment stability and security. This is evidenced by the fact that the average length of service for all our employees is over ten years. Almost 25% have more than twenty years' service.

The Company employed on the average about 700 fewer employees than in 1949. However, the number at the end of the year, 16,722, was slightly higher than at the close of the previous year.

The payroll of all employees aggregated \$67,833,000 in 1950, compared with \$68,789,000 in 1949. Of the total, \$41,141,000 was charged against income as operating expense. The balance of \$26,692,000 was paid to employees engaged in con-

struction work and was charged to capital accounts.

Various collective bargaining agreements relating to working conditions were entered into or continued automatically with the International Brotherhood of Electrical Workers (A. F. of L.) and with the Utility Workers Union of America (C. I. O.). Wage agreements to run until September 30, 1951 were entered into with both unions. The IBEW agreement provided for a wage increase of 3% effective September 1, 1950, and a further increase of 1% effective January 1, 1951. The UWUA agreement provided for a wage increase of 4% effective October 1, 1950. Appropriate salary adjustments were also made for employees not represented by a union. Altogether, these wage and salary adjustments amounted to approximately \$2,700,000 on an annual basis.

It is gratifying to note that both the UWUA and the IBEW at the national level have taken a firm stand opposing further socialization of the electric power industry. At their national conventions and through their national presidents they have expressed vigorous disapproval of federal and state activities in this field.

During the year 179 employees were pensioned under the Company's Retirement Plan, and at the

**Summary of Disbursements for Payrolls and Other Employee Benefits  
Year 1950**

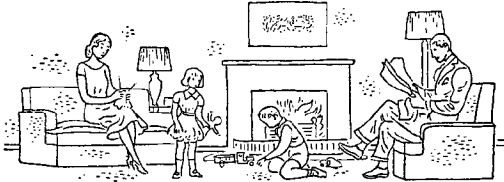
|   |  |              |                     |
|---|--|--------------|---------------------|
| <b>PAYROLLS:</b>  | Payroll of operating employees . . .         | \$41,141,000 |                     |
|   | Payroll of construction employees . . .      | 26,692,000   |                     |
|   | Sub-total . . . . .                          |              | \$67,833,000        |
| <b>OTHER EMPLOYEE<br/>BENEFITS PAID<br/>BY COMPANY:</b>     | Contribution to Retirement Plan . . .        | \$ 2,799,000 |                     |
|   | Other pension payments made by Trustee       | 745,000      |                     |
|   | State unemployment insurance tax . . .       | 1,291,000    |                     |
|   | Federal unemployment insurance tax . . .     | 154,000      |                     |
|   | Federal old-age insurance contribution . . . | 774,000      |                     |
|   | Group Life Insurance Plan payments . . .     | 102,000      |                     |
|   | Contributions to employee associations . . . | 106,000      |                     |
|   | Sub-total . . . . .                          |              | 5,971,000           |
| <b>TOTAL PAYROLLS AND OTHER EMPLOYEE BENEFITS . . . . .</b> |  |              | <b>\$73,804,000</b> |

year's end 1505 eligible employees were receiving retirement incomes.

Since the outbreak of hostilities in Korea, over 600 employees have entered military service. In addition to re-employment rights conferred by law upon these employees, the Company has extended to them further benefits by modifying its stock purchase plan and its retirement plan to meet service requirements.

The Employees' Suggestion Plan, in continuous operation for twenty-six years, attracted wider interest among employees than in any previous year. Over 1800 suggestions were made, and 621 were judged meritorious and recognized with cash awards.

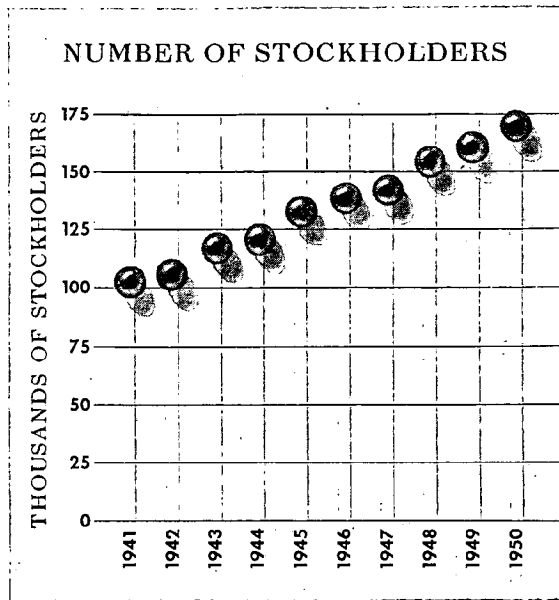
The Pacific Service Employees Association enjoyed another successful year. It is a voluntary organization managed and operated entirely by its members, although some financial assistance is provided by the Company. It sponsors social, recreational and educational activities and administers several benefit plans for its membership.



**STOCK OWNERSHIP**

During 1950 there was a further gratifying gain of 10,031 in the number of those participating in the ownership of the Company. At the year-end the Company was owned by 170,498 stockholders of record. This figure measures only direct ownership, for a far greater number have an indirect financial interest in the Company through holdings of its securities by insurance companies and other institutions and organizations.

We now have more than ten stockholders for each employee on the payroll. The investment required to create a single job in the public utility



industry far exceeds that of any other industry. In our case well over \$100,000 is invested for each operating employee.

About 63% of our stockholders reside in California, with the balance widely distributed in every state of the union and in some foreign countries.

**DISTRIBUTION OF STOCK OWNERSHIP BY CLASS OF INVESTOR—DECEMBER 31, 1950**

| CLASS OF INVESTOR   | Number of Stockholders | Number of Shares Owned |
|---|------------------------|------------------------|
| Women stockholders . . . . .                                  | 68,996                 | 4,979,898              |
| Men stockholders . . . . .                                    | 43,779                 | 3,617,040              |
| Joint and other tenancies . . . . .                           | 40,605                 | 3,021,575              |
| Trustees, guardians, and other fiduciaries . . . . .          | 12,688                 | 3,730,843              |
| Corporations, partnerships and proprietorships . . . . .      | 1,765                  | 905,877                |
| Charitable, fraternal organizations and foundations . . . . . | 859                    | 208,735                |
| Banks, investment companies, and security dealers . . . . .   | 729                    | 777,595                |
| Insurance companies . . . . .                                 | 426                    | 2,259,448              |
| Religious institutions . . . . .                              | 366                    | 68,794                 |
| Educational institutions . . . . .                            | 285                    | 151,875                |
| <b>TOTALS . . . . .</b>                                       | <b>170,498</b>         | <b>19,721,680</b>      |

Average holdings of individuals and joint tenancies are only 76 shares, representing a par value of about \$1900. Average holdings of all investors are 116 shares.

