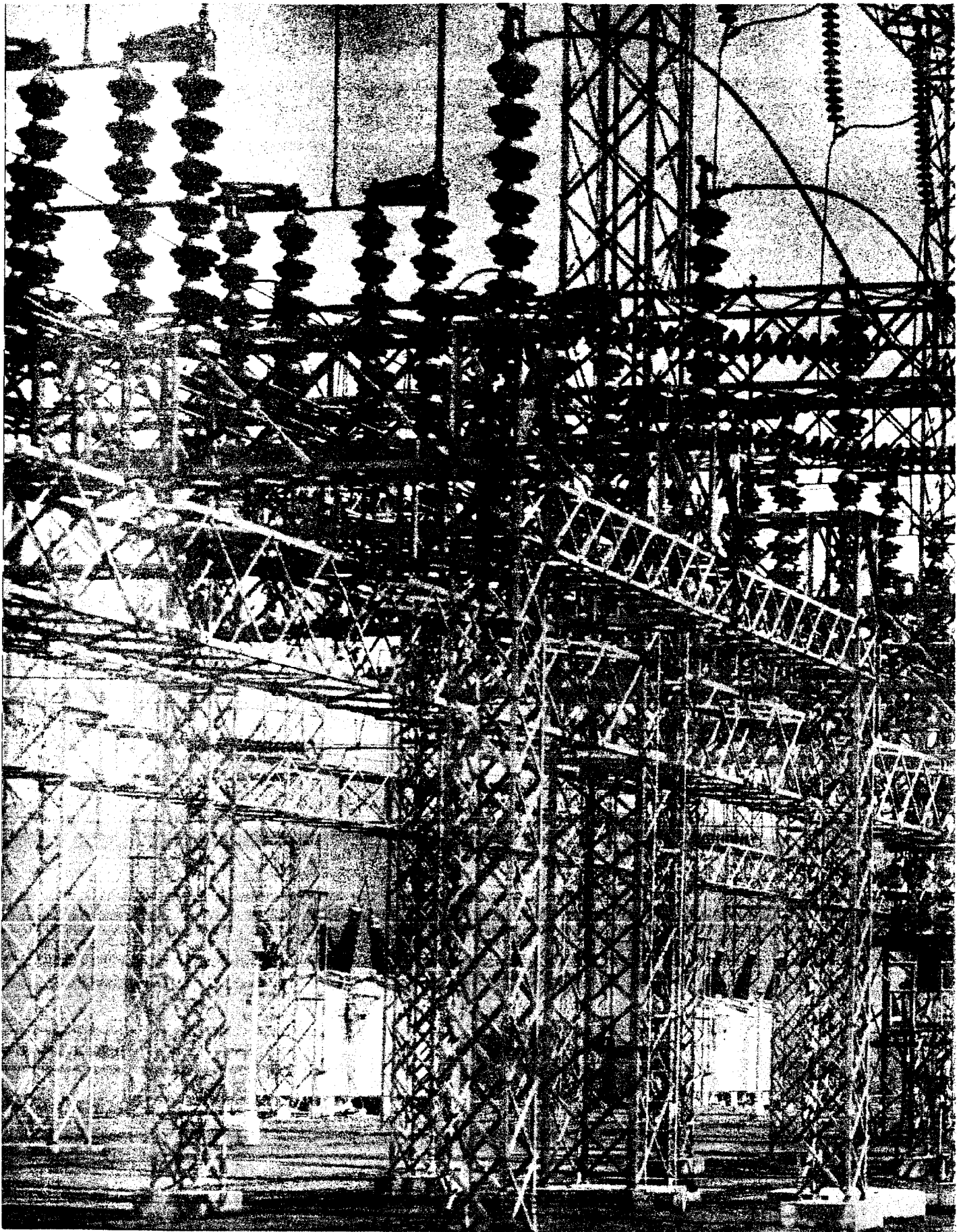


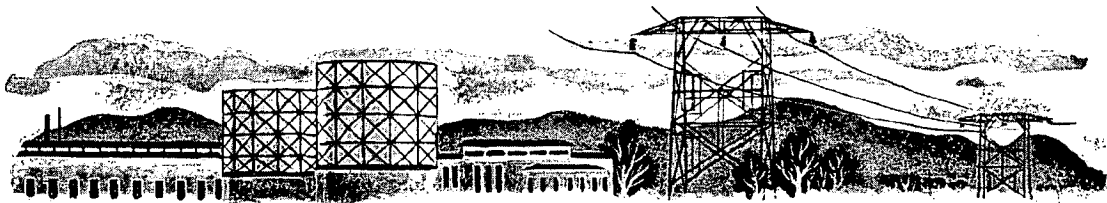
**PACIFIC
GAS AND ELECTRIC
COMPANY**



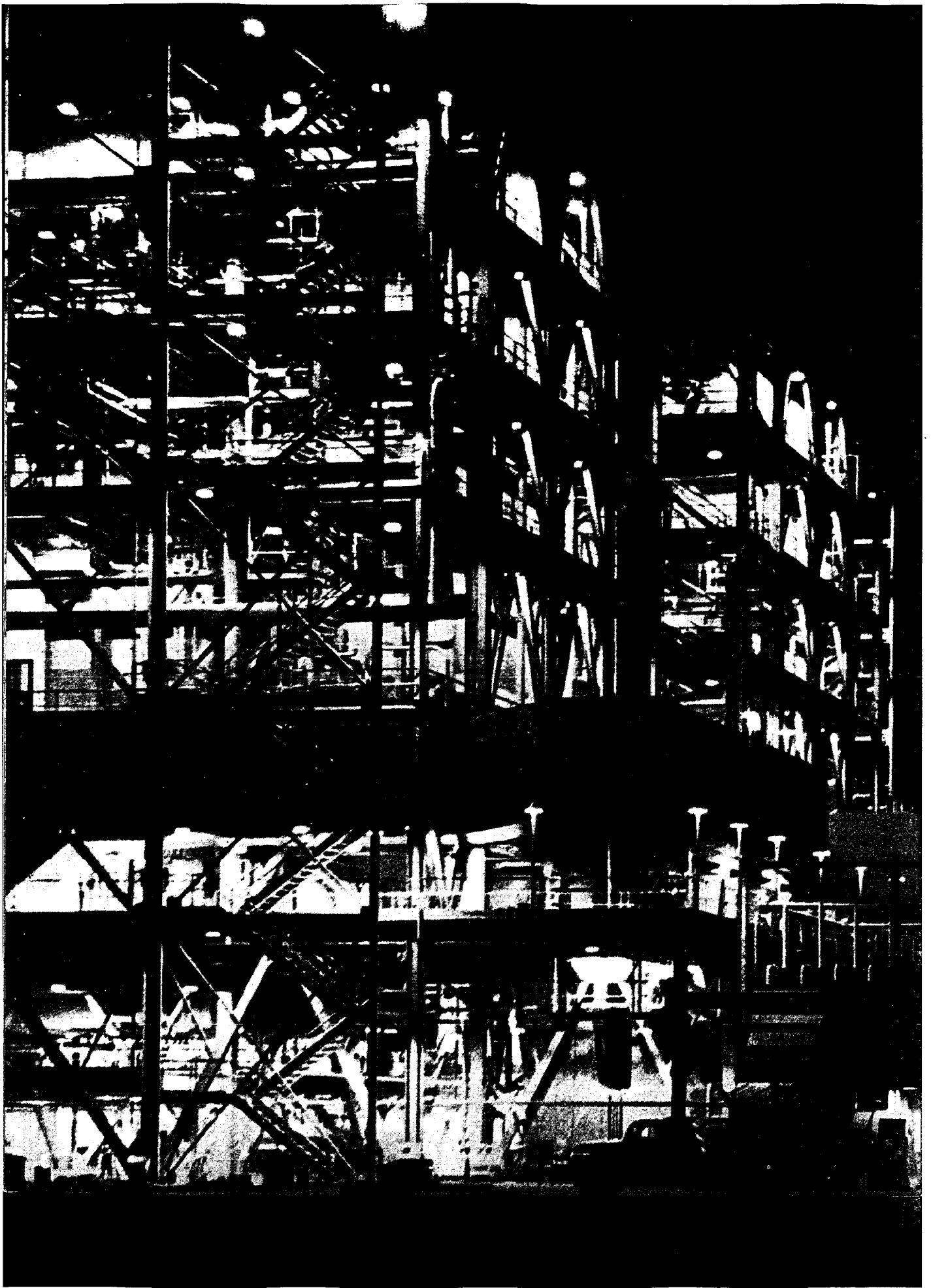
FORTY-EIGHTH ANNUAL REPORT · 1953



PACIFIC
GAS AND ELECTRIC
COMPANY

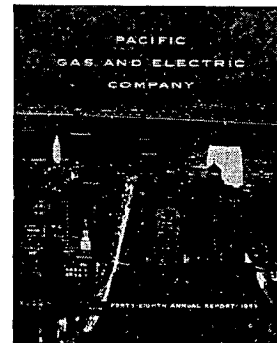


FORTY-EIGHTH ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1953



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OUR COVER

Downtown San Francisco in the evening, with the Bay Bridge in the background. The illuminated building on the right is the Company's General Office.

Night view of our recently enlarged Contra Costa Steam Plant, with a total generating capacity of 575,000 kilowatts.

Board of Directors

JAMES B. BLACK	San Francisco
FRANK E. BUCK	San Francisco
ALLEN L. CHICKERING	San Francisco
K. C. CHRISTENSEN*	San Francisco
JOHN P. COGHLAN	San Francisco
JAMES F. CRAFTS	San Francisco
W. W. CROCKER	San Francisco
ROBERT H. GERDES†	San Francisco
WALTER A. HAAS	San Francisco
JAMES K. LOCHHEAD	San Francisco
ELLIOTT McALLISTER	San Francisco
HENRY D. NICHOLS	San Francisco
SILAS H. PALMER	San Francisco
WALTER H. SULLIVAN	San Francisco
N. R. SUTHERLAND	San Francisco

*Elected February 24, 1954, to succeed Norman B. Livermore, deceased

†Elected August 19, 1953, to succeed W. G. B. Euler, resigned

Executive Committee

JAMES B. BLACK
 ALLEN L. CHICKERING
 W. W. CROCKER
 HENRY D. NICHOLS
 SILAS H. PALMER

Officers

JAMES B. BLACK, *President*
 W. G. B. EULER, * *Executive Vice-President*
 JOHN P. COGHLAN, *Vice-President and Assistant to the President*
 N. R. SUTHERLAND, *Vice-President and General Manager*
 L. HAROLD ANDERSON, *Vice-President and Assistant General Manager*
 D. D. SMALLEY, *Vice-President and Assistant General Manager*
 R. H. GERDES, *Vice-President and General Counsel*
 J. S. MOULTON, *Vice-President and Executive Engineer*
 G. H. HAGAR, *Vice-President in Charge of Operations*
 WALTER DREYER, *Vice-President and Chief Engineer*
 O. R. DOERR, *Vice-President in Charge of Sales*
 A. J. SWANK, *Vice-President in Charge of General Construction*
 K. C. CHRISTENSEN, *Treasurer*
