

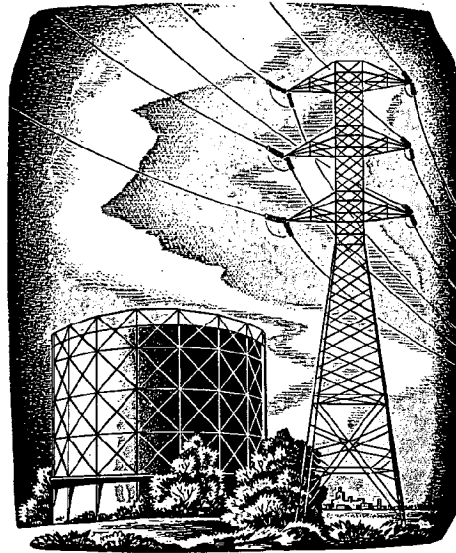
# PACIFIC GAS AND ELECTRIC COMPANY



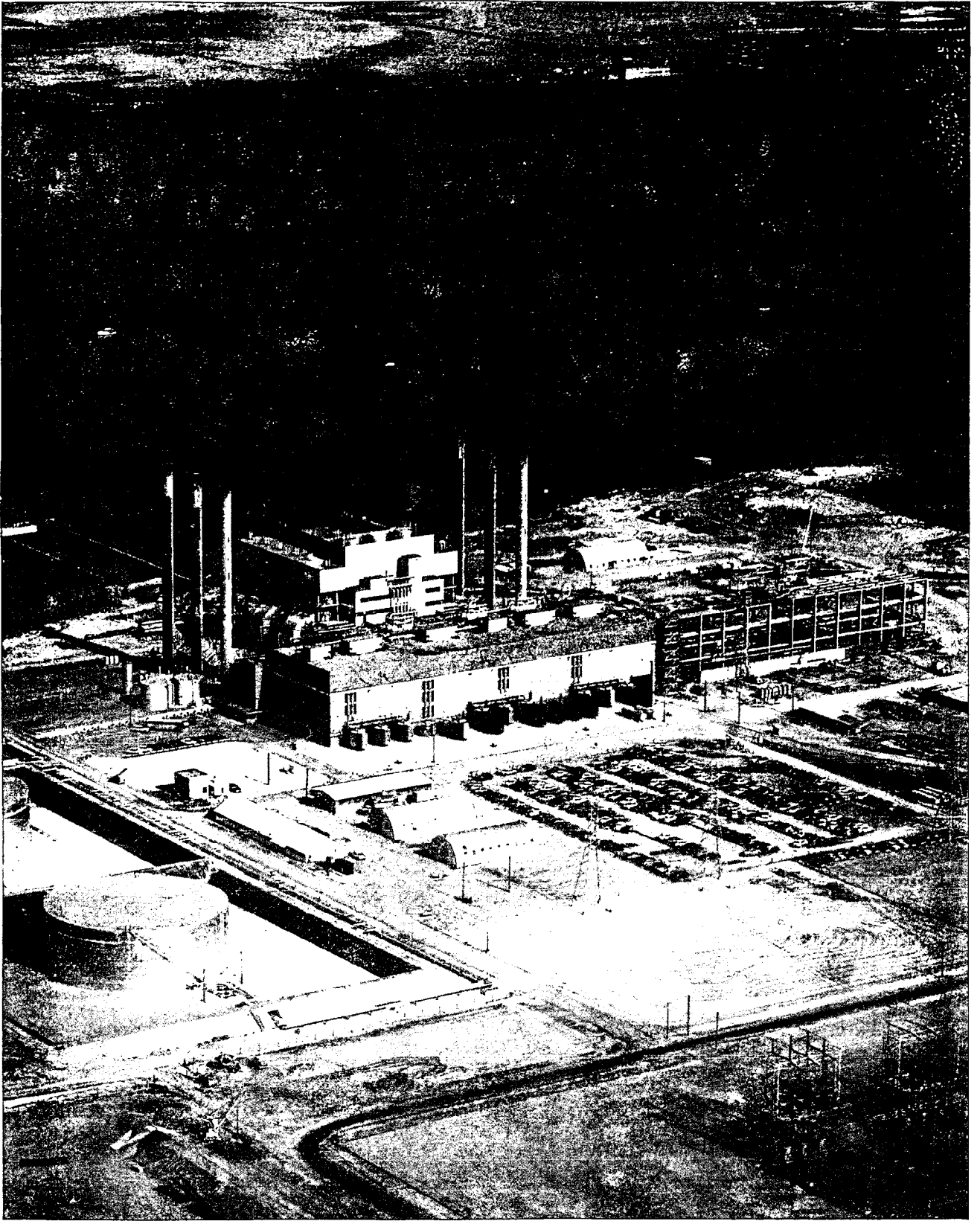
FORTY-SIXTH ANNUAL REPORT 1951



# PACIFIC GAS AND ELECTRIC COMPANY



FORTY-SIXTH ANNUAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1951

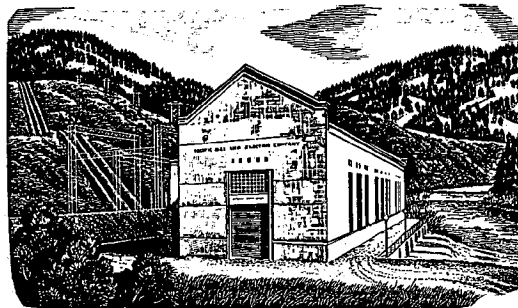


Aerial view of new Contra Costa steam-electric generating plant, dedicated in August 1951. Three units of 340,000 kilowatts capacity are now in operation, with two additional units of 235,000 kilowatts capacity under construction and scheduled for completion early in 1953.



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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. LOCHHEAD . . . . .	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	

EXECUTIVE COMMITTEE

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

OFFICERS

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

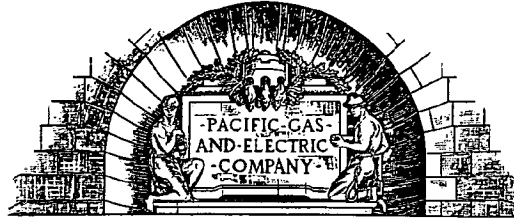
STOCK TRANSFER AGENCIES

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

REGISTRARS OF STOCK

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, 1952*

### *TO THE STOCKHOLDERS:*

For the Company, 1951 was another year of great activity.

Our field of operations in Northern and Central California continues to be one of the most rapidly developing regions of the country. Now, in addition to supplying the normal service needs of the fast growing population, our facilities are being expanded to meet the rising requirements of military activities.

Not only were new high records established last year in gross revenues, in the number of customers served, and in the deliveries of both electricity and gas, but the increases measured by any of these standards were the largest in our history.

The substantial growth in business volume and in the Company's investment in plants and properties was not accompanied, however, by a corresponding advance in net earnings. Operating costs continued to mount rapidly. Taxes were greatly increased. Additional securities issued to finance needed plant expansion involved larger disbursements for interest and dividends. In the aggregate, these added costs exceeded by more than four million dollars the record increase of forty-two million dollars in gross revenues.

Earnings for the common stock declined from \$2.62 per share on an average of 9,522,817 shares outstanding in 1950 to \$2.14 per share on an average of 11,001,529 shares outstanding in 1951. Based on the 11,356,420 shares of common stock outstanding at the close of 1951, earnings amounted

to \$2.07 per share compared with \$2.51 in 1950 upon 9,936,857 shares outstanding at the close of that year.

Stockholders already have been informed in previous reports of steps taken by the Company to remedy this situation through the establishment of higher rates for both gas and electric service. Rate proceedings, however, are necessarily time-consuming, and particularly so in view of the crowded condition of the regulatory commission's calendar during recent years.

Early in 1951 the California Public Utilities Commission granted an interim increase in our natural gas rates, and toward the end of the year made its final order authorizing a further increase.

Prior to the advent of the Korean war and the greatly accelerated armament program, it was our hope that continued growth of business and improved operating efficiencies would, within a reasonable time, raise the return on our electric properties to more normal levels. The sharply upward course of operating costs and taxes since that time made it apparent, however, that further rate relief was necessary to protect the interests of our stockholders and assure the continued ability of the Company to carry forward the task ahead.

Accordingly, an application for increased electric rates was filed last summer and it is hoped that early action will be taken by the Commission. The percentage return earned on our electric properties is below that of a large majority of other electric

utilities throughout the nation with which the Company must compete for new capital. The establishment of rates reflecting a fair return on our investment would result in materially improved earnings for the common stock.

The rising cost of government is unquestionably a major factor contributing to present inflationary trends. It affects in a constantly greater degree the selling prices of the products of all American enterprises, and hence the living costs of the people. This is well illustrated by the fact that Federal income taxes alone will absorb in 1952 more than one-half of any rate increases which the Commission may authorize.

Except for unsatisfactory earnings, 1951 was a year of constructive accomplishment.

Important additions to the Company's electric generating capacity were made through the completion of four steam-electric units with an aggregate normal operating capacity of 453,000 kilowatts. Including these new units, the total capacity of Company generating plants has been almost doubled since 1945—a significant contribution to the taxable wealth and the productive capacity of the nation.

Completion late in 1951 of additional gas compressors and other facilities brought to 400,000,000 cubic feet daily the quantity of natural gas being received by the Company from Texas and New Mexico fields.

The growth of demand for our services continues unabated, and it is expected that by 1953 expenditures on our postwar construction program will have exceeded one billion dollars. No other gas and electric company has been confronted with so large an undertaking.

Every effort is being made to carry this program forward on schedule. However, because of governmental controls of materials in short supply, delays in delivery of essential equipment have resulted in spite of our best efforts. Should these delays be further extended and load growth continue at its present rapid rate, it is possible that a tight electric supply situation could develop.

Extended negotiations with the United States

Bureau of Reclamation culminated during 1951 in the execution of two ten-year contracts governing the disposition of power generated at the Bureau's Central Valley Project plants. Since the close of 1948, when our former term contract expired, the Company had been taking delivery of Central Valley power on a day-to-day basis. The new contracts will permit material savings in the amounts paid by the Company for this power.

Progress was made in another matter involving our relations with governmental agencies. Late in December 1951 the Federal Power Commission affirmed, subject to certain amendments, its orders of November 10, 1949, authorizing the issuance to the Company of licenses to construct on the Kings River hydro-electric plants with a rated capacity of 279,000 kilowatts. Our application for the licenses was opposed by the Department of the Interior, and in January 1950, after the original licenses were issued, the Secretary of the Interior intervened and applied to the Commission for a rehearing. In February 1952 the Secretary filed a petition in the United States Court of Appeals to review the orders of the Commission.

Issuance of the licenses for this project is subject to our obtaining satisfactory agreements for use of storage space in Pine Flat Reservoir now under construction by the United States Army Engineers, and with local irrigation interests for the use of the waters of Kings River for power purposes.

The clarification of these controversial issues, the action of the California Public Utilities Commission with respect to our gas rates, and the more adequate return expected to result from our pending application for higher electric rates seem to justify a reasonably optimistic outlook toward 1952. Heavy precipitation during recent winter months, with deep snow coverage in the higher mountain regions, appear to assure a good water supply for hydro-electric generation.