A relatively recent development of considerable significance is the growing participation of insurance companies in the Company's ownership. Insurance companies now own about 11.5% of the outstanding stock. In all they number 426, and of these, three rank as our largest stockholders.

Probably one of the most vicious untruths propagandized by those hostile to our way of life is that the wealth of the nation is concentrated in the hands of a few. The widespread ownership of this and other corporations is, of course, an outstanding refutation of this propaganda. Those who advocate what they term public ownership of industry conveniently ignore the fact that most corporations of any size are already in fact publicly-owned. What they are really advocating is government ownership, or state socialism, which is quite another thing. If there is any lesson of history that is clear, it is that socialization must inevitably be followed by a loss of personal liberties.

### *CENTRAL VALLEY POWER*

A third and final unit of 25,000 kilowatts capacity was placed in operation at the Keswick Plant of the Central Valley Project in February 1950. This completes the installation of the generating facilities at this and the Shasta Plant of the Project. Together, these plants have an aggregate installed capacity of 450,000 kilowatts. This is approximately 14% of the installed capacity of our service area. On completion of Company units now under construction or authorized, the proportion will be reduced to 11%.

The Company provided a market for substantially the entire output of the Project, as it has every year since the Project's power became available. We purchased for delivery at our Shasta Substation 1,835,000,000 kilowatt-hours, or 13% of the total output of the Company's system from all sources. For this power we paid \$9,915,000,

bringing to more than \$34,000,000 the amount so paid since Central Valley power first became available in 1943.

Disposal of this power through the Company's system has enlarged the financial return to the Project to the benefit of the water users and taxpayers. The legislation authorizing the Project provides that power shall be generated "as a means of financially aiding and assisting" the water features.

Notwithstanding its favorable arrangement with this Company, the Bureau of Reclamation has repeatedly requested Congress to appropriate funds for the construction of a steam-electric generating plant and transmission lines. Its purpose is to establish a tax-free competitive power system in the Company's service area—a purpose far removed from reclamation. We have opposed and will continue to oppose these additional facilities, which would involve an expensive and entirely unnecessary duplication at public expense of facilities already provided by the Company. With the exception of main transmission lines extending to a point near Tracy, where the principal pumps of the Project are located, and lines to serve Project pumps, Congress has denied the Bureau's requests.

The present agreement under which the Company is purchasing the entire output of the Project is on a day-to-day basis. In conformity with what it believes to be the desire of Congressional committees charged with the appropriation of public funds, the Company for more than a year has been negotiating with the Bureau for new contracts for the purchase of government power and for delivery of power by the Company to government agencies and certain preferred customers for the account of the government. No final agreement on this matter has yet been reached.

### *DIRECTORS AND OFFICERS*

Mr. James F. Crafts, a well-known California insurance executive, was elected a member of the Board of Directors on June 14, 1950. He fills the vacancy caused by the resignation of Mr. Charles R. Page.

FORTY-FIFTH ANNUAL REPORT

It is with deep regret that we record the death on December 22, 1950, of Mr. Chas. K. McIntosh, who first became a member of the Board of Directors in 1926. Through his vision and understanding he made an outstanding contribution to the successful conduct of the Company's affairs.

Mr. Elliott McAllister, active in business and civic affairs of San Francisco for many years, was elected a member of the Board of Directors on January 17, 1951, to succeed Mr. McIntosh.

Mr. W. G. B. Euler, for the past three years Vice-President and General Manager and a member of the Board of Directors, was appointed Executive Vice-President on August 1, 1950. At that time he had completed more than 40 years of service with the organization.

On the same date Mr. N. R. Sutherland was appointed Vice-President and General Manager, succeeding Mr. Euler in this position. Although still in his early fifties, Mr. Sutherland has served the Company in various capacities for more than 37 years.

*ANNUAL MEETING*

This annual report for the forty-fifth year of the Company's corporate existence will be submitted at the annual meeting of stockholders to be held

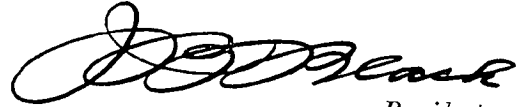
at the office of the Company, 245 Market Street, San Francisco, California, on Tuesday, April 10, 1951.

\* \* \*

In closing this report, I wish on behalf of the Board of Directors to express appreciation to all employees, whose splendid cooperation made possible another year of noteworthy achievement. Their vast accumulation of experience and courteous attention to the needs of our customers rank among our most important resources.

The responsibility resting upon this organization for furnishing vital public services is greatly increased by the critical struggle in which our nation is now engaged. I am confident that our employees are keenly aware of this added responsibility, and will devote their best energies to providing adequate and dependable service under any conditions which may arise.

*For the Board of Directors,*



*President.*

*The management will solicit proxies for the annual meeting. In connection with such solicitation, it is expected that the proxy statement and a form of proxy will be mailed to stockholders on or about March 5, 1951.*

One of the nation's fastest growing markets is served by the Company in Northern and Central California.

Few if any utilities operate in a territory that is more diversified or which has greater possibilities of growth.

Shown on these pages are a few of the new or expanded plant facilities in the Company's service area.