 E. E. MANHARD, *Secretary*
 O. H. BARTHOL, *Assistant Treasurer and Assistant Secretary*
 F. W. McCHESNEY, *Assistant Treasurer*
 V. D. VINCENT, *Assistant Treasurer*
 C. L. HORNBERGER, *Assistant Secretary*
 H. C. NELSON, *Assistant Secretary*
 J. F. TAYLOR, *Assistant Secretary*

* * *

E. W. HODGES, *Comptroller*

*Retired December 31, 1953

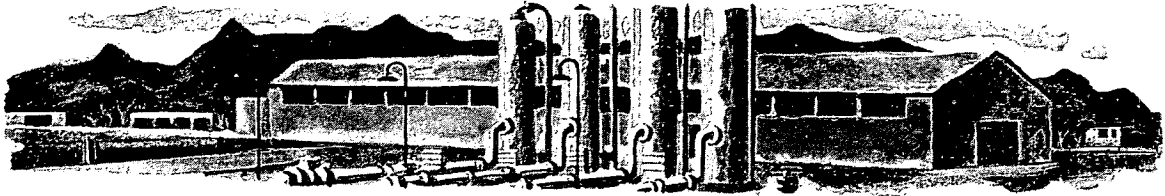
Stock Transfer Agencies

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 24, 1954

TO THE STOCKHOLDERS

The year 1953, marking the beginning of the Company's second century of service to the people of Northern and Central California, was a good one.

Not only was this true from an earnings standpoint, but also because the year witnessed the end of many of the dislocations of the postwar period.

Our business continued to grow and new peaks were established, measured by gross operating revenues, sales of electricity and gas, and number of customers served. During the last few months of the year, however, it was apparent that our rate of growth had slackened from the extraordinary pace of the years immediately preceding.

Our earnings reached more satisfactory levels, reflecting the benefit of a full calendar year under the higher electric rates which became effective late in 1952. This should prove beneficial to all concerned. The confidence of the investing public and the financial strength resulting therefrom supply the best assurance that we can adequately serve our customers and provide properly for our employees.

Net earnings for the common stock amounted to \$43,971,000, equivalent to \$3.12 a share on an average of 14,114,427 shares outstanding in 1953, compared with \$2.52 a share on an average of 12,492,070 shares outstanding in 1952. Based on the 15,574,549 shares outstanding at the close of 1953, earnings amounted to \$2.82 a share, compared with \$2.31 a share upon the 13,627,720 shares outstanding at the close of 1952.

In the third quarter of the year, the Board of

Directors increased the quarterly dividend on the common stock from 50 to 55 cents a share.