Further details concerning the Company's finances and operations during 1951 appear on the following pages.



## Highlights of the Year's Operations

*Gross operating revenues* advanced to a new peak of \$279,499,000. The increase over the previous year was \$42,061,000, or 17.7%, the largest annual gain recorded in our history.

*New records were established* for sales of both electricity and gas. Sales of electricity totaled 12,630,000,000 kilowatt-hours, and sales of gas 200,515,000,000 cubic feet, exceeding those of the preceding year by 14.4% and 16.1%, respectively.

*Service was extended* to more new customers than in any previous year. New customers totaled 134,001, equivalent to the service needs of a city with a population of over 250,000. At the year-end 2,520,211 customers were being served in all branches of operations.

*Satisfactory progress* was made on our construction program, \$152,000,000 having been spent on new and enlarged facilities to provide for the rapid growth of business in our service area.

*Long-term contracts* were entered into for the disposition of Central Valley power, thereby culminating extended negotiations for a settlement of this controversial matter.

*The ownership of the Company* was further broadened by an increase of 17,965 in the number of stockholders. At the end of the year the Company had 188,463 stockholders of record.

*Higher gas rates* totaling \$17,535,000 on an annual basis were approved by the California Public Utilities Commission to compensate the Company for higher costs and taxes associated with this branch of our operations.

*An application for authority* to increase electric rates \$37,650,000 annually was filed with the Commission in July. An early decision in this matter should be forthcoming.

*Net earnings* for the common stock were \$2.14 per share based on average number of shares outstanding, compared with \$2.62 per share in the previous year. It is expected that rate increases already granted or applied for will restore earnings to more satisfactory levels.

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

		ELECTRIC DEPARTMENT		Increase	
ELECTRIC REVENUES	Year 1951	Year 1950	Amount	Per Cent	
Residential or Domestic Sales . . . . .	\$ 56,614,521	\$ 49,951,574	\$ 6,662,947	13.3%	
Small Light and Power Sales . . . . .	41,629,108	38,244,076	3,385,032	8.9	
Large Light and Power Sales . . . . .	47,875,334	40,978,330	6,897,004	16.8	
Agricultural Power Sales . . . . .	25,986,706	22,594,587	3,392,119	15.0	
Public Street and Highway Lighting . . . . .	2,328,246	2,063,394	264,852	12.8	
Sales to Railroads and Railways . . . . .	349,590	393,118	* 43,528	*11.1	
Sales to Other Electric Utilities . . . . .	9,341,808	8,299,018	1,042,790	12.6	
Company Use (Construction) . . . . .	119,131	135,582	* 16,451	*12.1	
Other Miscellaneous Revenue . . . . .	5,120,127	4,145,481	974,646	23.5	
TOTALS . . . . .	<u>\$189,364,571</u>	<u>\$166,805,160</u>	<u>\$22,559,411</u>	<u>13.5%</u>	
<b>ELECTRIC SALES—Kilowatt-Hours</b>					
Residential or Domestic Sales . . . . .	2,270,808,910	1,994,390,133	276,418,777	13.9%	
Small Light and Power Sales . . . . .	1,571,613,378	1,462,111,911	109,501,467	7.5	
Large Light and Power Sales . . . . .	4,701,730,804	4,075,401,349	626,329,455	15.4	
Agricultural Power Sales . . . . .	2,429,182,890	2,081,924,567	347,258,323	16.7	
Public Street and Highway Lighting . . . . .	68,556,630	61,457,856	7,098,774	11.6	
Sales to Railroads and Railways . . . . .	28,827,561	33,305,069	* 4,477,508	*13.4	
Sales to Other Electric Utilities . . . . .	1,552,990,195	1,325,688,055	227,302,140	17.1	
Company Use (Construction) . . . . .	6,381,919	7,646,664	* 1,264,745	*16.5	
TOTAL SALES . . . . .	<u>12,630,092,287</u>	<u>11,041,925,604</u>	<u>1,588,166,683</u>	<u>14.4</u>	
Delivered for the account of others . . . . .	380,592,298	287,462,937	93,129,361	32.4	
TOTALS . . . . .	<u>13,010,684,585</u>	<u>11,329,388,541</u>	<u>1,681,296,044</u>	<u>14.8%</u>	

\*Denotes decrease

		GAS DEPARTMENT		Increase	
GAS REVENUES	Year 1951	Year 1950	Amount	Per Cent	
Residential or Domestic Sales . . . . .	\$48,792,190	\$40,146,540	\$ 8,645,650	21.5%	
Commercial Sales . . . . .	14,682,568	13,048,405	1,634,163	12.5	
Industrial Sales . . . . .	24,498,244	15,579,171	8,919,073	57.2	
Sales to Other Gas Utilities . . . . .	389,534	300,067	89,467	29.8	
Company Use (Construction) . . . . .	36,790	22,498	14,292	63.5	
Other Miscellaneous Revenue . . . . .	234,564	160,491	74,073	46.2	
TOTALS . . . . .	<u>\$88,633,890</u>	<u>\$69,257,172</u>	<u>\$19,376,718</u>	<u>28.0%</u>	
<b>GAS SALES—Thousands of Cubic Feet</b>					
Residential or Domestic Sales . . . . .	87,346,914.4	78,732,645.8	8,614,268.6	10.9%	
Commercial Sales . . . . .	32,634,029.3	32,016,353.1	617,676.2	1.9	
Industrial Sales . . . . .	79,099,990.1	60,771,780.2	18,328,209.9	30.2	
Sales to Other Gas Utilities . . . . .	1,285,217.0	1,059,185.0	226,032.0	21.3	
Company Use (Construction) . . . . .	148,744.5	102,610.6	46,133.9	45.0	
TOTALS . . . . .	<u>200,514,895.3</u>	<u>172,682,574.7</u>	<u>27,832,320.6</u>	<u>16.1%</u>	

\*Denotes decrease



## OPERATING REVIEW

### Operating Revenues

Stimulated by a record growth in the number of customers served, increased industrialization and higher rates for gas service, gross operating revenues advanced to a new peak of \$279,499,000. The increase over the previous year was \$42,061,000, or 17.7%, the largest annual gain ever recorded in our history.

Electric service accounted for 67.8% of gross operating revenues from all sources, gas service for 31.7%, and minor activities for 0.5%.

Gross revenues for the electric and gas departments by major classes of service, compared with those for the previous year, are set forth in the table on the opposite page. Reference to this table shows that the record gain in revenues was well distributed among all principal service classifications.

Electric department revenues showed an overall growth of 13.5%. Greater than average gains were recorded in the large light and power and agricultural classifications which advanced 16.8% and 15.0%, respectively.

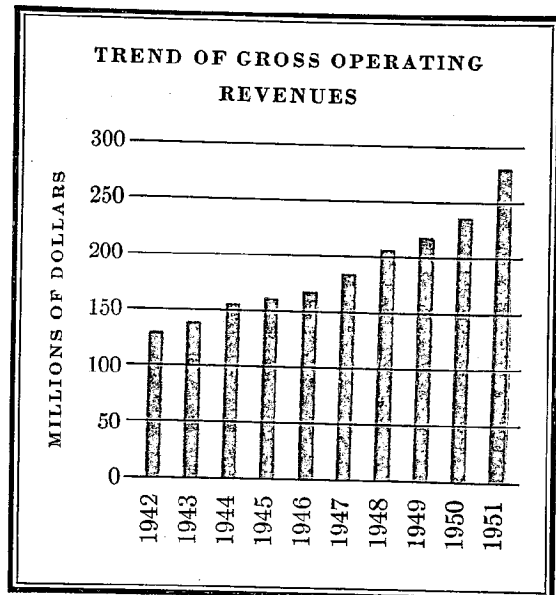
Gas revenues gained 28.0%, of which about three-fifths was attributable to increased sales volume and the balance to higher gas rates placed in effect during the year. Higher prices for fuel oil, to which rate schedules for certain industrial gas service are related, contributed to an unusually large gain of 57.2% for this class of service.

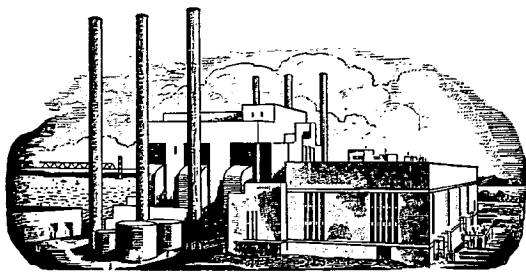
### Operating Expenses

Expenses incurred in providing service to our customers, exclusive of taxes and depreciation, totaled \$134,651,000, or \$25,948,000 more than in 1950.

In large part these increased expenses reflected a continuation of the inflationary spiral and were beyond the control of the management. The year 1951, however, witnessed a fundamental change in the character of our natural gas business. For the first time a substantial part of the gas distributed was received by the Company from out-of-state sources. The higher costs incident to this change, as well as higher unit prices paid for natural gas from California producers, accounted for the major portion of our increased operating costs.

Natural gas purchased for sale to our customers and for use in the Company's steam-electric generating plants totaled \$50,238,000, or \$16,453,000 more than in the previous year. About two-thirds of this increase resulted from higher unit prices, and the balance from the larger volume of gas purchased. Of the total of 248 billion cubic feet of natural gas purchased during the year, about 94 billion cubic feet, or 38%, originated from fields in Texas and New Mexico. Over the next several years it is expected that progressively greater proportions of our gas supply will be obtained from out-of-state sources.





It was largely anticipation of these higher prices for natural gas which prompted the Company to file an application in June 1950 for an increase in gas rates.

Operating payroll, including charges to clearing accounts, totaled \$46,383,000, or \$5,242,000 more than in the previous year. This increase reflected in part additions to operating personnel required to carry on the expanded volume of business, but principally was due to higher wage rates placed in effect late in 1950 and again early in 1951.

The cost of fuel oil consumed in our steam-electric generating plants increased \$3,410,000. This resulted from higher average prices paid for fuel oil and from increased output of electric energy generated through the use of this fuel.

*Taxes*

The Company's tax bill rose to unprecedented levels in 1951. Taxes of all kinds paid or accrued aggregated \$65,866,000, exceeding those of the previous year by \$11,163,000. Of the total, \$60,497,000 was charged to income, and the balance to capital and other accounts.

Taxes charged to income absorbed almost 22% of our gross operating revenues from all sources. They exceeded by approximately \$14,000,000 all wages and salaries paid to our entire operating force, and were equivalent to \$5.50 per share upon the average number of shares of common stock outstanding during the year.

The mounting tax burden has been a major factor in compelling the Company to seek higher rates for both gas and electric service. Increased taxes are necessary to defray the cost of rearmament,

but grave doubt exists in the minds of many as to whether the tax burden has not already risen beyond the limits under which a free and competitive peacetime economy can exist. An obvious means of relief lies in a drastic reduction in the cost of government and in the exercise of the

Summary Showing Sources and Disposition

SOURCES OF INCOME:

Electric Department revenues . . . . .  
 Gas Department revenues . . . . .  
 Revenues from other operating departments . . . . .  
 Miscellaneous income . . . . .