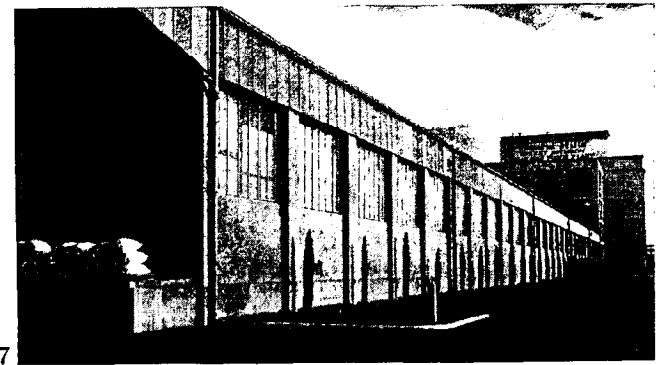
1. General Electric Company, San Jose (electric motors)
2. Chrysler Corporation, San Leandro (Dodge assembly plant)
3. International Minerals and Chemical Corporation, San Jose (mono-sodium glutamate)
4. United Air Lines, San Francisco International Airport (maintenance base)
5. General Foods Corporation, San Leandro (food products)
6. Masonite Corporation, Ukiah (wood fiber hardboard)
7. General Mills, Inc., Sperry Division, Lodi (packaged foods)
8. International Harvester Company, Stockton Works (farm machines)
9. Shell Development Company, Emeryville (petroleum research and development)
10. Western Crown Cork and Seal Corporation, San Francisco (glass container caps)
11. Richfield Oil Corporation, Cuyama Valley (gasoline absorption and gas injection plant)
12. Fiberglas Corporation, Santa Clara (insulating materials)
13. Columbia Steel Company, Pittsburg (steel products)
14. Metropolitan Life Insurance Company, Parkmerced Residential Community, San Francisco
15. Dow Chemical Company, Western Division, Pittsburg (chemical products)



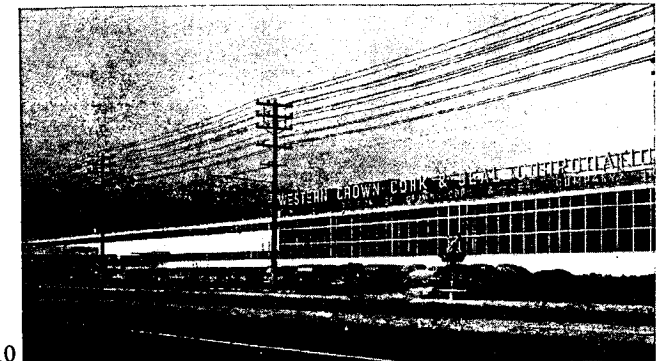
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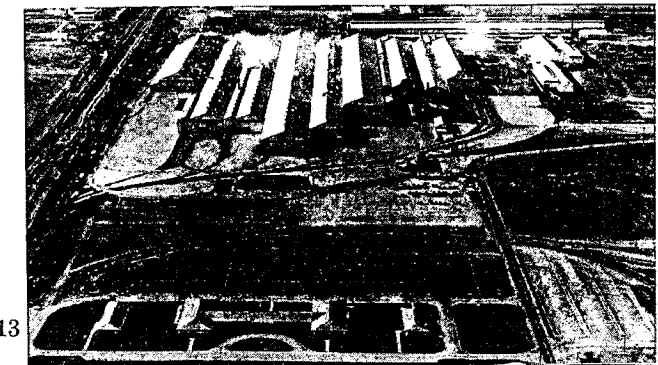
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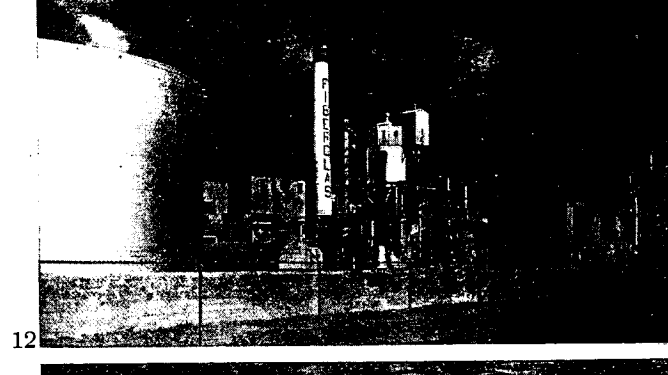
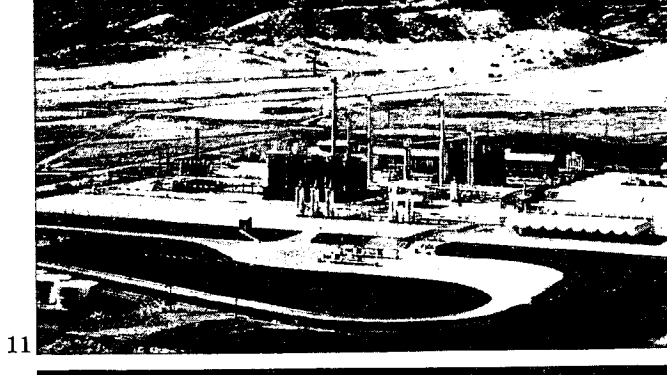
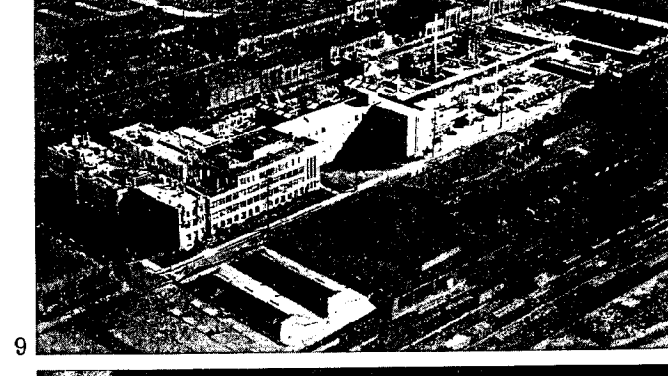
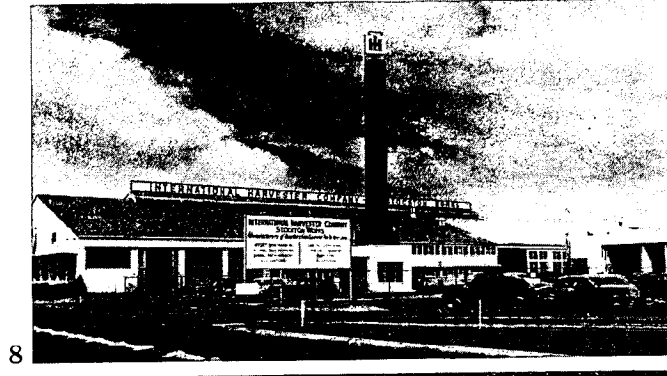
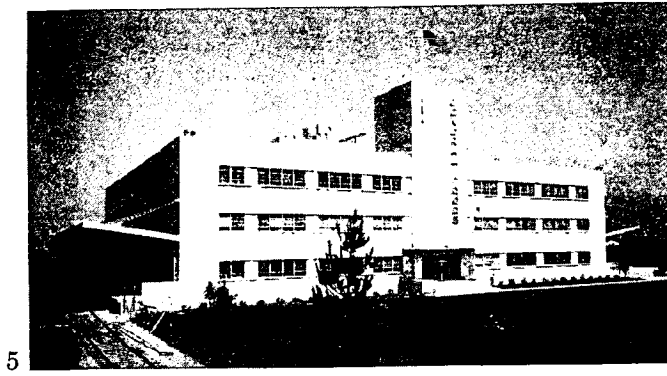
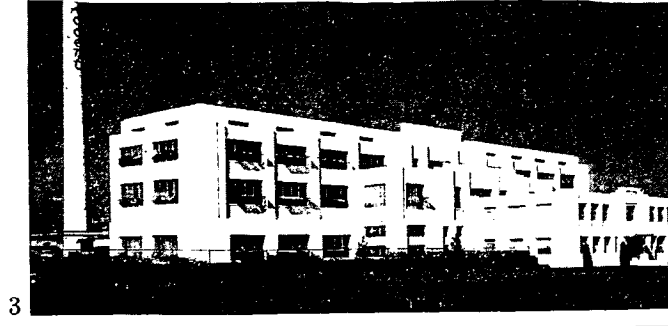
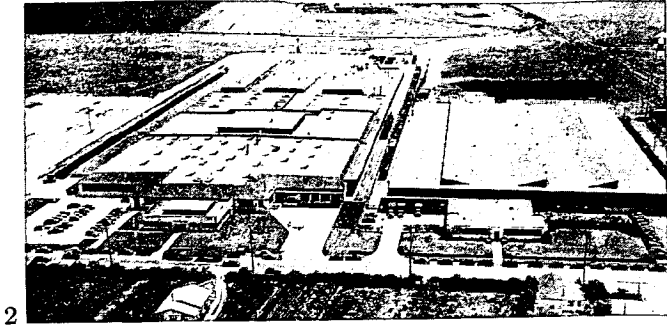
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## Departmental Organization