Our electric and gas resources were further expanded during the year to keep ahead of the growth of the area served. Completion of two additional units at our Contra Costa Steam Plant added 235,000 kilowatts to our system electric resources. Our natural gas transmission capacity from out-of-state sources was increased from 400 million to 550 million cubic feet a day.

Expenditures for enlarging and expanding facilities in 1953 totaled \$197,000,000, bringing to \$1,174,000,000 the amount spent for this purpose since the close of World War II. The slackening in our rate of growth, however, together with the restoration of our reserves, makes it appear likely that construction activities over the next few years will proceed at an annual rate below that of 1953.

In last year's annual report reference was made to the fact that the Secretary of the Interior had petitioned the United States Circuit Court of Appeals for a review of the orders of the Federal Power Commission, which authorized the issuance of licenses to the Company for the development of a hydro-electric project on the Kings River, aggregating 240,000 kilowatts. The Secretary of the Interior under the new Administration decided against contesting the issuance of the licenses, and on November 10, 1953 the Court dismissed the petition.

The Federal Power Commission orders require the Company to reach an agreement with the United States Government on payment for storage space in Pine Flat Reservoir to permit re-

regulation of stream flow for irrigation purposes, and an agreement with the local irrigation interests providing for the use by the Company of the waters of the Kings River for power purposes. Negotiations are now under way on these matters.

It was also stated in last year's annual report that the Company, under direction of the United States Atomic Energy Commission, was studying the possible use of atomic energy for industrial power production.

Following the filing of a feasibility report the Company in 1953 became a member of a new five-company study group and joined in the formation of Nuclear Power Company. The initial objective of this group is to select a reactor design intended primarily for the production of electric power that can be built in the near future, and to make a preliminary economic appraisal of such design.

We believe that the potentialities for harnessing atomic energy for the production of electric power justify our continued participation in this program, and expect to remain in the vanguard of developments in this field.

For many years the Company has been interested in acquiring Pacific Public Service Company properties, and particularly its operating public utility subsidiary, Coast Counties Gas and Electric Company. This latter company serves gas to about 90,000 customers and electricity to about 45,000 customers in areas within and contiguous to our general field of operations. Another subsidiary, Natural Gas Corporation of California, is engaged in the production of natural gas in several fields in Northern California.

Late in 1953 the Company filed applications with the California Public Utilities Commission for authority to exchange shares of its capital stocks for the common stock of Pacific Public Service Company and the preferred stocks of Pacific Public Service Company and Coast Counties Gas and Electric Company.

On January 20, 1954, the Company executed an agreement to exchange shares of its common stock for the common stock of Pacific Public Service Company held by its majority owner. Supplemental applications were thereupon filed by the

Company with the Commission for authority to carry out the terms of this agreement; to make a similar offer to the minority common stockholders; and to issue shares of its preferred and common stocks in exchange for the preferred stocks of the other two companies. These transactions are also subject to approval of the Securities and Exchange Commission.

If all the necessary regulatory approvals are obtained, it is the Company's objective to merge the Pacific Public Service Company and Coast Counties Gas and Electric Company with it.

The matter of taxation is of vital importance to the Company, not only as it affects the rates we must charge our customers for utility service, but also as it affects the economic climate in which we operate.

Most students of taxation agree that our tax structure is in need of a thorough overhauling, not only to remove existing inequities, but also to devise one better suited to the needs of a dynamic economy, and which would be conducive to high levels of production and employment. Unfortunately, the necessity for huge expenditures for national defense has thus far made difficult major tax reforms. However, it is now time that initial steps should be taken toward these broad objectives. Purposeful planning should include, for example, the alleviation of double taxation of corporate income and the revision of the capital gains tax.

One serious inequity in our tax structure has existed for many years—the almost complete exemption from taxation accorded government-owned utilities. Such exemption is a subsidy to which those served by government-owned utilities are not entitled. No valid excuse exists for permitting this subsidy to continue.

The general outlook for the Company and for the industry of which it is a part continues favorable. It is true that our nation faces grave problems both at home and abroad, but we have every confidence in the ability of our leaders to cope with them.

Further details concerning the Company's finances and operations during 1953 appear on the following pages.

HIGHLIGHTS

OF THE YEAR'S OPERATIONS

Gross operating revenues reached a new peak of \$364,105,000, exceeding those of the previous year by \$50,120,000, or 16.0%. The electric rate increase placed in effect late in 1952 was a major factor contributing to this large gain in revenues.

Net proceeds derived from the sale of securities for financing our construction program amounted to approximately \$129,250,000, such proceeds exceeding the par value or face amount of the securities issued by over \$15,000,000.

Sales of electricity totaled 14,770,000,000 kilowatt-hours, and sales of gas 227,052,000,000 cubic feet, exceeding those of the previous year by 10.0% and 3.2%, respectively. Sales were adversely affected by reason of the generally warmer weather which prevailed during most of the year.

The number of those participating in the ownership of the Company passed the 200,000 mark for the first time in 1953. At the year-end we had 207,083 stockholders of record, an increase of 8,753 compared with the end of the previous year.

In addition to sales to our customers, we transported 460,000,000 kilowatt-hours of electricity for the account of others, and 55,980,000,000 cubic feet of gas for use in our steam-electric generating plants and for other Company uses.

The Company was one of a five-company study team which formed a jointly owned firm to be called Nuclear Power Company, having as its ultimate goal the harnessing of atomic energy for the production of electric power.

We experienced a net gain of 101,379 customers, and at the year-end we were supplying service to 2,729,168 customers in all branches of our operations. It was the seventh consecutive year in which we have added more than 100,000 customers.

Preliminary steps were taken toward the acquisition, by an exchange of stock, of Pacific Public Service Company. Its principal subsidiary, Coast Counties Gas and Electric Company, serves gas and electricity in areas within and contiguous to our field of operations.

Expenditures for expanding and enlarging our facilities for serving the public totaled \$197,000,000 for the year, bringing to \$1,174,000,000 the amount spent by the Company for this purpose since the close of World War II.

The expected improvement in our earnings materialized, net earnings for the common stock amounting to \$3.12 a share, compared with \$2.52 in the previous year, both based upon the average number of common shares outstanding in the respective periods.