Totals . . . . .

DISPOSITION OF INCOME:

Operating payroll, including charges to clearing accounts . . . . .  
 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 . . . . .

Totals . . . . .

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.

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greatest possible economy in military expenditures.

Ad valorem property taxes advanced \$3,753,000 to a new high of \$29,517,000. This increase resulted principally from the Company's construction program which placed more property on the assessment rolls.

Provision for Federal corporation income tax totaled \$25,364,000, exceeding that of the previous year by \$6,358,000. This tax was accrued at a combined Federal normal and surtax rate of 50 $\frac{3}{4}$ %, in accordance with the Revenue Act of 1951. The Act provides for a further increase to

Pacific Gas and Electric Company

of Income for the Years 1947-1951 inclusive, and Average for Five-Year Periods 1947-1951 and 1942-1946

Year 1951	Year 1950	Year 1949	Year 1948	Year 1947	Average Five-Years 1947-51	Average Five-Years 1942-46
\$189,365,000	\$166,805,000	\$150,542,000	\$136,276,000	\$127,751,000	\$154,148,000	\$104,738,000
88,634,000	69,257,000	65,219,000	66,562,000	55,443,000	69,023,000	43,167,000
1,500,000	1,375,000	1,464,000	1,404,000	1,131,000	1,375,000	1,162,000
364,000	547,000	310,000	428,000	303,000	390,000	382,000
<u>\$279,863,000</u>	<u>\$237,984,000</u>	<u>\$217,535,000</u>	<u>\$204,670,000</u>	<u>\$184,628,000</u>	<u>\$224,936,000</u>	<u>\$149,449,000</u>
\$ 46,383,000	\$ 41,141,000	\$ 40,715,000	\$ 36,838,000	\$ 34,232,000	\$ 39,862,000	\$ 22,540,000
10,975,000	11,385,000	11,720,000	13,499,000	8,266,000	11,169,000	7,002,000
50,238,000	33,785,000	34,607,000	32,369,000	26,008,000	35,401,000	13,551,000
10,877,000	7,467,000	17,122,000	12,004,000	12,318,000	11,958,000	3,554,000
12,372,000	11,867,000	11,437,000	10,344,000	9,806,000	11,165,000	7,195,000
3,806,000	3,058,000	2,803,000	2,372,000	2,207,000	2,849,000	1,968,000
31,610,000	28,123,000	24,980,000	22,922,000	22,294,000	25,986,000	21,050,000
60,497,000	49,850,000	35,927,000	36,105,000	34,237,000	43,323,000	35,011,000
—	—	* 1,720,000	—	—	* 344,000	3,574,000
16,229,000	13,462,000	12,346,000	10,879,000	9,986,000	12,581,000	11,205,000
13,383,000†	12,906,000	10,582,000	8,823,000	8,431,000	10,825,000	8,416,000
22,003,000	19,045,000	16,191,000	14,745,000	13,131,000	17,023,000	12,523,000
1,490,000	5,895,000	825,000	3,770,000	3,712,000	3,138,000	1,860,000
<u>\$279,863,000</u>	<u>\$237,984,000</u>	<u>\$217,535,000</u>	<u>\$204,670,000</u>	<u>\$184,628,000</u>	<u>\$224,936,000</u>	<u>\$149,449,000</u>
11,001,529	9,522,817	8,095,597	7,372,582	6,565,358	8,511,576	6,261,274
\$2.14	\$2.62	\$2.10	\$2.51	\$2.57	\$2.39	\$2.30
\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
\$0.14	\$0.62	\$0.10	\$0.51	\$0.57	\$0.39	\$0.30

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PACIFIC GAS AND ELECTRIC COMPANY

52% in 1952. These rates compare with 42% effective in 1950 and 38% in the years immediately following World War II.

The Revenue Act of 1951 repealed, effective November 1, the 3½% excise tax on electric energy. Based on estimated 1952 business volume, repeal of this tax will result in a saving before income taxes of approximately \$3,500,000, and will offset in part the higher Federal income tax rates mentioned above.

Unfortunately, despite considerable discussion of the subject, no legislation was enacted during the year to remove the subsidy accorded govern-

ment-owned utilities by Federal tax exemption. No possible justification exists for this subsidy. It is inconsistent, to say the least, to profess to place our reliance on the private enterprise system and at the same time encourage socialization by extending tax exemption to government-owned businesses which compete with private undertakings.

*Depreciation and Amortization*

To recover the estimated cost of properties consumed in providing utility service in 1951, an amount of \$31,610,000 was provided out of income for depreciation and amortization. This provision

Taxes—By Classes and Comparison with Previous Year

		Year 1951	Year 1950	Increase
LOCAL TAXES:	Ad valorem property . . . . .	\$29,517,494	\$25,764,353	\$ 3,753,141
	Franchise payments . . . . .	1,407,842	1,248,176	159,666
	Total local taxes . . . . .	30,925,336	27,012,529	3,912,807
STATE TAXES:	Bank and corporation franchise . . . . .	1,876,343	1,194,981	681,362
	Unemployment . . . . .	1,316,876	1,291,042	25,834
	Other . . . . .	216,045	181,371	34,674
	Total state taxes . . . . .	3,409,264	2,667,394	741,870
CITY AND STATE:	Sales and use . . . . .	2,093,770	1,908,730	185,040
FEDERAL TAXES:	Corporation income . . . . .	25,363,884	19,006,013	6,357,871
	Electric energy . . . . .	2,917,627	3,001,259	* 83,632
	Unemployment . . . . .	160,976	153,684	7,292
	Old age benefits . . . . .	907,885	773,825	134,060
	Other . . . . .	87,073	179,634	* 92,561
	Total federal taxes . . . . .	29,437,445	23,114,415	6,323,030
	Total taxes . . . . .	\$65,865,815	\$54,703,068	\$11,162,747
CHARGED TO:	Income account—Taxes . . . . .	\$60,497,467	\$49,850,085	\$10,647,382
	Capital and other accounts . . . . .	5,368,348	4,852,983	515,365
	Total taxes . . . . .	\$65,865,815	\$54,703,068	\$11,162,747

\*Denotes decrease

was \$3,487,000 greater than in 1950, and absorbed 11.3% of gross operating revenues.

*Fixed Charges and Dividends*

Interest on the Company's long-term debt totaled \$18,622,000, or \$912,000 more than in the preceding year. This increase resulted entirely from bond financing undertaken in the middle of 1950, as no bonds were sold in 1951.

The amount of capital temporarily tied up in construction work in progress during 1951 was less than in the previous year, and as a consequence, the credit to income deductions for interest during construction was reduced \$1,885,000.

Dividends paid on the Company's outstanding preferred stocks totaled \$13,383,000, an increase of \$477,000. This increase was due principally to the sale of preferred stock early in 1950. The initial quarterly dividend on the preferred stock issued as of November 1, 1951, was not declared and paid until early in 1952.

Dividends on the common stock were continued at the annual rate of \$2.00 per share and aggregated \$22,003,000. The greater average number of shares of common stock outstanding resulted in increasing by \$2,958,000 the dividend disbursements on this class of stock.

Earnings retained for re-investment in the properties after the payment of dividends amounted to only \$1,490,000, representing 14 cents per share on the average number of shares of common stock outstanding during the year.



*FINANCING*

The Company's new money requirements in 1951 were obtained entirely from the sale of equity securities. Preferred and common stocks with an ag-

gregate par value of \$75,139,400 were issued and sold, the net proceeds exceeding this amount by approximately \$7,000,000.

This was the smallest volume of new money financing undertaken since 1946, and was made possible by the very substantial cash balance on hand at the beginning of 1951.

Through this equity financing, the Company was able to effect a further improvement in its capitalization ratios. At the close of 1951 bonded debt accounted for 49.2% of total capitalization and surplus, preferred stock 22.8% and common stock equity 28.0%.

In the first quarter of the year common stockholders of record on March 13, 1951, received rights entitling them to subscribe for 1,419,562 shares of common stock in the ratio of one share for each seven shares then held. The subscription price was \$31 per share. This offering was underwritten by a nationwide group of underwriters.

Subscriptions were received for 1,375,403 shares, or 96.9% 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 44,159 shares offered were purchased by the underwriters in accordance with the terms of the underwriting agreement, the Company sharing in the profits from the sale of this stock to the public.

Late in October a public offering of 1,500,000 shares of 5% Redeemable First Preferred Stock was made through a nationwide group of underwriters. This issue was successfully marketed. A large proportion was purchased by investors residing in our field of operations.

Installment payments for shares of the Company's 5% Redeemable First Preferred Stock, Series A, offered to employees in 1949 were completed and 86,014 shares were issued as of August 1, 1951.

Another offering of 163,986 shares of the same stock was made to employees in January 1952 under a similar plan. The primary purpose of these offerings is to encourage stock ownership in the

Company by employees and to provide a convenient means by which they can purchase stock through installment payments.

Bank loans have been obtained to carry forward our construction program in the early months of 1952, pending more permanent financing. At the date of this report, \$12,000,000 of such loans were outstanding.

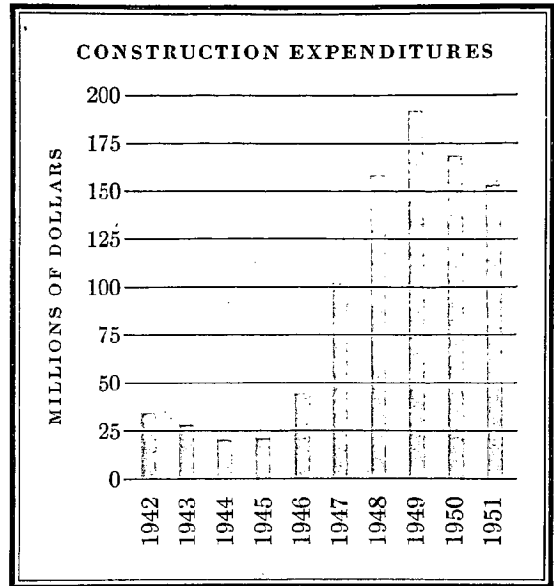
On March 1, 1952, there will mature \$7,667,000 principal amount of non-callable 6% bonds outstanding under the Unifying and Refunding Mortgage of the former San Joaquin Light and Power Corporation, and assumed by the Company. When this issue is paid off, the Company's First and Refunding Mortgage will become a direct first lien on all its mortgageable properties.

All other underlying bond issues and all preferred and common stocks of the numerous utility subsidiaries whose properties have been acquired since the original issuance in 1920 of the First and Refunding Mortgage have long since been retired. Maturity on March 1 of the San Joaquin bonds thus marks the conclusion of a capital simplification program extending over three decades. Our capital structure then will consist only of the Company's First and Refunding Mortgage bonds and first preferred and common stocks.



**CONSTRUCTION PROGRAM**

About \$152,000,000 was spent in 1951 to extend and enlarge our facilities for serving the public. This brings to more than \$800,000,000 the amount expended to date on our postwar construction program, the largest ever undertaken by any similar utility in the United States.