### DEPARTMENT OF ELECTRIC OPERATION

G. H. Hagar, *Manager of Electric Operation*  
General Superintendents: I. W. Collins, *Power Control*;  
V. F. Estcourt, *Steam Generation*; J. N. Spaulding,  
*Water Systems*; E. A. Crellin, *Hydro Generation*; H. T.  
Sutcliffe, *Substations*; C. Z. Yost, *Transmission and*  
*Distribution*; R. H. Miller, *Communications*. Arthur  
Scott, *Protection Engineer*

### DEPARTMENT OF GAS OPERATION

R. S. Fuller, *Manager of Gas Operation*  
General Superintendents: F. F. Doyle, *Gas Supply and*  
*Control*; P. E. Beckman, *Technical Services*; M. A.  
Richford, *Production and Utilization*; R. D. Smith,  
*Transmission and Distribution*; R. M. Stewart, *Meas-*  
*urement and Regulation*

### DEPARTMENT OF GENERAL CONSTRUCTION

O. W. Peterson, \* *Manager of General Construction*  
A. J. Swank, *Assistant Manager of General Construction*  
H. W. Haberkorn, *Engineer of Hydro-Electric*  
*Construction*  
Charles H. Sedam, *Engineer of Station Construction*  
R. A. Ransdall, \* *Engineer of Line Construction*  
J. A. Love, *Engineer of Gas Construction*  
E. E. Dodge, *Accountant*

### AREA SUPERINTENDENTS

G. A. Peers, *Northern Area*  
H. G. Keesling, \* *Central Area*  
M. L. Crum, *Southern Area*

### DEPARTMENT OF EXECUTIVE ENGINEER

G. M. Thomas, *Valuation Engineer*  
Rudolph Jenny, *Rate Engineer*  
B. K. Dunshee, *Manager Land Department*

### ACCOUNTING AND TAX DEPARTMENTS

D. G. Martin, *General Auditor*  
Harry McGann, *Auditor of Division Accounts*  
Francis J. Carr, *Manager Tax Department*

### DEPARTMENT OF ENGINEERING

J. A. Koontz, \* *Chief of Division of Hydro-Electric and*  
*Transmission Engineering*  
Walter Dreyer, *Chief of Division of Civil Engineering*  
C. C. Wheelchel, *Chief of Division of Steam Engineering*  
C. E. Baugh, *Electric Distribution Engineer*  
F. M. Harris, \* *Chief of Bureau of Specifications and*  
*Estimates*  
W. N. Lindblad, *Chief of Bureau of Tests and Inspections*

### SALES AND COMMERCIAL DEPARTMENT

J. F. Pollard, *Manager Commercial Department*  
J. H. Gumz, *Manager Commercial and Industrial Sales*  
E. G. Stahl, *Manager Agricultural Sales*  
J. S. C. Ross, *Manager Domestic Sales*

### LAW DEPARTMENT

R. W. DuVal, *Rate Attorney*

### CREDIT AND COLLECTION DEPARTMENT

F. U. Naylor, *Manager*

### PERSONNEL DEPARTMENT

L. J. Nevraumont, *Manager*

### AUTOMOTIVE DEPARTMENT

S. B. Shaw, *Automotive Engineer*

### PUBLIC RELATIONS DEPARTMENT

E. A. Long, *Manager*

### PURCHASES AND STORES DEPARTMENT

F. R. Sherwood, † *Manager*

### ADVERTISING AND PUBLICITY DEPARTMENT

Robert R. Gros, *Manager*

### CLAIMS AND SAFETY DEPARTMENT

R. W. White, *Manager*

\* *Retired December 31, 1950.*

† *Died December 31, 1950.*

## Division Managers

COAST VALLEYS: T. E. Ward, Salinas  
COLGATE: W. R. Bowler, Marysville  
DE SABLE: George L. Works, Chico  
DRUM: J. R. Johnson, Auburn  
EAST BAY: W. H. Park, Oakland  
HUMBOLDT: R. W. Muller, Eureka