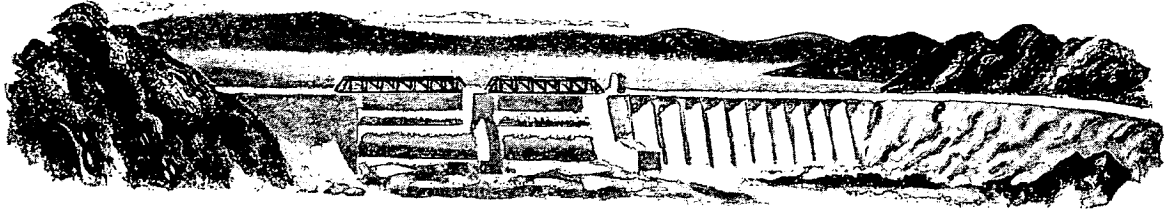
REVENUES AND SALES—ELECTRIC AND GAS DEPARTMENTS BY CLASSES OF SERVICE

		ELECTRIC DEPARTMENT		Increase	
ELECTRIC REVENUES	Year 1953	Year 1952	Amount	Per Cent	
Residential or Domestic Sales . . .	\$ 79,745,830	\$ 64,008,347	\$15,737,483	24.6%	
Small Light and Power Sales . . .	51,174,062	45,010,190	6,163,872	13.7	
Large Light and Power Sales . . .	62,445,691	51,086,680	11,359,011	22.2	
Agricultural Power Sales . . .	36,763,696	25,806,985	10,956,711	42.5	
Public Street and Highway Lighting . . .	3,322,318	2,605,196	717,122	27.5	
Sales to Railroads and Railways . . .	310,155	328,297	* 18,142	* 5.5	
Sales to Other Electric Utilities . . .	12,757,190	11,128,758	1,628,432	14.6	
Company Use (Construction) . . .	170,832	135,824	35,008	25.8	
Other Miscellaneous Revenue . . .	5,974,032	5,533,324	440,708	8.0	
TOTALS	\$252,663,806	\$205,643,601	\$47,020,205	22.9%	
ELECTRIC SALES—Kilowatt-Hours					
Residential or Domestic Sales . . .	2,778,977,198	2,596,711,724	182,265,474	7.0%	
Small Light and Power Sales . . .	1,656,854,608	1,680,743,082	*23,888,474	* 1.4	
Large Light and Power Sales . . .	5,322,122,268	4,886,367,005	435,755,263	8.9	
Agricultural Power Sales . . .	2,903,139,868	2,325,056,310	578,083,558	24.9	
Public Street and Highway Lighting . . .	85,243,179	75,644,073	9,599,106	12.7	
Sales to Railroads and Railways . . .	19,605,048	25,104,554	* 5,499,506	*21.9	
Sales to Other Electric Utilities . . .	1,996,752,266	1,827,134,256	169,618,010	9.3	
Company Use (Construction) . . .	7,700,873	7,224,177	476,696	6.6	
TOTAL SALES TO CUSTOMERS	14,770,395,308	13,423,985,181	1,346,410,127	10.0	
Delivered for the account of others . . .	460,116,438	520,239,467	*60,123,029	*11.6	
TOTALS	15,230,511,746	13,944,224,648	1,286,287,098	9.2%	

*Denotes decrease

		GAS DEPARTMENT		Increase	
GAS REVENUES	Year 1953	Year 1952	Amount	Per Cent	
Residential or Domestic Sales . . .	\$ 59,183,952	\$ 59,618,094	\$ * 434,142	* 0.7%	
Commercial Sales	16,785,108	17,317,083	* 531,975	* 3.1	
Industrial Sales	28,763,492	26,906,268	1,857,224	6.9	
Sales to Other Gas Utilities . . .	4,514,977	2,720,493	1,794,484	66.0	
Company Use (Construction) . . .	47,600	19,696	27,904	141.7	
Other Miscellaneous Revenue . . .	437,071	199,343	237,728	119.3	
TOTALS	\$109,732,200	\$106,780,977	\$ 2,951,223	2.8%	
GAS SALES—Thousands of Cubic Feet					
Residential or Domestic Sales . . .	93,140,506.3	95,949,637.7	*2,809,131.4	* 2.9%	
Commercial Sales	33,076,529.1	34,487,173.6	*1,410,644.5	* 4.1	
Industrial Sales	84,359,138.9	80,216,573.7	4,142,565.2	5.2	
Sales to Other Gas Utilities . . .	16,308,929.0	9,372,423.0	6,936,506.0	74.0	
Company Use (Construction) . . .	167,300.3	47,203.5	120,096.8	254.4	
TOTAL SALES TO CUSTOMERS	227,052,403.6	220,073,011.5	6,979,392.1	3.2	
Company Use (Steam-electric plants, etc.)	55,980,817.4	43,587,192.4	12,393,625.0	28.4	
TOTALS	283,033,221.0	263,660,203.9	19,373,017.1	7.3%	

*Denotes decrease



OPERATING REVIEW

OPERATING REVENUES

Gross operating revenues from all sources advanced \$50,120,000, or 16.0%, reaching a new peak of \$364,105,000 for the year.

The Electric Department provided 69.4% of our total revenues, the Gas Department 30.1%, and the Water and Steam Sales Departments 0.5%.

Details of revenues by classes of service for our Electric and Gas Departments, and a comparison with the previous year, are shown in the table on the opposite page.

Revenues from our electric business were stimulated by the rate increase placed in effect late in 1952, our first major increase in electric rates in about thirty years. The over-all increase in revenues for this department amounted to \$47,020,000, or 22.9%. Over two-thirds of this gain was attributable to the rate increase, and the remaining one-third to the growth in volume of sales.

All major classes of electric service therefore showed substantially greater percentage gains in revenues than in kilowatt-hour sales. An extraordinary increase in the volume of sales for agricultural power produced a greater than average gain in revenues of 42.5% for this class of service. Conditions responsible for this large volume gain in agricultural power are discussed later in the report under Sales.

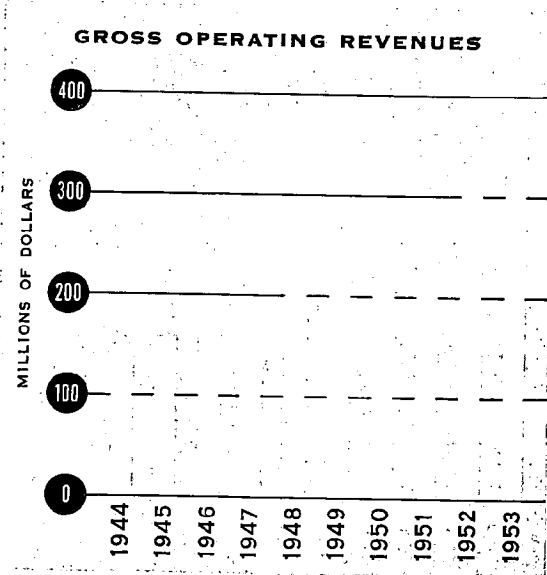
Revenues from our gas business showed a more modest gain of 2.8%, the rates under which service was supplied having remained at the same levels in 1953 as in the previous year. Gas sales, however, particularly for domestic and commercial heating, are quite sensitive to changes in temperature conditions. Generally warmer weather prevailed dur-

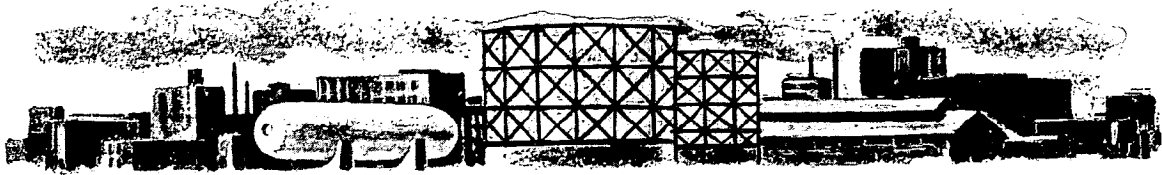
ing most of 1953, which explains the slight loss in revenues from domestic and commercial sales. Revenues from industrial sales, supplied on both a firm and an interruptible basis, increased 6.9%. Revenues derived from gas sold at wholesale to other gas utilities increased substantially.