Early in 1951 a third steam-electric generating unit, of 113,000 kilowatts capacity, was placed in operation at our Moss Landing Plant. Work is proceeding on two additional units totaling 235,000 kilowatts capacity, to be completed in 1952.

Our new Contra Costa steam-electric generating plant was dedicated with formal ceremonies in August 1951. Three units having a total capacity of 340,000 kilowatts were placed in operation, and the installation of two additional units totaling 235,000 kilowatts is scheduled for completion in 1953.

Construction is proceeding satisfactorily on the Bear River development, consisting of a storage reservoir of 46,000 acre feet capacity and a new hydro-electric unit with a capacity of 33,000 kilowatts. The water stored by this project also will permit increased output of the Company's chain of existing hydro plants on the North Fork of the Mokelumne River.

Late in 1951 construction work began on still another steam-electric generating plant near Pittsburg, California, which will have an operating capacity of 600,000 kilowatts. When completed



this plant will be the largest power plant in the State, and the eleventh major plant constructed by the Company since 1945. It will have four units, two of which are scheduled for completion late in 1953 and the other two early in 1954.

Our system electric generating capacity then will aggregate about 4,150,000 kilowatts, exclusive of that available to us from other producers, which at present approximates 550,000 kilowatts. This compares with a system generating capacity of about 1,650,000 kilowatts at the close of World War II.

Major additions to our gas facilities in 1951 included three compressor stations on our Topock-Milpitas transmission line. These stations, known as Topock, Hinkley and Kettleman, made possible increased deliveries of natural gas through this line in time for the peak of the 1951-52 winter season.

Our construction expenditures over the next three years will be larger than previously contemplated because of sustained growth, including the demands of the defense program. It is now estimated that about \$450,000,000 will be expended for construction purposes in the period 1952-54, inclusive.



*CUSTOMERS*

In 1951 the Company added 134,001 customers to its lines, the largest number ever connected in a single year. At the close of the year it was serving 2,520,211 customers in all branches of its operations.

This record gain in customers reflects a continuation of the extraordinary growth in population in our service area which began during World War II. A very large volume of residential construction has accompanied this growth, with a corresponding increase in commercial and industrial establishments. Contrary to earlier expectations, residential construction in our service area last year exceeded all previous records, 66,000 single family dwelling units being connected to our lines.

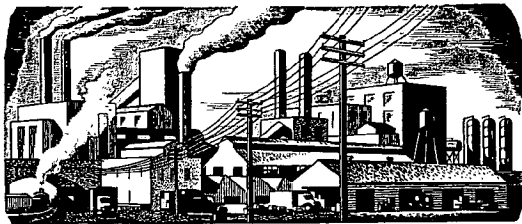
Customers—By Departments and Increase During Year

	December 31 1951	December 31 1950	Increase during 1951
Electric Department . . . . .	1,402,675	1,333,717	68,958
Gas Department . . . . .	1,097,749	1,033,424	64,325
Water and Irrigation Department . . . . .	19,065	18,330	735
Steam Sales Department . . . . .	722	739	*17
TOTALS . . . . .	<u>2,520,211</u>	<u>2,386,210</u>	<u>134,001</u>

\*Denotes decrease

Since 1945 the Company has extended service to approximately 650,000 new customers. This spectacular growth, unparalleled in utility history, means that in this period we have connected on the average one new customer every minute of every eight-hour working day.

A pioneer in rural electrification, the Company continues in the forefront in this activity. More than 16,000 miles of rural electric lines have been constructed in the past six years. About 38% of our electric customers are now outside of the limits of incorporated cities and towns, compared with 30% a decade ago.



**SALES**

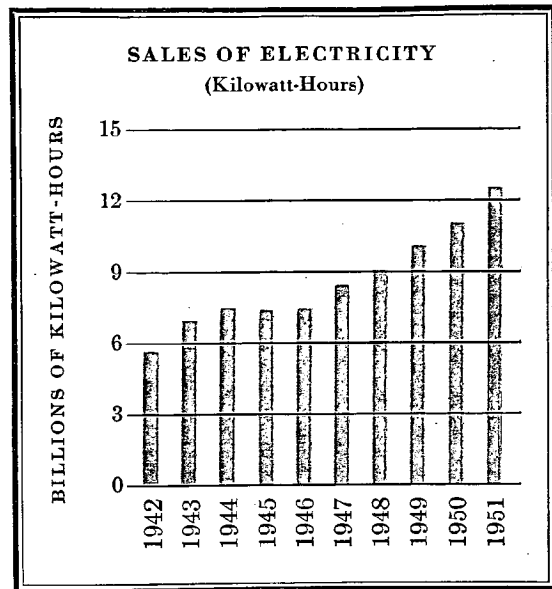
Our customers used 12,630,000,000 kilowatt-hours of electricity in 1951, a gain of 1,588,000,000 kilowatt-hours, or 14.4%. In addition, we delivered for the account of others 380,592,000 kilowatt-hours compared with 287,463,000 kilowatt-hours in the previous year.

Residential or domestic electric sales, our most stable class of business, showed a healthy growth of 13.9%. Average domestic consumption exceeded two thousand electrical units for the first time, reaching 2,053 kilowatt-hours, or 148 kilowatt-hours more than in the previous year. Television, which has now attained a saturation of about 33% in our service area, undoubtedly contributed to this substantial gain in average usage.

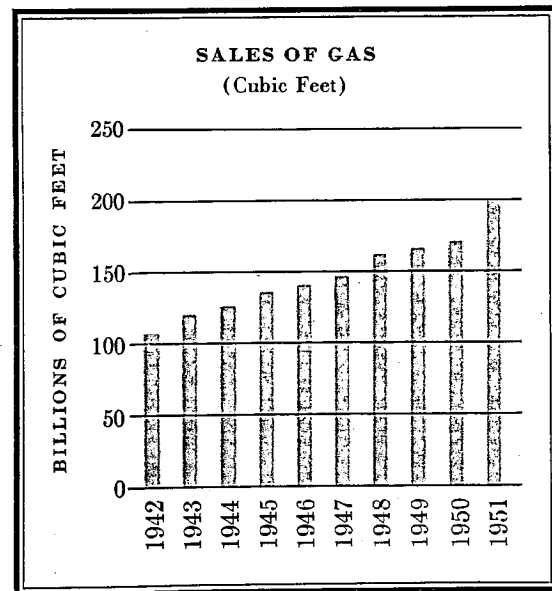
The average revenue received per kilowatt-hour for domestic service amounted to only 2.5 cents.

Defense activities stimulated large light and power sales, this class of service increasing 15.4%.

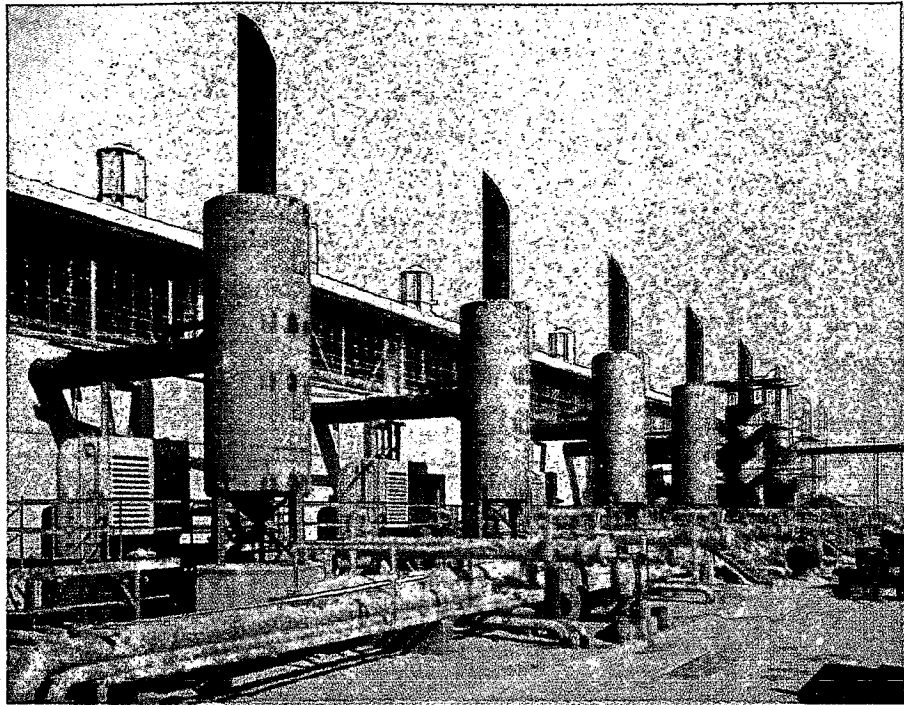
A very large percentage gain was registered in



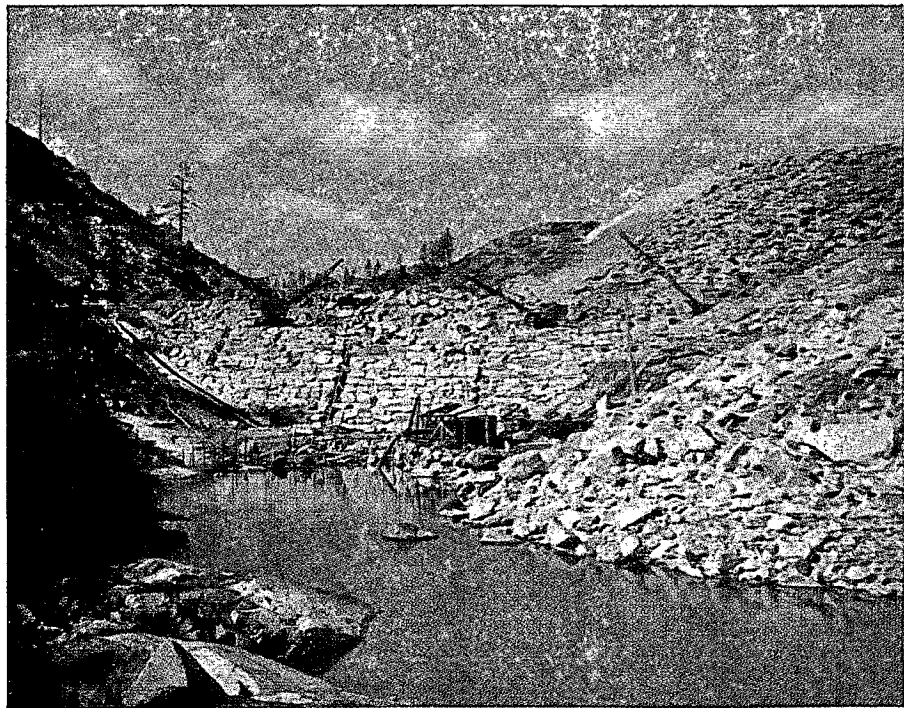
agricultural power which, because of greatly increased irrigation pumping, advanced 16.7%. Removal of acreage controls for cotton and rice, as



Topock Compressor Station, one of three new stations completed on the Topock-Milpitas gas transmission line late in 1951, making possible an increase in deliveries through this line from 250 to 400 million cubic feet of gas per day.