NORTH BAY: A. D. Church, San Rafael  
SACRAMENTO: L. J. Brundige, Sacramento  
SAN FRANCISCO: Grover S. Tracy, San Francisco  
SAN JOAQUIN POWER: H. H. Courtright, Fresno  
SAN JOSE: T. W. Snell, San Jose  
SHASTA: T. B. Copeland, Red Bluff

STOCKTON: C. V. Wilbur, Stockton



**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

ALEXANDER BUILDING  
155 MONTGOMERY STREET  
SAN FRANCISCO 4

ACCOUNTANTS' CERTIFICATE

The Board of Directors of  
Pacific Gas and Electric Company:

We have examined the balance sheet of Pacific Gas and Electric Company as of December 31, 1950 and the related statements of net income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Previously we made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet and statements of net income and surplus, with their footnotes, present fairly the financial position of the Company at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Haskins & Sells*

February 20, 1951.

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Net Income for the Years Ended December 31, 1950 and 1949

|  | Year Ended December 31 |                      |
|--|------------------------|----------------------|
|  | 1950                   | 1949                 |
| <b>GROSS OPERATING REVENUES:</b>   |                        |                      |
| Electric department . . . . .  | \$166,805,160          | \$150,542,432        |
| Gas department . . . . .   | 69,257,172             | 65,218,603           |
| Other . . . . .  | 1,374,959              | 1,463,560            |
| Total . . . . .  | <u>\$237,437,291</u>   | <u>\$217,224,595</u> |
| <b>OPERATING EXPENSES:</b>   |                        |                      |
| Maintenance and repairs . . . . .  | \$ 12,002,094          | \$ 12,405,484        |
| Production expenses:   |                        |                      |
| Power purchased . . . . .  | 11,385,443             | 11,720,232           |
| Natural gas purchased . . . . .  | 33,784,667             | 34,606,653           |
| Oil and other fuel . . . . .   | 7,467,056              | 17,121,846           |
| Other . . . . .  | 7,304,373              | 7,603,950            |
| Transmission expenses . . . . .  | 2,763,971              | 2,064,511            |
| Distribution expenses . . . . .  | 13,078,721             | 12,789,905           |
| Customers' accounting and collecting expenses . . . . .                                  | 9,921,724              | 9,686,410            |
| Sales promotion expenses . . . . .   | 2,100,622              | 2,147,053            |
| Provision for depreciation and amortization (Note 2) . . . . .                           | 28,123,053             | 24,979,660           |
| Taxes:   |                        |                      |
| Provision for Federal income tax . . . . .   | 19,006,013             | 9,725,655            |
| Other taxes . . . . .  | 30,844,072             | 26,201,047           |
| Administrative and general expenses . . . . .  | 5,836,872              | 5,452,520            |
| Provision for doubtful accounts . . . . .  | 340,000                | 174,000              |
| Provision for insurance and casualties . . . . .   | 960,000                | 960,000              |
| Pension plan expenses . . . . .  | 1,757,659              | 1,669,116            |
| Total . . . . .  | <u>\$186,676,340</u>   | <u>\$179,310,042</u> |
| <b>NET OPERATING REVENUES . . . . .</b>  | <b>\$ 50,760,951</b>   | <b>\$ 37,914,553</b> |
| <b>MISCELLANEOUS INCOME:</b>   |                        |                      |
| Dividends . . . . .  | \$ 68,400              | \$ 52,124            |
| Interest . . . . .   | 453,776                | 205,673              |
| Other (net) . . . . .  | 24,866                 | 52,574               |
| Total . . . . .  | <u>\$ 547,042</u>      | <u>\$ 310,371</u>    |
| Total . . . . .  | <u>\$ 51,307,993</u>   | <u>\$ 38,224,924</u> |
| <b>INCOME DEDUCTIONS:</b>  |                        |                      |
| Interest on funded debt . . . . .  | \$ 17,709,523          | \$ 15,405,181        |
| Amortization of net bond discount and expense . . . . .                                  | 426,243                | 447,836              |
| Miscellaneous interest . . . . .   | 125,765                | 415,081              |
| Interest charged to construction . . . . .   | *5,293,497             | *4,411,889           |
| Adjustment of prior years' special charges for Federal tax provisions (Note 7) . . . . . | —                      | *1,719,857           |
| Miscellaneous income deductions . . . . .  | 493,940                | 490,208              |
| Total . . . . .  | <u>\$ 13,461,974</u>   | <u>\$ 10,626,560</u> |
| <b>NET INCOME . . . . .</b>  | <b>\$ 37,846,019</b>   | <b>\$ 27,598,364</b> |

\*Denotes red figure.

The accompanying Notes to Financial Statements are an integral part of this statement.

**PACIFIC GAS AND ELECTRIC COMPANY**  
*Statement of Surplus for the Years Ended December 31, 1950 and 1949*

|   | <i>Year Ended December 31</i> |                      |
|---|-------------------------------|----------------------|
|   | 1950                          | 1949                 |
| <b>EARNED SURPLUS:</b>  |                               |                      |
| Balance at beginning of year (Note 2) . . . . .   | \$ 40,875,311                 | \$ 40,209,417        |
| Net income, from statement of net income . . . . .  | 37,846,019                    | 27,598,364           |
| Additional proceeds arising from transfer of electric properties to Sacramento<br>Municipal Utility District pursuant to condemnation proceedings . . . . . | 585,000                       | —                    |
| Miscellaneous additions to earned surplus—net . . . . .   | 26,000                        | 18,229               |
| Total . . . . .   | \$ 79,332,330                 | \$ 67,826,010        |
| <b>Deductions from earned surplus:</b>  |                               |                      |
| Purchase premium on bonds reacquired, plus related unamortized net<br>discount and expense . . . . .  | \$ 178,732                    | \$ 177,576           |
| <b>Dividends on capital stocks held by public—Cash:</b>   |                               |                      |
| First preferred—6% cumulative . . . . .   | \$ 6,317,596                  | \$ 6,317,598         |
| First preferred—5½% cumulative . . . . .  | 1,613,228                     | 1,613,230            |
| First preferred—5% cumulative (Note 5) . . . . .  | 3,625,077                     | 2,651,101            |
| First preferred—4.80% cumulative (Note 5) . . . . .   | 1,350,000                     | —                    |
| Common . . . . .  | 19,045,636                    | 16,191,194           |
| Total . . . . .   | \$ 31,951,537                 | \$ 26,773,123        |
| Total deductions from earned surplus . . . . .  | \$ 32,130,269                 | \$ 26,950,699        |
| Balance at end of year . . . . .  | \$ 47,202,061                 | \$ 40,875,311        |
| <b>CAPITAL SURPLUS—Balance at beginning and end of year . . . . .</b>   | 627,217                       | 627,217              |
| <b>TOTAL SURPLUS . . . . .</b>  | <b>\$ 47,829,278</b>          | <b>\$ 41,502,528</b> |

The accompanying Notes to Financial Statements are an integral part of this statement.