OPERATING EXPENSES

Maintenance and operating expenses, exclusive of taxes and depreciation, amounted to \$160,356,000 for the year, an increase of \$15,706,000. The major portion of this increase was either directly attributable to our expanded volume of business, or was for other reasons beyond the control of the management.

Wages and salaries of operating personnel totaled \$49,066,000, absorbing 13.5% of our gross operating revenues. The increase over the previous year





was \$2,378,000, or 5.1%, virtually all of which resulted from wage increases placed in effect during 1952, and again late in 1953.

Power purchased from other producers cost \$7,011,000, compared with \$10,166,000 in the previous year. The decrease resulted principally from the fact that we supplied substantial blocks of power at times during the year to Southern California Edison Company under our interchange agreement, the revenue from which is credited to purchased power expense under our classification of accounts.

We experienced a very large increase in natural gas purchased, this item of expense increasing by \$10,546,000 to a total of \$65,503,000 for the year. Almost \$6,000,000 of this increase resulted from higher rates charged us for natural gas supplied from out-of-state sources, the balance of the increase being for the most part due to the larger volume of gas purchased for sale to our customers, and for use as fuel in our steam-electric generating plants. Higher rates for out-of-state gas purchased by us went into effect under bond on January 1, 1953. As of the date of this report the Federal Power Commission, which has jurisdiction over the matter, had not ruled on the reasonableness of the new rates.

The cost of oil and other fuel, most of which is used in our steam-electric generating plants, totaled \$10,968,000 for the year, or \$2,471,000 more than in the previous year. The increase reflected in part a slightly higher average price for fuel oil, but was mainly accounted for by the larger amount of power generated in our steam-electric generating plants.

For the Year

SOURCES OF INCOME:

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

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 on preferred stock	
Dividends 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 PER SHARE OF COMMON STOCK

RETAINED IN THE BUSINESS, PER SHARE OF COMMON STOCK

*Denotes red figures.

TAXES

Taxes of all kinds paid or accrued during the year reached a new peak of \$97,466,000, or \$18,481,000 more than in the previous year. It is interesting to observe that our tax bill in 1953 exceeded our entire gross annual revenues received as recently as 1936.

The table on page 12 shows taxes by classes and makes a comparison with the previous year.

As will be observed from this table, \$91,309,000 of our total tax bill was charged to income account, the remainder being charged to capital and other accounts.

Taxes for many years have been the largest single element of cost in supplying utility service to our customers. In 1953 they absorbed 25.1% of our revenues from all sources, and were the equivalent of \$6.47 per share of common stock, based on the average number of shares outstand-

SUMMARY SHOWING SOURCES AND DISPOSITION OF INCOME

1949-1953 inclusive, and Average for Five-Year Periods 1949-1953 and 1944-1948

Year 1953	Year 1952	Year 1951	Year 1950	Year 1949	Average Five-Years 1949-53	Average Five-Years 1944-48
\$252,664,000	\$205,643,000	\$189,365,000	\$166,805,000	\$150,542,000	\$193,003,800	\$120,519,600
109,732,000	106,781,000	88,634,000	69,257,000	65,219,000	87,924,600	52,115,800
1,709,000	1,561,000	1,500,000	1,375,000	1,464,000	1,521,800	1,067,200
208,000	429,000	364,000	547,000	310,000	371,600	370,000
<u>\$364,313,000</u>	<u>\$314,414,000</u>	<u>\$279,863,000</u>	<u>\$237,984,000</u>	<u>\$217,535,000</u>	<u>\$282,821,800</u>	<u>\$174,072,600</u>
\$ 49,066,000	\$ 46,688,000	\$ 42,392,000	\$ 37,611,000	\$ 37,141,000	\$ 42,579,600	\$ 26,657,600
7,011,000	10,166,000	10,975,000	11,385,000	11,720,000	10,251,400	8,603,800
65,503,000	54,957,000	50,238,000	33,785,000	34,607,000	47,818,000	20,795,200
10,968,000	8,497,000	10,877,000	7,467,000	17,122,000	10,986,200	7,364,800
22,179,000	20,537,000	16,363,000	15,397,000	15,012,000	17,897,600	10,777,000
5,629,000	3,805,000	3,806,000	3,058,000	2,802,000	3,820,000	1,993,400
35,172,000	32,700,000	31,610,000	28,123,000	24,980,000	30,517,000	22,645,200
91,309,000	73,324,000	60,497,000	49,850,000	35,927,000	62,181,400	36,406,600
—	—	—	—	* 1,720,000	* 344,000	3,485,200
17,783,000	16,740,000	16,229,000	13,462,000	12,346,000	15,312,000	10,941,800
15,722,000	15,530,000	13,383,000	12,906,000	10,582,000	13,624,600	8,504,400
29,689,000	24,984,000	22,003,000	19,045,000	16,191,000	22,382,400	13,089,000
14,282,000	6,486,000	1,490,000	5,895,000	825,000	5,795,600	2,808,600
<u>\$364,313,000</u>	<u>\$314,414,000</u>	<u>\$279,863,000</u>	<u>\$237,984,000</u>	<u>\$217,535,000</u>	<u>\$282,821,800</u>	<u>\$174,072,600</u>
14,114,427	12,492,070	11,001,529	9,522,817	8,095,597	11,045,288	6,544,352
\$3.12	\$2.52	\$2.14	\$2.62	\$2.10	\$2.50	\$2.43
\$2.10	\$2.00	\$2.00	\$2.00	\$2.00	\$2.02	\$2.00
\$1.02	\$0.52	\$0.14	\$0.62	\$0.10	\$0.48	\$0.43



PACIFIC GAS AND ELECTRIC COMPANY

ing during the year. They amounted to almost twice the entire amount of wages and salaries paid our operating employees.

Of the many types of taxes paid, two of these—ad valorem property and Federal corporation income—accounted for about 90% of our total tax bill. Ad valorem property taxes totaled \$35,586,000, of which about 45% went to the support of the public school system. Federal corporation income taxes amounted to \$52,542,000 for the year. This represents an increase of \$13,594,000 over the previous year, and is a reflection of the Company's improved earnings position.

DEPRECIATION AND AMORTIZATION

The provision made for depreciation and amortization on our books amounted to \$35,172,000 for the

year, or \$2,472,000 more than in the previous year. Depreciation was accrued for all departments on a 4% sinking fund remaining-life basis.