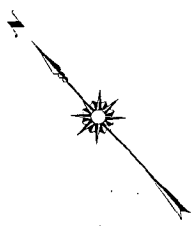


This rock-fill dam under construction is part of Company's Bear River project. The water stored will operate a new hydro generating unit and also increase output of down-stream plants on Mokelumne River.



O R E G O N

Z E A L A N D



P A C I F I C O C E A N

North Beach  
 Station A  
 Station B  
 Station C  
 Station D  
 Station E  
 Station F  
 Station G  
 Station H  
 Station I  
 Station J  
 Station K  
 Station L  
 Station M  
 Station N  
 Station O  
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 Station Q  
 Station R  
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 Station U  
 Station V  
 Station W  
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 Station Z

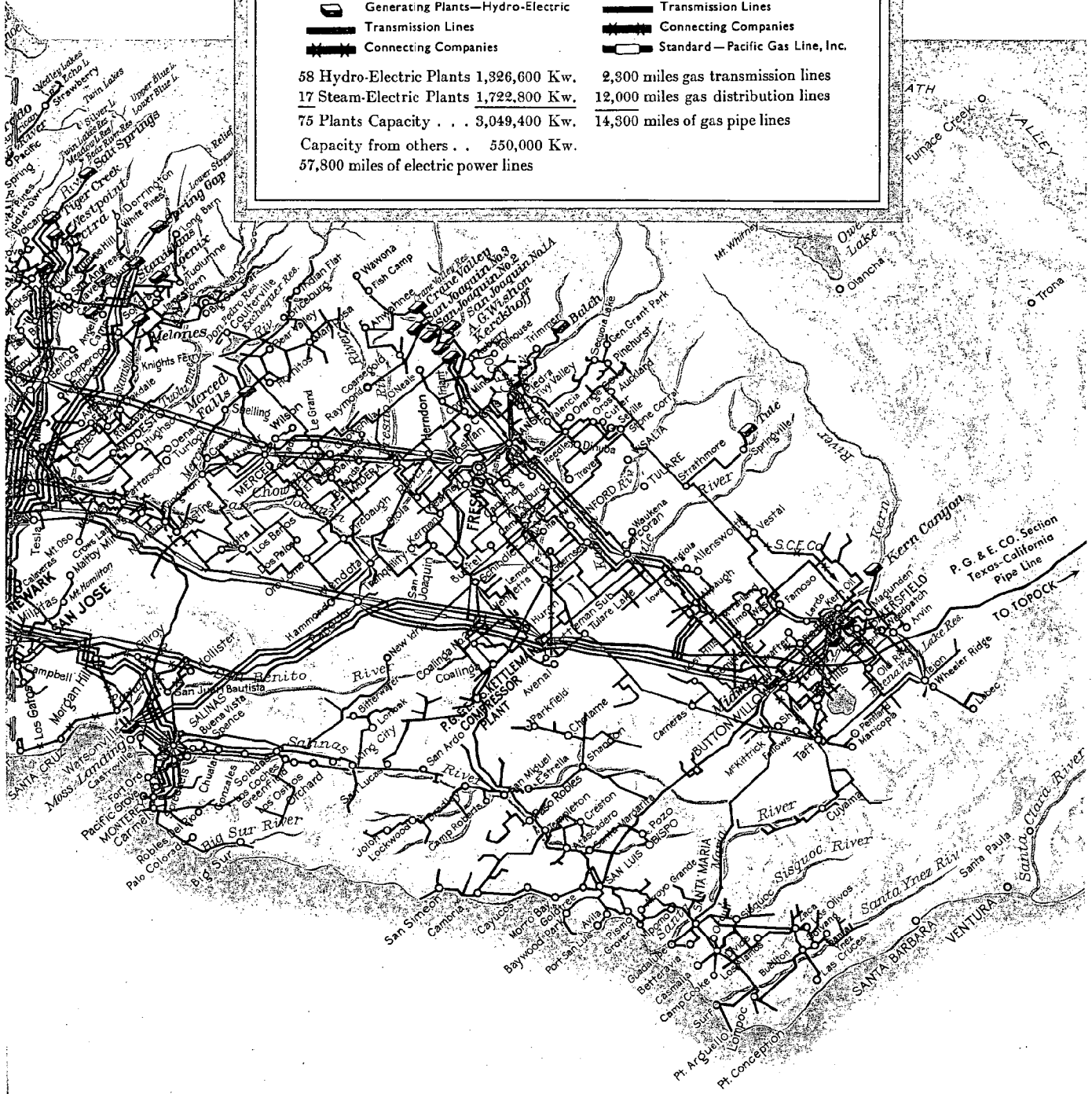
# TERRITORY SERVED BY THE PACIFIC GAS AND ELECTRIC COMPANY

DECEMBER 31, 1951

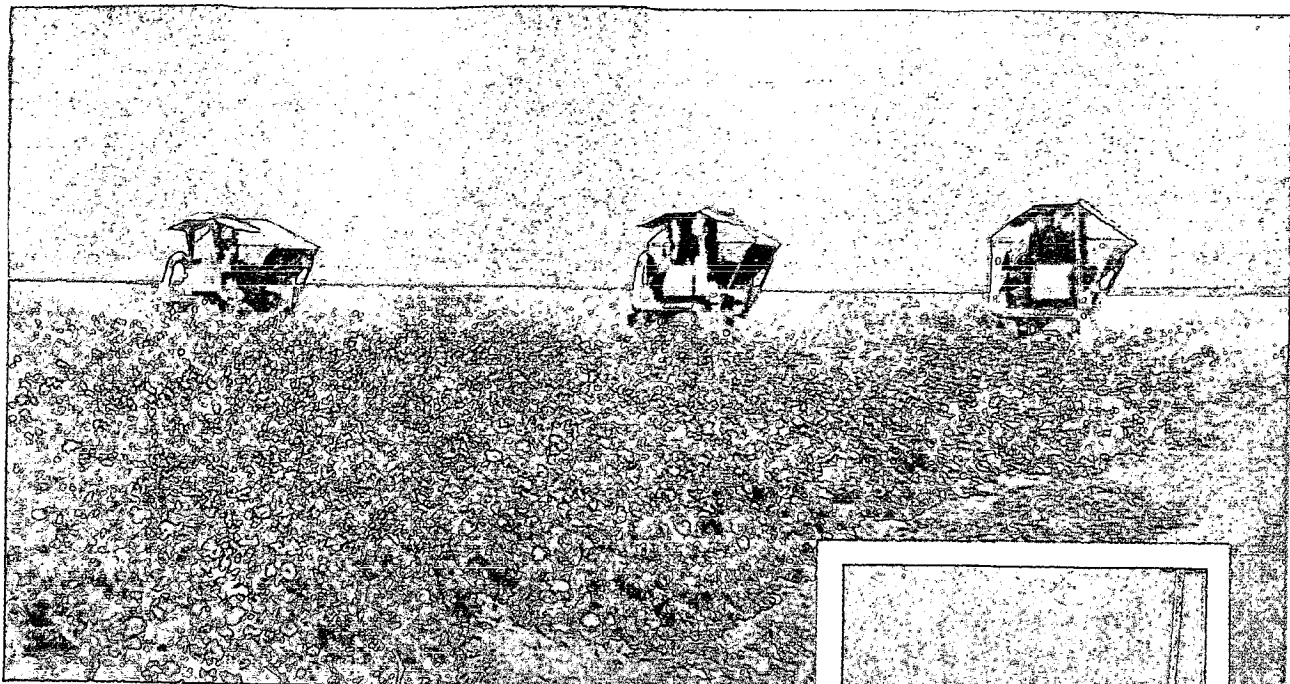
The Company operates an integrated system extending into  
46 California counties with a population exceeding 5,000,000

ELECTRIC SYSTEM		GAS SYSTEM	
	Generating Plants—Steam-Electric		Generating Plants
	Generating Plants—Hydro-Electric		Transmission Lines
	Transmission Lines		Connecting Companies
	Connecting Companies		Standard—Pacific Gas Line, Inc.

58 Hydro-Electric Plants 1,326,600 Kw.      2,300 miles gas transmission lines  
 17 Steam-Electric Plants 1,722,800 Kw.      12,000 miles gas distribution lines  
 75 Plants Capacity . . . 3,049,400 Kw.      14,300 miles of gas pipe lines  
 Capacity from others . . . 550,000 Kw.  
 57,800 miles of electric power lines



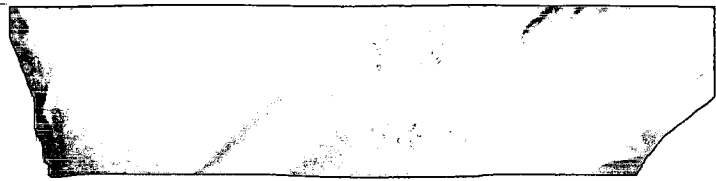
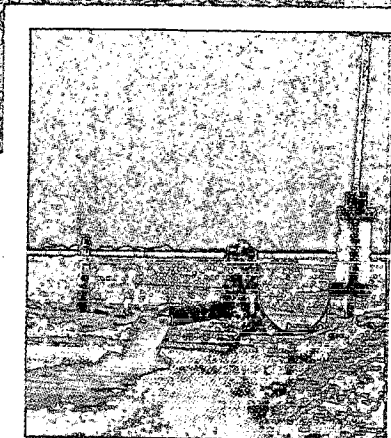




### *Developments in California Agriculture*

In a few brief years, California has attained second position in the production of cotton. Over 1,300,000 acres were planted to this crop in 1951, substantially all of which were irrigated by electric power.

Another significant development has been the greatly increased use of overhead sprinkler irrigation systems for field crops and permanent pasture for livestock.

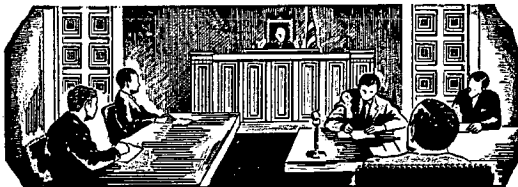


well as deficient precipitation in some areas, contributed to this increase.

A very satisfactory gain was recorded also in gas sales, which reached a new peak of 200,515,000,000 cubic feet. The increase over the previous year was 27,832,000,000 cubic feet, or 16.1%.

Residential gas sales accounted for about 44% of total deliveries to all classes of customers, and recorded a gain of 10.9% over those of the preceding year. A substantial portion of the gas consumed by our domestic customers is used for space heating, which varies with changes in temperature. Other domestic usage is relatively stable in character.

Industrial sales, including natural gas supplied on an interruptible basis, increased 30.2%. In part this large gain reflects a shift of some commercial customers to industrial tariffs, which became more favorable to them under revised rate schedules placed in effect during the year.



**RATE MATTERS**

In a series of three rate orders issued by the California Public Utilities Commission in 1951, the Company was authorized to increase its rates for gas service by an aggregate of \$17,535,000 on an annual basis. In its application filed in June 1950, as later amended, the Company had requested increases totaling approximately \$18,384,000.