**PACIFIC GAS AND ELECTRIC COMPANY**

*Balance Sheet, December 31, 1950 and 1949*

| A S S E T S   | <i>December 31</i>     |                        |
|---|------------------------|------------------------|
|   | 1950                   | 1949                   |
| <b>UTILITY PLANT (Note 2):</b>  |                        |                        |
| Tangible plant . . . . .  | \$1,387,539,423        | \$1,228,330,216        |
| Intangible plant . . . . .  | 804,099                | 802,812                |
| Plant acquisition adjustments . . . . .   | 15,530,949             | 15,544,620             |
| Total utility plant . . . . .   | \$1,403,874,471        | \$1,244,677,648        |
| <b>INVESTMENTS—At cost (Note 3):</b>  |                        |                        |
| Capital stock of subsidiaries (Note 1) . . . . .  | \$ 2,326,386           | \$ 2,326,386           |
| Other security investments:   |                        |                        |
| Standard Pacific Gas Line Incorporated (less reserve for amortization,<br>\$3,482,399 at each date) . . . . . | 1,463,526              | 1,459,573              |
| Other . . . . .   | 5,910                  | 5,910                  |
| Investment in other physical property . . . . .   | 5,239,189              | 5,937,940              |
| Total investments . . . . .   | \$ 9,035,011           | \$ 9,729,809           |
| <b>SINKING FUNDS AND SPECIAL DEPOSITS . . . . .</b>   | \$ 88,277              | \$ 66,165              |
| <b>CURRENT ASSETS:</b>  |                        |                        |
| Cash on hand, demand deposits, and time deposits . . . . .  | \$ 22,361,924          | \$ 19,704,472          |
| Temporary cash investments (United States Government securities)—<br>at cost . . . . .                        | 29,897,090             | —                      |
| Miscellaneous special deposits . . . . .  | 253,923                | 933,833                |
| Accounts receivable (less reserve for doubtful accounts: 1950, \$1,445,181;<br>1949, \$1,446,996) . . . . .   | 17,377,968             | 14,461,630             |
| Materials and supplies (for operations and construction)—at average cost<br>. . . . .                         | 16,968,012             | 18,068,947             |
| Total current assets . . . . .  | \$ 86,858,917          | \$ 53,168,882          |
| <b>DEFERRED CHARGES:</b>  |                        |                        |
| Unamortized bond discount and expense (Note 4) . . . . .  | \$ 11,554,560          | \$ 12,032,533          |
| Other . . . . .   | 1,646,272              | 2,676,102              |
| Total deferred charges . . . . .  | \$ 13,200,832          | \$ 14,708,635          |
| <b>TOTAL . . . . .</b>  | <b>\$1,513,057,508</b> | <b>\$1,322,351,139</b> |

The accompanying Notes to Financial Statements are an integral part of this statement.

# PACIFIC GAS AND ELECTRIC COMPANY

*Balance Sheet, December 31, 1950 and 1949*

| LIABILITIES  |                 | December 31     |  |
|--|-----------------|-----------------|--|
|  | 1950            | 1949            |  |
| <b>CAPITAL STOCK (Schedule 1) (Note 5):</b>  |                 |                 |  |
| First preferred (authorized, 12,000,000 shares of \$25 par value each; issued and outstanding: 9,784,825 shares in 1950; 8,284,825 shares in 1949) | \$ 244,620,625  | \$ 207,120,625  |  |
| Common (authorized, 12,000,000 shares of \$25 par value each; issued and outstanding: 9,936,936 shares in 1950; 8,280,780 shares in 1949)          | 248,423,400     | 207,019,500     |  |
| Excess of premiums received over discount and expense on outstanding shares  | 10,365,493      | 1,139,960       |  |
| Instalments received on preferred stock purchase agreements  | 1,493,777       | 418,529         |  |
| Total capital stock  | \$ 504,903,295  | \$ 415,698,614  |  |
| <b>MORTGAGE BONDS (Schedule 2):</b>  |                 |                 |  |
| Issued   | \$ 623,354,000  | \$ 548,511,500  |  |
| Less in treasury   | 1,830,000       | 2,044,000       |  |
| Remainder—Mortgage bonds (held by public)  | \$ 621,524,000  | \$ 546,467,500  |  |
| <b>DUE TO SUBSIDIARY COMPANIES</b>   |                 |                 |  |
|  | \$ 197,504      | \$ 202,446      |  |
| <b>CURRENT LIABILITIES:</b>  |                 |                 |  |
| Notes payable to banks   | \$ —            | \$ 16,000,000   |  |
| Accounts payable   | 10,787,812      | 10,957,616      |  |
| Drafts outstanding   | 1,782,277       | 1,586,801       |  |
| Dividends payable  | 4,968,530       | 4,140,492       |  |
| Matured funded debt unpaid   | 45,800          | 55,275          |  |
| Bond interest due  | 181,921         | 137,172         |  |
| Customers' meter and line deposits   | 3,198,741       | 3,097,763       |  |
| Accrued bond interest—not due  | 1,675,526       | 1,496,222       |  |
| Accrued taxes for current and prior years  | 33,033,910      | 21,627,986      |  |
| Total current liabilities  | \$ 55,674,517   | \$ 59,099,327   |  |
| <b>DEFERRED CREDITS:</b>   |                 |                 |  |
| Unamortized premium on bonds (Note 4)  | \$ 1,456,306    | \$ 476,534      |  |
| Other  | 263,499         | 903,639         |  |
| Total deferred credits   | \$ 1,719,805    | \$ 1,380,173    |  |
| <b>RESERVES:</b>   |                 |                 |  |
| For depreciation and amortization  | \$ 276,803,230  | \$ 254,186,887  |  |
| For insurance and casualties   | 1,149,755       | 1,165,939       |  |
| Total reserves   | \$ 277,952,985  | \$ 255,352,826  |  |
| <b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>  |                 |                 |  |
|  | \$ 3,256,124    | \$ 2,647,725    |  |
| <b>SURPLUS:</b>  |                 |                 |  |
| Earned surplus   | \$ 47,202,061   | \$ 40,875,311   |  |
| Capital surplus  | 627,217         | 627,217         |  |
| Total surplus  | \$ 47,829,278   | \$ 41,502,528   |  |
| TOTAL  | \$1,513,057,508 | \$1,322,351,139 |  |