FIXED CHARGES AND DIVIDENDS

Income deductions totaled \$17,783,000 for the year, compared with \$16,740,000 in the previous year. Bond interest included in income deductions increased \$1,682,000, which was offset in part by an increase of \$1,099,000 in the amount of interest credited to construction.

Bond interest was earned 6.1 times before Federal income taxes, and fixed charges after taxes 4.5 times.

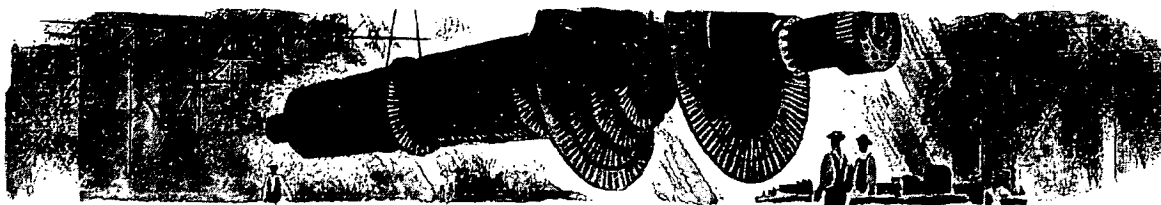
Dividends paid on our preferred stocks totaled \$15,722,000, such requirements being earned 3.8 times.

TAXES—BY CLASSES AND COMPARISON WITH PREVIOUS YEAR

		Year 1953	Year 1952	Increase
LOCAL TAXES:	Ad valorem property	\$35,586,395	\$31,774,095	\$ 3,812,300
	Franchise payments	1,909,251	1,635,570	273,681
	Total local taxes	37,495,646	33,409,665	4,085,981
STATE TAXES:	Bank and corporation franchise	3,193,687	2,124,662	1,069,025
	Unemployment	56,417	845,675	* 789,258
	Other	294,073	268,852	25,221
	Total state taxes	3,544,177	3,239,189	304,988
CITY AND STATE:	Sales and use	2,537,187	2,099,091	438,096
FEDERAL TAXES:	Corporation income	52,541,593	38,947,926	13,593,667
	Unemployment	180,292	171,846	8,446
	Old age benefits	1,039,925	982,788	57,137
	Other	127,672	135,109	* 7,437
	Total federal taxes	53,889,482	40,237,669	13,651,813
	Total taxes	\$97,466,492	\$78,985,614	\$18,480,878
CHARGED TO:	Income account—Taxes	\$91,308,788	\$73,324,105	\$17,984,683
	Capital and other accounts	6,157,704	5,661,509	496,195
	Total taxes	\$97,466,492	\$78,985,614	\$18,480,878

*Denotes decrease.





Slightly over 12% of our gross operating revenues, amounting to \$43,971,000 for the year, was carried down as earnings available for the common stock.

The quarterly dividend rate on the common stock was increased from 50 cents to 55 cents a share in the third quarter of the year. The dividend declared for the fourth quarter, however, was not paid until January 15, 1954. On a declared basis, therefore, dividends amounted to \$2.10 a share for the year, and \$2.05 a share on a cash basis. Disbursements for common stock dividends on a declared basis amounted to \$29,689,000, resulting in a common stock dividend payout ratio of 67.5% for the year.

After the payment of dividends, earnings retained for reinvestment in the business amounted to \$14,282,000, equivalent to \$1.02 per share on the average number of shares of common stock outstanding during the year.

FINANCING

As in the previous year, the Company's new money requirements in 1953 were obtained entirely from the sale of bonds and common stock.

Net proceeds derived from the sale of securities during the year amounted to approximately \$129,250,000, such proceeds exceeding the par value or face amount of the securities issued by over \$15,000,000.

In May, the Company sold at competitive bidding \$65,000,000 face amount of its First and Refunding Mortgage Bonds, 4%, Series V, due June 1, 1984. A substantial proportion of the proceeds of this issue was used to retire \$43,000,000 of short-term bank loans, which had been obtained earlier

in the year to finance our construction program on a temporary basis.

Our offering of 1,946,829 shares of common stock to common stockholders of record on September 15, 1953, at a subscription price of \$33.50 per share, was very successful. Net proceeds, after underwriting and corporate costs, totaling almost \$64,000,000, were used in part to retire bank loans of \$12,000,000. The balance was used to carry forward our construction program.

Subscriptions were received for 1,910,460 shares, or 98.13% of the total stock offered. This includes stock subscribed for by the underwriters upon the exercise of rights purchased by them in the open market during the subscription period, which in turn was distributed to the investing public. The small remaining balance of unsubscribed shares was purchased by the underwriters at the subscription price in accordance with the terms of the underwriting agreement, the Company sharing in the profits on resale of this stock to the public.

New securities sold by the Company in the eight postwar years 1946 to 1953, inclusive, have produced net proceeds of about \$870,000,000. As we have spent on our construction program approximately \$1,174,000,000 in the same period, this means that about 74% has been secured from the sale of securities to the public, with the remaining 26% being financed from funds available from internal sources.

At the close of 1953 our capital structure aggregated about \$1,507,000,000, consisting of 47.4% bonds, all outstanding under our First and Refunding Mortgage, 19.3% preferred stock and 33.3% common stock equity. This latter figure represents the highest common stock equity ratio in the postwar period.

CONSTRUCTION PROGRAM

Construction expenditures totaled \$196,780,000 in 1953. Over the next several years we anticipate that our construction activities will proceed at a lesser pace. Approximately \$170,000,000 has been budgeted for this purpose in 1954.

Two additional units aggregating 235,000 kilowatts capacity were placed in service at our Contra Costa Steam Plant, bringing the capacity of this plant to 575,000 kilowatts.

Completion of these units brought the capacity of all electric generating facilities built by the Company in the postwar period to 1,921,400 kilowatts. At the year-end we had an additional 984,000 kilowatts under active construction.

Construction proceeded during the year on the Pittsburg Steam Plant of 600,000 kilowatts capacity. The first two units, each with a capacity of 150,000 kilowatts, are expected to be in operation by about July 1954, and the remaining two units by the close of the year. This plant is of particular interest, first because it will be the largest plant on our system, and secondly because of its outdoor design, the first of its type in this area.

Construction also proceeded on another hydro-

electric plant on the Pit River, to be known as Pit No. 4, of 84,000 kilowatts capacity. About mid-year work was commenced on Morro Bay Steam Plant with a capacity of 300,000 kilowatts. This plant is located in an area where we have not heretofore had any electric generating facilities.

Reference was made in last year's annual report to applications filed with the Federal Power Commission for licenses to construct four new hydroelectric plants on the Feather River, with an aggregate capacity of 364,000 kilowatts, and for another of 60,000 kilowatts on the Pit River. During the year a license was granted for one of the plants on the Feather River, to be known as Poe Plant, which will have a capacity of 106,000 kilowatts. An application was also filed for an additional plant on the Pit River of 54,000 kilowatts capacity, to be known as Pit No. 7.