The first of these rate orders authorized an increase of \$7,031,000 annually on an interim basis, effective February 18. The second or final order authorized a further increase of \$9,117,000, which became effective on October 24. Later the Commission issued a supplementary order authorizing an additional increase of \$1,387,000, effective November 11. This was allowed to compensate the

Company for a corresponding advance in the cost of out-of-state gas which was placed in effect on November 1. The exact amount of the latter increase had not been determined when the Commission issued its second order.

In its final decision the Commission stated that the rates authorized were required to provide the Company with a fair return on its investment in gas properties, and found that such additional revenues would yield a return of 6.29% applied to a depreciated historical cost rate base for the test year 1951, and approximately 6.0% in 1952.

On July 18, 1951, the Company applied to the Commission for a system-wide increase in electric rates of \$37,650,000 on an annual basis. This was our first request for a major advance in electric rates in about thirty years.

Almost 80% of our investment is represented by electric properties. Our present charges for electric service are clearly inadequate to maintain the Company in a healthy financial condition, and to permit it to attract on favorable terms the large amounts of capital required to keep pace with the rapid development of our service area.

A series of hearings has been held on this application. Pending completion of hearings and final action on the application, the Company has requested that it be granted such interim rates as the Commission considers proper.



**OPERATIONS**

The distribution of rain and snowfall in the 1950-1951 precipitation season did not follow a normal pattern. Early in the season heavy storms, followed by relatively warm weather, resulted in an excessive runoff which practically filled our storage

reservoirs. Although February and March precipitation was deficient, the hydro yield resulting from the 1950-1951 season was about normal, and heavy fall and winter rains in 1951 increased hydro production for the year to above normal.

Gross system output of electricity totaled 16.0 billion kilowatt-hours, compared with 14.0 billion in 1950. About 7.5 billion kilowatt-hours were generated in our hydro-electric plants, or 47.2% of the total output. Steam-electric generating plants produced 5.6 billion kilowatt-hours. The balance of 2.9 billion kilowatt-hours was received from other producers.

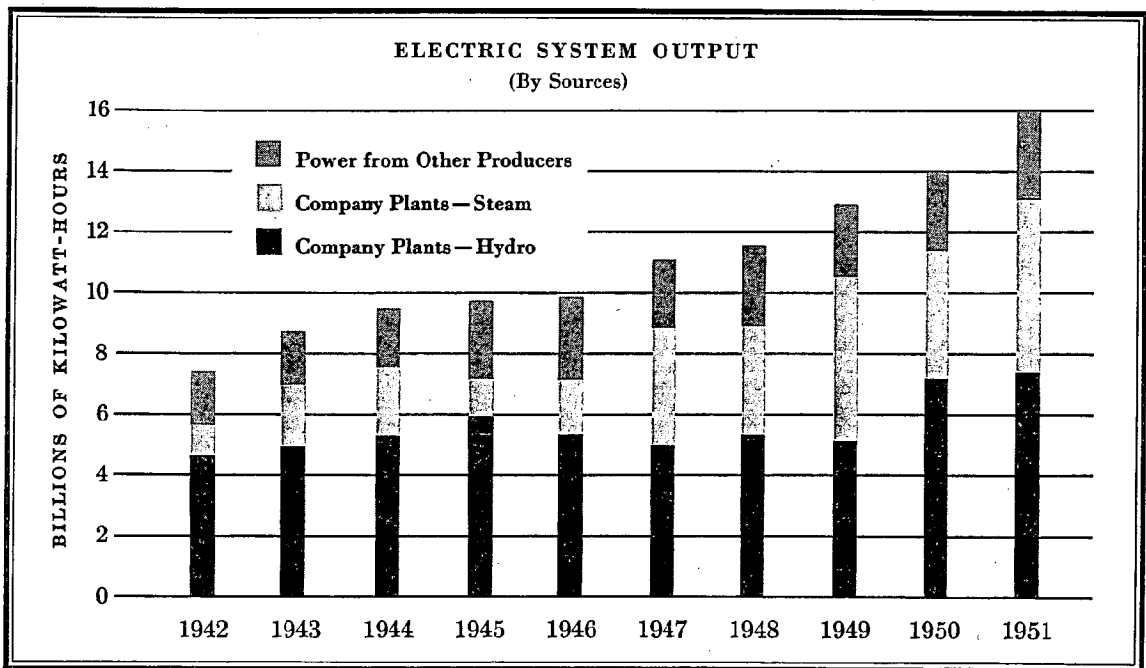
The greater efficiency of the steam-electric generating units added in recent years is demonstrated by the fact that while the output from our steam plants exceeded that of the previous year by 28.2%, fuel consumption increased only 20.5%. This improved efficiency represented a saving of approximately 815,000 barrels of fuel oil, or its equivalent in other fuels.

The peak load on our electric system occurred on August 2 and amounted to 2,890,800 kilowatts, exceeding the 1950 peak by 15.2%. The annual load factor was 63.0%.

Following satisfactory results obtained from earlier experimental installations, 260 additional mobile radio transmitter receivers were installed during the year, as well as 15 additional base radio stations and 2 repeater stations. This equipment resulted in substantial savings in operating costs, and in improved service to our customers.

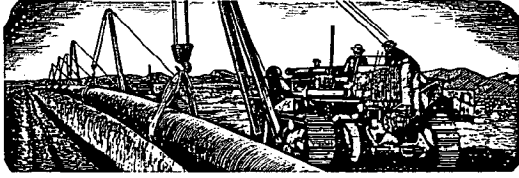
The maximum daily send-out on our gas system during the year occurred on December 31, 1951, and amounted to 971,000,000 cubic feet. The season's peak occurred on January 2, 1952, when our send-out exceeded one billion cubic feet for the first time.

Our extensive gas transmission system operated satisfactorily throughout the year, with no major breaks or outages. However, for use in periods of emergency, and to relieve extreme peak conditions





during exceptionally cold weather, the Company continued to maintain eleven stand-by gas manufacturing plants with a total capacity of about 160 million cubic feet of gas a day.



*GAS SUPPLY*

With the completion late in 1951 of the three compressor stations referred to in the section on Construction Program, deliveries of out-of-state gas through our Topock-Milpitas transmission line were increased from 250 million to 400 million cubic feet per day. The principal sources of this out-of-state gas are the Permian Basin of western Texas and southeastern New Mexico and the San Juan Basin of northwestern New Mexico and southwestern Colorado. The gas is delivered to the Company at the California-Arizona boundary through the facilities of the El Paso Natural Gas Company.

The El Paso Company has agreed to sell us an

additional 150 million cubic feet of gas per day for a term of at least fifteen years. Subject to obtaining necessary regulatory approval and material allocations, it is expected that this augmented supply may be available as early as January 1953.

The Company has filed applications with the California Public Utilities Commission and the Federal Power Commission for authority to add sufficient capacity to its Topock-Milpitas pipe line to be able to transmit this additional gas. This capacity will be obtained by installing compressor facilities and by paralleling portions of the existing line.



*PERSONNEL*

The Company's long-standing policy of providing good working conditions and of recognizing individual ability by promotion through the ranks was

Summary of Payrolls and Other Employee Benefits, Year 1951

PAYROLLS:	Operating payroll, including charges to clearing accounts . . . . .	\$46,383,000
	Payroll of construction employees . . . . .	30,619,000
	Sub-total . . . . .	\$77,002,000
OTHER EMPLOYEE BENEFITS PAID BY COMPANY:	Contribution to Retirement Plan . . . . .	\$ 3,549,000
	Other pension payments made by Trustee . . . . .	765,000
	State unemployment insurance tax . . . . .	1,317,000
	Federal unemployment insurance tax . . . . .	161,000
	Federal old-age insurance contribution . . . . .	908,000
	Group Life Insurance Plan payments . . . . .	93,000
	Contributions to employee associations . . . . .	119,000
	Sub-total . . . . .	6,912,000
	<b>TOTAL PAYROLLS AND OTHER EMPLOYEE BENEFITS . . . . .</b>	<b>\$83,914,000</b>

reciprocated by outstanding performance on the part of our organization in 1951.

Due to our expanded business and an increase in the volume of construction work undertaken by its own forces, the Company employed an average of 700 more persons than in 1950. At the year-end the personnel numbered 17,450 men and women.

As a result of the larger number of employees and generally higher wage rates, the payroll advanced \$9,169,000 to a new peak of \$77,002,000. Of the total, \$46,383,000 represented operating payroll, including charges to clearing accounts. The balance of \$30,619,000 represented the payroll of employees engaged in construction and was charged to capital accounts.

About 13,000 employees are represented by labor unions. New wage agreements were entered into with the International Brotherhood of Electrical Workers (A. F. of L.) and with the Utility Workers Union of America (C. I. O.) effective April 1, 1951, for a period of one year. These agreements provided for wage increases of 5.8%. Wage and salary adjustments were also made for employees not represented by a union. On an annual basis, total wage and salary adjustments amounted to approximately \$4,000,000.

The Company's Retirement Plan in its present form has been in effect since January 1, 1937. During the year 164 employees were retired and at its close 1,585 employees were receiving retirement incomes.

Participation in the Employees' Suggestion Plan surpassed any previous year of the twenty-seven years it has been in continuous operation. About 2000 suggestions were received, of which more than 700 were adopted in our operations. Cash awards are granted to employees for all suggestions adopted.

The Pacific Service Employees Association, a voluntary organization managed and operated entirely by its members, has for a period of thirty-five years offered an extensive program of educational, social and recreational activities to its membership. The Association also operates a Credit Union and several benefit plans.



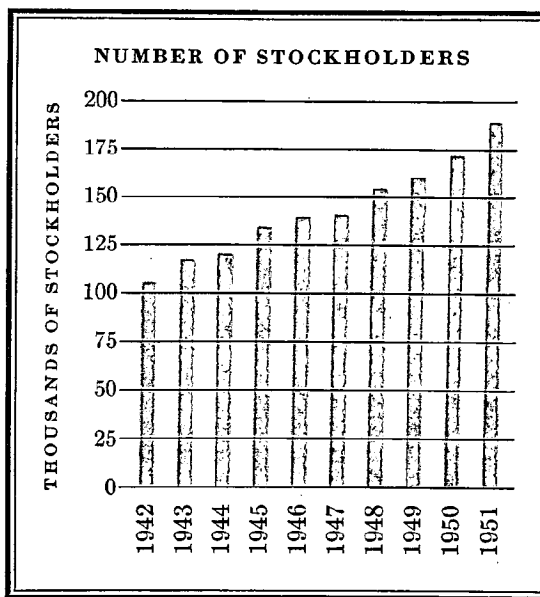
**STOCK OWNERSHIP**

The ownership of the Company was broadened further in 1951 by an increase of 17,965 in the number of our stockholders, the largest gain ever experienced in a single year. At the year-end 188,463 individual and institutional investors held our preferred and common shares.

This large gain is a gratifying demonstration of the confidence of the investing public in the Company's future and in the territory it serves.