The accompanying Notes to Financial Statements are an integral part of this statement.

PACIFIC GAS AND ELECTRIC COMPANY

Capital Stock, December 31, 1950

| [SCHEDULE 1]   | Description                             | Shares Authorized | Issued and Outstanding<br>—Held by Public |                      |
|--|---|-------------------|---|----------------------|
|  |   |                   | Shares                                    | Amount               |
| <b>FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE:</b>      |   |                   |   |                      |
|  | 6%                                      | 4,211,662         | 4,211,662                                 | \$105,291,550        |
|  | 5½%                                     | 1,173,163         | 1,173,163                                 | 29,329,075           |
|  | 5%                                      | 400,000           | 400,000                                   | 10,000,000           |
|  | 5% redeemable                           | 1,000,000         | 1,000,000                                 | 25,000,000           |
|  | 5% redeemable—Series A                  | 1,600,000         | 1,500,000                                 | 37,500,000           |
|  | 4.80% redeemable                        | 1,500,000         | 1,500,000                                 | 37,500,000           |
|  | Redeemable (unclassified in series)     | 2,115,175         | —   | —                    |
|  | <b>TOTAL</b>                            | <b>12,000,000</b> | <b>9,784,825</b>                          | <b>\$244,620,625</b> |
|  | <b>COMMON, PAR VALUE \$25 PER SHARE</b> | <b>12,000,000</b> | <b>9,936,936</b>                          | <b>248,423,400</b>   |
|  | <b>TOTAL</b>                            | <b>24,000,000</b> | <b>19,721,761</b>                         | <b>\$493,044,025</b> |
| <b>EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON</b>    |   |                   |   |                      |
|  | <b>OUTSTANDING SHARES</b>               |                   |   | <b>10,365,493</b>    |
| <b>INSTALMENTS RECEIVED ON PREFERRED STOCK PURCHASE AGREEMENTS</b> |   |                   |   |                      |
|  | <b>TOTAL</b>                            |                   |   | <b>1,493,777</b>     |
|  |   |                   |   | <b>\$504,903,295</b> |

Mortgage Bonds, December 31, 1950

| [SCHEDULE 2]  | Title of Issue | Interest Rate % | Maturity     | Amount Authorized by Indenture | Amount Outstanding —Held by Public | Amount Held in Treasury |
|---|----------------|-----------------|--------------|--------------------------------|------------------------------------|-------------------------|
| <b>FIRST AND REFUNDING MORTGAGE (Note 1):</b>   |                |                 |              | <b>\$800,000,000</b>           |                                    |                         |
|   | Series I       | 3½              | June 1, 1966 |                                | \$ 927,000                         | \$ —                    |
|   | Series J       | 3               | Dec. 1, 1970 |                                | 18,669,000                         | —                       |
|   | Series K       | 3               | June 1, 1971 |                                | 23,839,000                         | —                       |
|   | Series L       | 3               | June 1, 1974 |                                | 109,548,000                        | 50,000                  |
|   | Series M       | 3               | Dec. 1, 1979 |                                | 78,325,000                         | 50,000                  |
|   | Series N       | 3               | Dec. 1, 1977 |                                | 48,182,000                         | —                       |
|   | Series O       | 3               | Dec. 1, 1975 |                                | 11,650,000                         | 150,000                 |
|   | Series P       | 2¾              | June 1, 1981 |                                | 24,113,000                         | 25,000                  |
|   | Series Q       | 2⅞              | Dec. 1, 1980 |                                | 68,159,000                         | 405,000                 |
|   | Series R       | 3⅞              | June 1, 1982 |                                | 73,000,000                         | —                       |
|   | Series S       | 3               | June 1, 1983 |                                | 78,645,000                         | —                       |
|   | Series T       | 2⅞              | June 1, 1976 |                                | 78,800,000                         | 1,150,000               |
| <b>SAN JOAQUIN LIGHT AND POWER CORPORATION—</b>   |                |                 |              |                                |                                    |                         |
| <b>Unifying and refunding mortgage (debt assumed by Pacific Gas and Electric Company) (Note 2):</b> |                |                 |              | <b>\$150,000,000</b>           |                                    |                         |
|   | Series B       | 6               | Mar. 1, 1952 |                                | 7,667,000                          | —                       |
|   | <b>TOTAL</b>   |                 |              |                                | <b>\$621,524,000</b>               | <b>\$1,830,000</b>      |

NOTES:

1. Additional amounts may be issued under the terms of the indentures relating to these bonds.
2. No additional bonds may be issued under the San Joaquin Light and Power Corporation indenture except bonds issued thereunder in lieu of outstanding bonds.

# PACIFIC GAS AND ELECTRIC COMPANY

*Notes to Financial Statements, December 31, 1950*

## NOTE 1.—FINANCIAL STATEMENTS; SUBSIDIARY COMPANIES:

In this report the financial statements presented relate to the Company only, the practice in years prior to 1950 of presenting consolidated statements having been discontinued because of the relative insignificance of the net assets and earnings of the subsidiaries.

As of December 31, 1950 and 1949 the Company's investment in subsidiaries (\$2,326,386 at each date) exceeded its equities in the net assets of the subsidiaries by \$374,669 and \$491,293, respectively, and the Company's equities in the undistributed net earnings of the subsidiaries for the years 1950 and 1949 were \$116,624 and \$20,511, respectively.