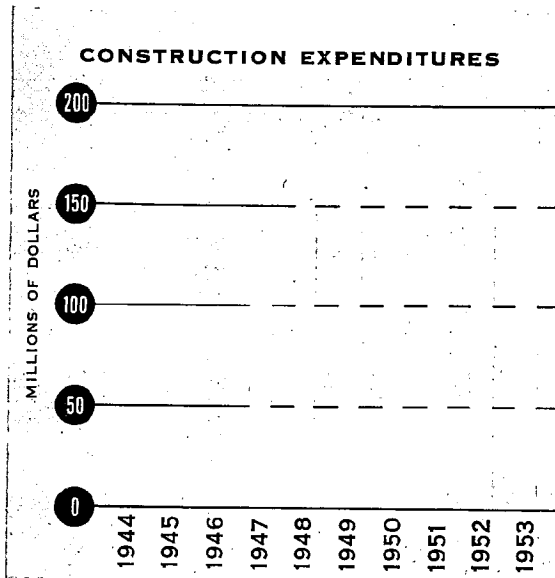
Facilities were completed late in the year increasing our natural gas transmission capacity from out-of-state sources from 400 million to 550 million cubic feet a day. This was done by paralleling the Company's existing 34-inch Topock-Milpitas transmission line for about 84 miles of its length, and by adding additional compressor units aggregating 19,540 horsepower in our Topock, Hinkley and Kettleman Compressor Stations. Construction is now in progress on facilities which will further increase our capacity from out-of-state sources to 700 million cubic feet a day before the end of 1954.

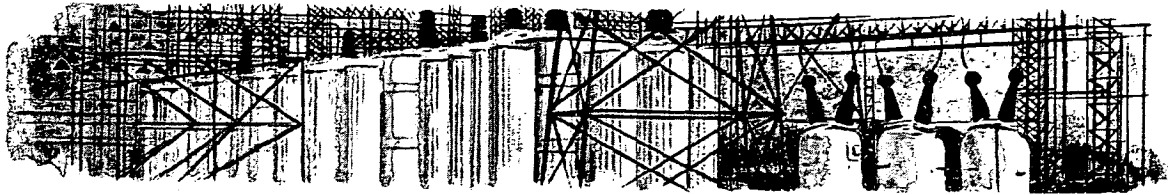
Extensive additions were also made to our electric transmission system and to our electric and gas distribution systems in order to supply service to new customers and meet expanded requirements of existing customers.

CUSTOMERS

We experienced a net gain of 101,379 customers in 1953, falling short of the number connected in the previous year by about 6,000. At the year-end we were supplying service to 2,729,168 customers in all branches of our operations.

This marked the seventh consecutive year in which we have gained more than 100,000 new customers. In the eight postwar years to date, we have





added about 858,000 customers. This figure, perhaps more than any other, explains the need for the vast expansion of our facilities, a task that is by no means ended.

Customer growth is to a considerable degree related to population growth. It is estimated that the 46 counties in Northern and Central California into which our lines extend now have a population of 5,675,000. This compares with the United States Census figures for these counties of 3,281,874 in 1940, and 5,000,424 in 1950. The population gain, therefore, has been 73% since 1940, and 14% since 1950.

The table at the bottom of the page shows the number of customers served by departments at the end of the year, and the increase during the year.

RATE MATTERS

The Company was not involved in major rate proceedings during 1953.

Several minor rate proceedings, however, were either decided during the year, or were pending before regulatory bodies at the year-end.

The California Public Utilities Commission au-

thorized rate increases for four of our water systems, estimated to add \$220,000 to our revenues on an annual basis. One application was pending before the Commission at the year-end to increase water rates on another system by \$200,000 a year.

An application was filed with the Federal Power Commission to adjust the resale rate under which we supply power to Sierra-Pacific Power Company, estimated to increase our revenues by about \$400,000 annually. The new rate went into effect on September 6, 1953, but is subject to refund in whole or in part if not approved by the Commission. A decision in this matter is expected shortly.

SALES

Sales of electricity to our customers totaled 14,770,000,000 kilowatt-hours for the year, exceeding those of the previous year by 10.0%. This is exclusive of 460,000,000 kilowatt-hours transported over our facilities for the account of others.

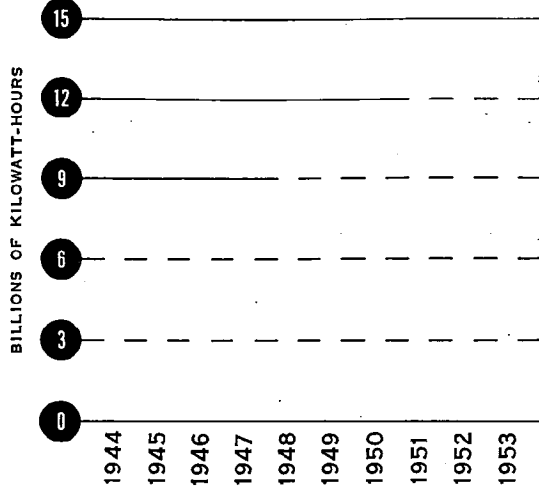
Residential or domestic sales, one of our most stable classes of business, showed a growth of 7.0%. Average annual domestic electric use per customer

CUSTOMERS—BY DEPARTMENTS AND INCREASE DURING YEAR

	December 31 1953	December 31 1952	Increase during 1953
Electric Department	1,513,442	1,459,325	54,117
Gas Department	1,194,098	1,147,924	46,174
Water and Irrigation Department	20,915	19,824	1,091
Steam Sales Department	713	716	* 3
TOTALS	2,729,168	2,627,789	101,379

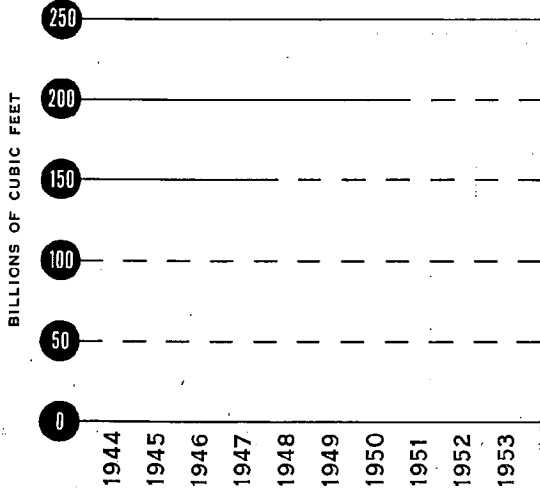
*Denotes decrease

SALES OF ELECTRICITY TO CUSTOMERS
(Kilowatt-Hours)



in 1953 was 2,302 kilowatt-hours, representing a gain of 62 kilowatt-hours over the previous year. Relatively mild weather conditions during the year, however, had some restrictive effect on the

SALES OF GAS TO CUSTOMERS
(Cubic Feet)



growth of this class of service.