The Company continues to have a high degree of local ownership. At the close of the year California investors represented about 66% of our total stockholders, and held 51% of the outstanding stock.

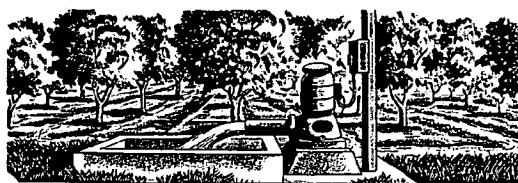
The Company encourages stock ownership among its employees by offering them an oppor-



tunity from time to time to purchase shares by installment payments. A special canvass made recently revealed that approximately 5200 of our employees now hold about 190,000 shares of the Company's stock.

Direct ownership of the Company, however represents only a small proportion of those who have a financial interest in it. Through the ownership holdings of all classes of our securities by insurance companies, investment companies and other institutional investors, a vast number of individuals throughout the country have an indirect but nonetheless important interest in the Company's welfare.

This broad ownership, both direct and indirect, clearly places the Company in the category of a publicly-owned institution, operating effectively as a private enterprise under public regulation.



*CENTRAL VALLEY POWER*

Reference was made in the introductory section of this report to the execution of two long-term contracts with the Bureau of Reclamation for the disposition of Central Valley power.

The first of these, a so-called "wheeling contract," was executed on April 2, 1951, and became effective August 27 on authorization of the California Public Utilities Commission. The agreement covers a period of ten years. Under this contract the Company agreed to accept deliveries of Project power and to deliver, at the request of the Bureau and for its account, an equivalent amount of power after adjustment for transmission losses, to Federal establishments and certain customers entitled to preference under the Reclamation law. For this service, the Company is compensated at varying rates depending on the voltage at which deliveries are made. At the present time the Company is providing service to thirteen Federal establishments and one preferred customer under this contract.

Supplementing the "wheeling contract," the Company entered into a second ten-year contract with the Bureau on October 3, 1951, which became effective on December 17, also on authorization of the California Public Utilities Commission. This contract provides for the sale to the Company of such Project power as the Bureau does not need for its own use and the use of its customers. The contract also provides for interchange of power so as best to meet the combined load requirements of the parties and for sale by the Company of power to supply deficiencies which may occur in the output of Project plants to the extent required by certain Federal agencies and preferred customers. It is estimated that the Company's payments for Project power would have been about \$1,700,-

DISTRIBUTION OF STOCK OWNERSHIP  
BY CLASS OF INVESTOR—DECEMBER 31, 1951

CLASS OF INVESTOR	Number of Stockholders	Number of Shares Owned
Women stockholders . . . . .	73,789	5,515,745
Men stockholders . . . . .	49,786	4,133,243
Joint and other tenancies . . . . .	47,639	3,695,696
Trustees, guardians, and other fiduciaries . . . . .	11,730	1,482,854
Corporations, partnerships and proprietorships . . . . .	1,881	1,185,973
Banks, investment companies, and security dealers . . . . .	904	1,389,391
Charitable and fraternal organizations and foundations . . . . .	873	215,059
Nominees . . . . .	712	2,448,546
Insurance companies . . . . .	486	2,436,809
Religious institutions . . . . .	381	73,488
Educational institutions . . . . .	282	150,452
<b>TOTALS . . . . .</b>	<b>188,463</b>	<b>22,727,256</b>

PACIFIC GAS AND ELECTRIC COMPANY

000 less in 1951 if the contract had been in effect during all of that year.

*DIRECTORS AND OFFICERS*

Reference was made in last year's report to the election, on January 17, 1951, of Mr. Elliott McAllister as a member of the Board of Directors, to fill the vacancy caused by the death of Mr. Chas. K. McIntosh. No change in the membership of the Board of Directors has occurred since that time.

Mr. I. C. Steele, Vice-President and Chief Engineer, retired on December 31, 1951, after 42 years of loyal and efficient service with the Company. He was succeeded by Mr. Walter Dreyer, who has been with the Company for 36 years.

Mr. E. J. Beckett, Treasurer, also retired at the close of last year after 36 years of distinguished service, during which he was actively associated with the Company's financial affairs. Mr. K. C. Christensen, who has been with the Company 21 years, was appointed to succeed Mr. Beckett.

*ANNUAL MEETING*

This annual report for the forty-sixth year of the Company's corporate existence, and for its ninety-

ninth year including predecessor utility companies, 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 8, 1952.

\* \* \*

In closing this report, I wish on behalf of the Board of Directors to express sincere appreciation to the members of our organization whose continued loyalty and efficiency made possible the progress and attainments achieved during the year.

Once again, many of our employees have been called into military service. Our best wishes for a safe return go with them.

*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, 1952.*

**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, 1951 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, 1951 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, 1952.

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Net Income for the Years Ended December 31, 1951 and 1950

	Year Ended December 31	
	1951	1950
<b>GROSS OPERATING REVENUES:</b>		
Electric department	\$189,364,571	\$166,805,160
Gas department	88,633,890	69,257,172
Other	1,500,269	1,374,959
Total	<u>\$279,498,730</u>	<u>\$237,437,291</u>
<b>OPERATING EXPENSES:</b>		
Maintenance and repairs	\$ 13,674,312	\$ 12,002,094
Production expenses:		
Power purchased	10,974,876	11,385,443
Natural gas purchased	50,237,772	33,784,667
Oil and other fuel	10,877,279	7,467,056
Other	7,687,603	7,304,373
Transmission expenses	3,006,936	2,763,971
Distribution expenses	14,654,200	13,078,721
Customers' accounting and collecting expenses	11,027,834	9,921,724
Sales promotion expenses	2,368,009	2,100,622
Provision for depreciation and amortization (Note 2)	31,609,982	28,123,053
Taxes:		
Provision for Federal income tax (Note 7)	25,363,884	19,006,013
Other taxes	35,133,583	30,844,072
Administrative and general expenses	6,335,858	5,836,872
Provision for doubtful accounts	360,000	340,000
Provision for insurance and casualties	1,080,000	960,000
Pension plan expenses	2,365,684	1,757,659
Total	<u>\$226,757,812</u>	<u>\$186,676,340</u>
<b>NET OPERATING REVENUES</b>	<u>\$ 52,740,918</u>	<u>\$ 50,760,951</u>
<b>MISCELLANEOUS INCOME:</b>		
Dividends	\$ 47,025	\$ 68,400
Interest	383,243	453,776
Other (net)	*65,725	24,866
Total	<u>\$ 364,543</u>	<u>\$ 547,042</u>
Total	<u>\$ 53,105,461</u>	<u>\$ 51,307,993</u>
<b>INCOME DEDUCTIONS:</b>		
Interest on funded debt	\$ 18,621,512	\$ 17,709,523
Amortization of net bond discount and expense	412,319	426,243
Miscellaneous interest	54,919	125,765
Interest charged to construction	*3,408,312	*5,293,497
Miscellaneous	548,778	493,940
Total	<u>\$ 16,229,216</u>	<u>\$ 13,461,974</u>
<b>NET INCOME</b>	<u>\$ 36,876,245</u>	<u>\$ 37,846,019</u>

\*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, 1951 and 1950

	Year Ended December 31	
	1951	1950
<b>EARNED SURPLUS:</b>		
Balance at beginning of year . . . . .	\$ 47,202,061	\$ 40,875,311
Net income, from statement of net income . . . . .	36,876,245	37,846,019
Additional proceeds arising from transfer of electric properties to Sacramento Municipal Utility District pursuant to condemnation proceedings . . . . .	—	585,000
Miscellaneous additions to earned surplus—net. . . . .	1,363	26,000
<b>Total . . . . .</b>	<b>\$ 84,079,669</b>	<b>\$ 79,332,330</b>
<b>Deductions from earned surplus:</b>		
Purchase premium on bonds reacquired, plus related unamortized net discount and expense . . . . .	\$ 89,930	\$ 178,732
Dividends on capital stocks held by public—Cash:		
First preferred—6% cumulative . . . . .	\$ 6,317,593	\$ 6,317,596
First preferred—5½% cumulative . . . . .	1,613,225	1,613,228
First preferred—5% cumulative (Note 5) . . . . .	3,651,964	3,625,077
First preferred—4.80% cumulative (Note 5) . . . . .	1,800,000	1,350,000
Common . . . . .	22,003,058	19,045,636
<b>Total . . . . .</b>	<b>\$ 35,385,840</b>	<b>\$ 31,951,537</b>
<b>Total deductions from earned surplus . . . . .</b>	<b>\$ 35,475,770</b>	<b>\$ 32,130,269</b>
Balance at end of year . . . . .	\$ 48,603,899	\$ 47,202,061
<b>CAPITAL SURPLUS—Balance at beginning and end of year . . . . .</b>	<b>627,217</b>	<b>627,217</b>
<b>TOTAL SURPLUS . . . . .</b>	<b>\$ 49,231,116</b>	<b>\$ 47,829,278</b>

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

**PACIFIC GAS AND ELECTRIC COMPANY**

*Balance Sheet, December 31, 1951 and 1950*

ASSETS	December 31	
	1951	1950
<b>UTILITY PLANT (Note 2):</b>		
Tangible plant . . . . .	\$1,525,759,519	\$1,387,539,423
Intangible plant . . . . .	1,149,043	804,099
Plant acquisition adjustments . . . . .	15,530,949	15,530,949
Total utility plant . . . . .	\$1,542,439,511	\$1,403,874,471
<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: 1951, \$3,636,679; 1950, \$3,482,399) . . . . .	1,384,821	1,463,526
Other . . . . .	5,910	5,910
Investment in other physical property . . . . .	5,251,115	5,239,189
Total investments . . . . .	\$ 8,968,232	\$ 9,035,011
<b>SINKING FUNDS AND SPECIAL DEPOSITS</b> . . . . .	\$ 113,729	\$ 88,277
<b>CURRENT ASSETS:</b>		
Cash on hand, demand deposits, and time deposits . . . . .	\$ 15,416,578	\$ 22,361,924
Temporary cash investments (United States Government securities)—at cost . . . . .	3,000,000	29,897,090
Miscellaneous special deposits . . . . .	283,425	253,923
Accounts receivable (less reserve for doubtful accounts: 1951, \$1,437,068; 1950, \$1,445,180) . . . . .	23,417,187	17,377,968
Materials and supplies (for operations and construction)—at average cost . . . . .	19,530,029	16,968,012
Total current assets . . . . .	\$ 61,647,219	\$ 86,858,917
<b>DEFERRED CHARGES:</b>		
Unamortized bond discount and expense (Note 4) . . . . .	\$ 11,065,473	\$ 11,554,560
Other . . . . .	2,779,900	1,646,272
Total deferred charges . . . . .	\$ 13,845,373	\$ 13,200,832
<b>TOTAL</b> . . . . .	\$1,627,014,064	\$1,513,057,508