## NOTE 2.—UTILITY PLANT:

The Company is subject to regulation by the Public Utilities Commission of the State of California and consequently its property, plant, and equipment accounts are required to be stated in accordance with that Commission's uniform systems of accounts prescribed for electrical corporations and for gas corporations, which became effective on January 1, 1938 and 1949, respectively; such systems of accounts are substantially the same as those prescribed by the Federal Power Commission, which also has certain regulatory powers with respect to the Company. It is a common requirement of all these uniform systems of accounts that utility plant be reclassified to show the "original cost" (as defined therein) as well as cost to the Company, the difference to be recorded in segregated utility plant accounts.

Plans for effecting the required reclassification of the utility plant accounts were under consideration over a period of years. In 1949 agreement was reached between representatives of the Company and of the staffs of the two Commissions, establishing as of December 31, 1948 the "original cost" of all the Company's utility plant and the disposition of the excess of the cost of such utility plant to the Company over the "original cost"; as of December 31, 1949, pursuant to orders of the California Public Utilities Commission and the Federal Power Commission, the adjustments agreed upon (modified to include adjustments necessary to classify previously unclassified plant and certain other changes made by the former Commission) were recorded in the Company's accounts. The recordation of these adjustments effected a net reduction of the property, plant, and equipment accounts in the amount of \$54,573,021

(after applying \$798,631 in respect of the modifying adjustments referred to above), by charges of \$33,451,663 to the reserves for depreciation and amortization (including \$20,873,101 previously provided specifically for possible adjustments related to reclassification of property), and of \$21,919,989 to earned surplus (the balance of earned surplus shown for the beginning of the year 1949 in the accompanying statement of surplus is after deduction of this charge). Additionally, an amount of \$15,530,949 was reclassified as utility plant acquisition adjustments and is being amortized out of earnings over the fifteen-year period commenced January 1, 1950; the amount of the amortization charge for 1950, \$1,035,397, is included in the statement of net income in that year's provision for depreciation and amortization.

At December 31, 1950 and 1949, the major portion of the Company's utility plant consisted of plant constructed by the Company as to which the "original cost" recorded in the accounts is the same as cost to the Company (such cost includes interest and taxes during construction, direct engineering and supervision expenses, and proportions of administrative and general expenses determined by the Company to be applicable to construction); and the remainder of its utility plant consisted of acquisitions of operating units or systems which are recorded in the accounts at cost to the Company, reduced by the adjustments described hereinbefore.

The Company estimates that an amount of \$130,000,000 will be expended during the year 1951 on additions and replacements to its property, plant, and equipment.

## NOTE 3.—SECURITIES PLEDGED:

The capital stocks of subsidiaries and of Standard Pacific Gas Line Incorporated are on deposit and pledged with the California trustee of the first and refunding mortgage.

## NOTE 4.—BOND DISCOUNT AND EXPENSE, AND PREMIUMS:

In general, bond discount and expense, redemption premiums on refunded issues, and sale premiums are being written off over the lives of the various issues to which they pertain, or refunding issues, and such items applicable to bonds reacquired other than through refunding operations are cleared to earned surplus at time of reacquisition.

**NOTE 5.—CAPITAL STOCK:**

On July 6, 1949 the Company adopted an employees' stock purchase plan under the terms of which it offered 100,000 shares of its \$25.00 par value 5% redeemable first preferred stock, series A, to employees at \$25.75 a share. Purchase agreements representing 89,328 and 97,499 shares were in effect under the plan at December 31, 1950 and 1949, respectively; the related instalments collected amounted to \$1,493,777 and \$418,529 at the respective dates as shown in the balance sheet under the caption "Capital Stock."

During February 1951 the Company announced an offering of 1,419,562 shares of its common stock to be made during the early part of 1951 through subscription rights.

At the date of each balance sheet the Company had outstanding 2,500,000 shares of 5% redeemable first preferred stock, and at December 31, 1950 had also outstanding 1,500,000 shares of 4.80% redeemable first preferred stock. Such shares may be redeemed in whole or in part at the Company's option at any time upon payment of the redemption price plus accumulated and unpaid dividends to the date fixed for redemption.

The dividends on preferred stock shown in the statement of surplus represent dividends for twelve months on all outstanding preferred shares for the respective years except on the 1,500,000 shares of 5% redeemable preferred stock issued in May 1949 and on the 1,500,000 shares of 4.80% redeemable preferred stock issued in February 1950. As to each of these issues regular quarterly dividends were declared in the respective years from the dates of issuance to October 31; accordingly, for purposes of comparison with other years, dividends for two months in each case, \$312,500 in 1949 and \$300,000 in 1950, should be added.

**NOTE 6.—RESERVES FOR DEPRECIATION AND AMORTIZATION:**

In reports filed by the Company with the Securities

and Exchange Commission, it is required that the reserves for depreciation and amortization be treated as deductions from the related asset accounts. In reports to the California Public Utilities Commission the Company is required to show these reserves in the liability section of the balance sheet, and the Company adheres to this form in its reports to shareholders.

**NOTE 7.—ADJUSTMENT OF PRIOR YEARS' SPECIAL CHARGES FOR FEDERAL TAX PROVISIONS:**

The California Public Utilities Commission authorized an increase in the Company's rates for natural gas service effective November 28, 1949. In partial compensation for increased cost of service during 1949 prior to the effective date of the rate increase, the Company requested, and the Commission granted, authorization to apply as a credit against the provision for Federal income tax for the year 1949 the sum of \$1,719,857 accrued in 1945 to cover proposed Federal tax deficiencies in prior years which as now determined will not require this accrual. The credit is shown among the income deductions in the statement of net income.

**NOTE 8.—CONTINGENT LIABILITIES:**

The Company closes its accounts promptly as of the end of each month, with the result that there are always overlapping items of expense from month to month and year to year; at December 31, 1950 and 1949 the unrecorded liabilities and accruals for expenses were more than offset by the unrecorded and unbilled revenues accrued at those dates.

Except as to matters involved in litigation which is considered routine to the Company's operations and certain indemnities given in the normal course of business, there are no known contingent liabilities not provided for by reserves or insurance.