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



PACIFIC GAS AND ELECTRIC COMPANY

Balance Sheet, December 31, 1951 and 1950

	December 31	
	1951	1950
<b>LIABILITIES</b>		
<b>CAPITAL STOCK (Schedule 1) (Note 5):</b>		
First preferred . . . . .	\$ 284,270,975	\$ 244,620,625
Common . . . . .	283,912,450	248,423,400
Excess of premiums received over discount and expense on outstanding shares . . . . .	17,164,253	10,365,493
Instalments received on preferred stock purchase agreements . . . . .	—	1,493,777
Total capital stock . . . . .	<u>\$ 585,347,678</u>	<u>\$ 504,903,295</u>
<b>MORTGAGE BONDS (Schedule 2) (Note 4):</b>		
Issued . . . . .	\$ 617,420,000	\$ 623,354,000
Less in treasury . . . . .	2,446,000	1,830,000
Mortgage bonds held by public . . . . .	<u>\$ 614,974,000</u>	<u>\$ 621,524,000</u>
Less current maturities and estimated additional sinking-fund requirements for year, shown among current liabilities . . . . .	11,319,000	4,327,000
Remainder—Mortgage bonds (less current maturities and sinking-fund requirements) . . . . .	<u>\$ 603,655,000</u>	<u>\$ 617,197,000</u>
<b>DUE TO SUBSIDIARY COMPANIES . . . . .</b>	<u>\$ 118,271</u>	<u>\$ 197,504</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable . . . . .	\$ 13,082,202	\$ 10,787,812
Drafts outstanding . . . . .	1,507,329	1,782,277
Dividends payable . . . . .	5,678,315	4,968,530
Current bond maturities and estimated additional sinking-fund requirements for year (Note 4) . . . . .	11,319,000	4,327,000
Matured mortgage bonds unpaid . . . . .	42,875	45,800
Bond interest due . . . . .	141,811	181,921
Accrued bond interest—not due . . . . .	1,659,076	1,675,526
Customers' meter and line deposits . . . . .	3,292,215	3,198,741
Accrued taxes for current and prior years . . . . .	44,342,578	33,033,910
Total current liabilities . . . . .	<u>\$ 81,065,401</u>	<u>\$ 60,001,517</u>
<b>DEFERRED CREDITS:</b>		
Unamortized premium on bonds (Note 4) . . . . .	\$ 1,325,097	\$ 1,456,306
Other . . . . .	208,359	263,499
Total deferred credits . . . . .	<u>\$ 1,533,456</u>	<u>\$ 1,719,805</u>
<b>RESERVES:</b>		
For depreciation and amortization . . . . .	\$ 301,325,813	\$ 276,803,230
For insurance and casualties . . . . .	920,872	1,149,755
Total reserves . . . . .	<u>\$ 302,246,685</u>	<u>\$ 277,952,985</u>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION . . . . .</b>	<u>\$ 3,816,457</u>	<u>\$ 3,256,124</u>
<b>SURPLUS:</b>		
Earned surplus . . . . .	\$ 48,603,899	\$ 47,202,061
Capital surplus . . . . .	627,217	627,217
Total surplus . . . . .	<u>\$ 49,231,116</u>	<u>\$ 47,829,278</u>
<b>TOTAL . . . . .</b>	<u><u>\$1,627,014,064</u></u>	<u><u>\$1,513,057,508</u></u>

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

PACIFIC GAS AND ELECTRIC COMPANY

Capital Stock, December 31, 1951

[SCHEDULE 1]	Description	Shares Authorized	Issued and Outstanding —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		2,500,000	2,500,000	62,500,000
5% redeemable—Series A		1,600,000	1,586,014	39,650,350
4.80% redeemable		1,500,000	1,500,000	37,500,000
Redeemable (unclassified in series)		8,615,175	—	—
TOTAL		20,000,000	11,370,839	\$284,270,975
<b>COMMON, PAR VALUE \$25 PER SHARE</b>				
		20,000,000	11,356,498	283,912,450
TOTAL		40,000,000	22,727,337	\$568,183,425
<b>EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES</b>				
				17,164,253
TOTAL				\$585,347,678

Mortgage Bonds, December 31, 1951

[SCHEDULE 2]	Title of Issue	Interest Rate %	Maturity	Amount Outstanding —Held by Public	Amount Held in Treasury
<b>FIRST AND REFUNDING MORTGAGE (Note 1):</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	—
Series M		3	Dec. 1, 1979	77,975,000	\$ 150,000
Series N		3	Dec. 1, 1977	48,182,000	—
Series O		3	Dec. 1, 1975	11,250,000	200,000
Series P		2¾	June 1, 1981	24,088,000	—
Series Q		2½	Dec. 1, 1980	67,459,000	225,000
Series R		3⅞	June 1, 1982	70,375,000	1,250,000
Series S		3	June 1, 1983	77,520,000	575,000
Series T		2⅞	June 1, 1976	77,475,000	46,000
<b>SAN JOAQUIN LIGHT AND POWER CORPORATION—Unifying and refunding mortgage (debt assumed by Pacific Gas and Electric Company) (Note 2):</b>					
Series B		6	Mar. 1, 1952	7,667,000	—
TOTAL				\$614,974,000	\$2,446,000
<b>CLASSIFICATION IN BALANCE SHEET OF MORTGAGE BONDS:</b>					
<b>SHOWN UNDER CURRENT LIABILITIES:</b>					
	Current maturities			\$ 7,667,000	—
	Estimated additional sinking-fund requirements (see Note 4 to the financial statements)			3,652,000	—
TOTAL				\$ 11,319,000	—
<b>SHOWN AS MORTGAGE BONDS</b>					
				603,655,000	—
TOTAL				\$614,974,000	—

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, 1951*

## NOTE 1—FINANCIAL STATEMENTS; SUBSIDIARY COMPANIES:

In this report the financial statements presented relate to the Company only, by reason of the fact that the net assets and earnings of the subsidiaries are relatively insignificant. As of December 31, 1951 and 1950 the Company's investment in subsidiaries (\$2,326,386 at each date) exceeded its equities in the net assets of the subsidiaries by \$301,703 and \$374,669, respectively, and the Company's equities in the undistributed earnings of the subsidiaries for the years 1951 and 1950 were \$72,966 and \$116,624, 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" (defined as cost to the person first devoting the property to public service) as of the effective dates of the respective classifications together with plant subsequently acquired, as well as cost to the Company, the difference to be recorded in segregated utility plant accounts and disposed of as the Commissions may approve or direct.

At December 31, 1951 and 1950, 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). The remainder of its utility plant

consisted of acquisitions of operating units or systems which are recorded in the accounts at "original cost" except an amount of \$15,530,949 charged to utility plant acquisition adjustments which is being amortized out of earnings over the fifteen-year period commenced January 1, 1950.

The Company estimates that gross construction expenditures during the years 1952 through 1954 will amount to \$450,000,000.

## 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—MORTGAGE BONDS AND RELATED SINKING FUNDS, DISCOUNT AND EXPENSE, AND PREMIUMS:

During February 1952 the Company announced an offering of \$55,000,000 of mortgage bonds to be made during the early part of 1952.

Under the terms of the first and refunding mortgage, the Company is required to make semi-annual sinking-fund payments based upon the aggregate bonded indebtedness outstanding; such sinking-fund payments during the year 1952 will amount to approximately \$6,098,000 as to bonded indebtedness outstanding at December 31, 1951, subject to reduction, in effect, by such amounts as may be received through sale to the sinking-fund Trustee of the treasury bonds held by the Company at December 31, 1951 in the principal amount of \$2,446,000; the net of these amounts, \$3,652,000, together with current bond maturities amounting to \$7,667,000, is shown among the current liabilities in the accompanying balance sheet as of December 31, 1951. The amount of \$4,327,000 similarly shown as a current liability in the accompanying balance sheet as of December 31, 1950 is the result of a like computation as of that date at which time there were no current maturities. The foregoing does not give effect to presently proposed issues of additional mortgage bonds in 1952.

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:**

During January 1952 the Company adopted an employees' stock purchase plan under the terms of which it offered 163,986 shares of its \$25.00 par value 5% redeemable first preferred stock, series A, to employees at \$24.50 a share.

At December 31, 1951 the Company had outstanding 4,086,014 shares of 5% redeemable first preferred stock, and 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 years 1950 and 1951 except on the 1,500,000 shares of 4.80% redeemable stock issued in February 1950, 86,014 shares of 5% redeemable stock, series A, issued in August 1951, and on the 1,500,000 shares of 5% redeemable stock issued in November 1951. Regular quarterly dividends declared in the respective years were from the dates of issuance to October 31; accordingly, for purposes of comparison with other years, dividends for two months in each case, \$300,000 in 1950 and \$330,420 in 1951 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 stockholders.

**NOTE 7—FEDERAL INCOME TAX:**

The liability for Federal income tax has been accrued at the rates provided in the Revenue Act of 1951. In adjusting its accounts to reflect the retroactive increase provided in the Revenue Act, the Company applied an unused excess provision for prior years amounting to approximately \$727,000 in reduction of the 1951 provision.

**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, 1951 and 1950 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.

## 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*; G. A. Peers, *Transmission and Distribution*; R. H. Miller, *Communications*. *Protection Engineer*: A. Scott

### 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, *Measurement and Regulation*

### DEPARTMENT OF GENERAL CONSTRUCTION

A. J. Swank, *Manager of General Construction*  
H. W. Haberkorn, *Engineer of Hydro-Electric Construction*  
Charles H. Sedam, *Engineer of Station Construction*  
H. D. Wright, *Engineer of Line Construction*  
J. A. Love, *Engineer of Gas Construction*  
R. B. Thompson, *Accountant*

### DEPARTMENT OF EXECUTIVE ENGINEER

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

### ACCOUNTING AND TAX DEPARTMENTS

L. W. Coughlan, *General Auditor*  
Harry McGann, *Auditor of Division Accounts*  
D. J. Beaudet, *Auditor of Plant Accounts*  
Francis J. Carr, *Manager Tax Department*

### DEPARTMENT OF ENGINEERING

Walter Dreyer, *Chief of Division of Civil Engineering*  
C. C. Welchel, *Chief of Division of Steam Engineering*  
E. V. Noe, *Chief of Bureau of Specifications and Estimates*  
W. N. Lindblad, *Chief of Bureau of Tests and Inspections*  
W. R. Johnson, *Electric Generation and Transmission Engineer*  
C. E. Baugh, *Electric Distribution Engineer*

### 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

H. F. Carr, \* *Manager*

### AUTOMOTIVE DEPARTMENT

S. B. Shaw, *Automotive Engineer*

### PURCHASES AND STORES DEPARTMENT

F. E. Baxter, *Manager*

### ADVERTISING AND PUBLICITY DEPARTMENT

Robert R. Gros, *Manager*

### CLAIMS AND SAFETY DEPARTMENT

R. W. White, *Manager*

\*Succeeded L. J. Nevraumont, who died on July 13, 1951.

## Division Managers

COAST VALLEYS: T. E. Ward, Salinas  
COLGATE: W. R. Bowler, Marysville  
DE SABLE: George L. Works, Chico  
DRUM: R. A. Cayot, Auburn  
EAST BAY: W. H. Park, Oakland  
HUMBOLDT: D. F. Villa, Eureka

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