Further gains in domestic electric consumption are confidently expected in the years ahead. For example, the Company is now actively promoting a new revolutionary cooling and heating device known as the "heat pump," which operates entirely on electricity. Saturation among many of the more conventional types of electric appliances is far from complete. Improved lighting intensity offers another large potential market. While 17 new television stations commenced operations in our service area during 1953, estimated saturation of receiving sets is still less than 60%. Doubtless many other applications of electricity in the home remain to be developed.

The minor loss of about 1% in small light and power sales resulted principally from the shifting of some customers formerly served under this classification to rate tariffs under the large light and power classification. Sales for this latter class of service increased 8.9% for the year, the combined classifications showing an over-all gain of 6.3%.

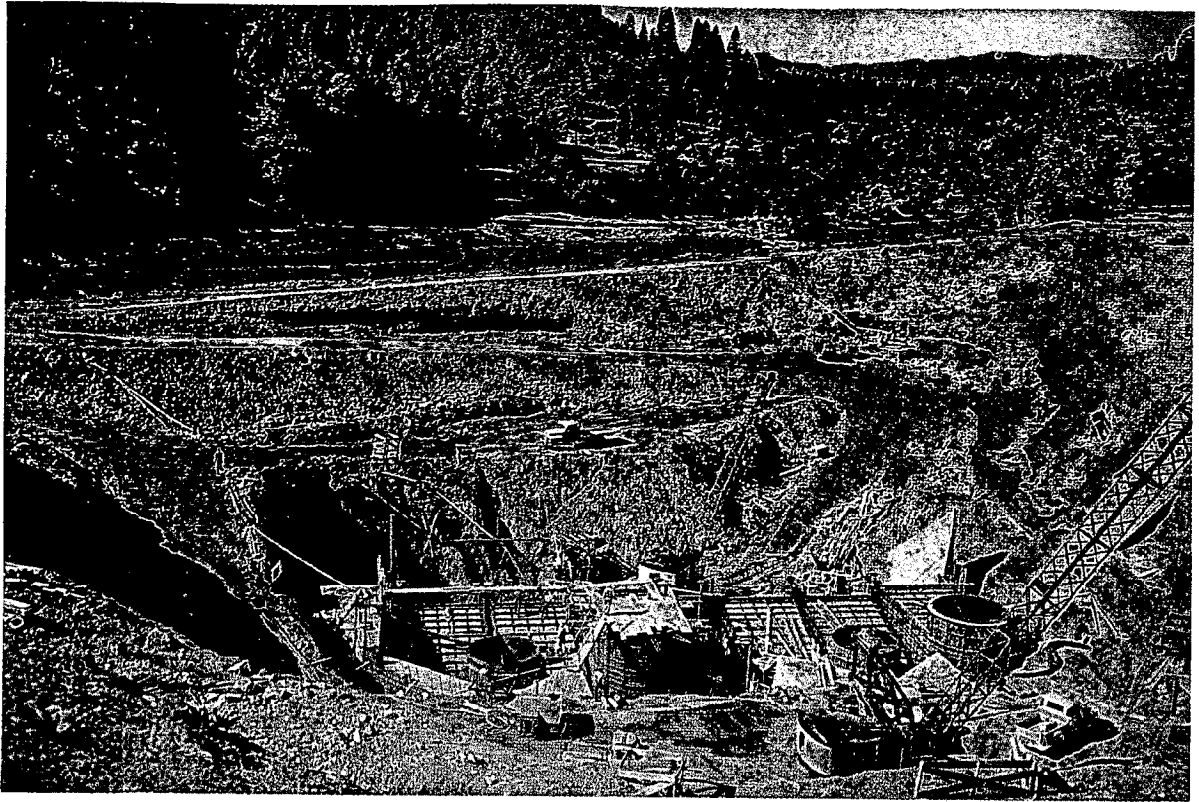
Agricultural power sales showed the largest gain of any of the major classifications, increasing 24.9% over the previous year. The large gain was due in part to more land under irrigation, but primarily to the fact that some of the agricultural areas experienced less than normal precipitation and a late crop year. By contrast, the previous year was one of the wettest on record.

Although gas sales were adversely affected by generally warmer weather, they nonetheless reached a new peak of 227,052,000,000 cubic feet, or 3.2% greater than in the previous year. Revenues from residential and commercial sales were particularly influenced by temperature. On the other hand, industrial sales, which are affected to only a minor degree by climatic conditions, increased 5.2%.

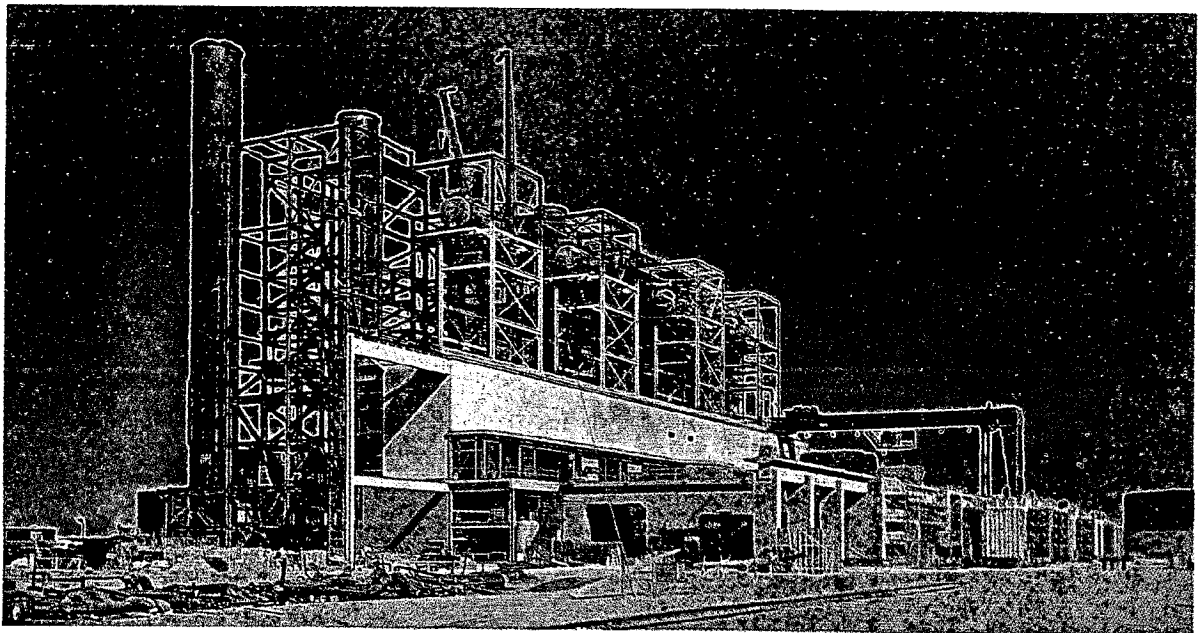
OPERATIONS

Gross system electric output in 1953 totaled 18.5 billion kilowatt-hours, of which 8.3 billion was produced in our hydro plants and 7.5 billion in our steam plants. The balance of 2.7 billion kilo-





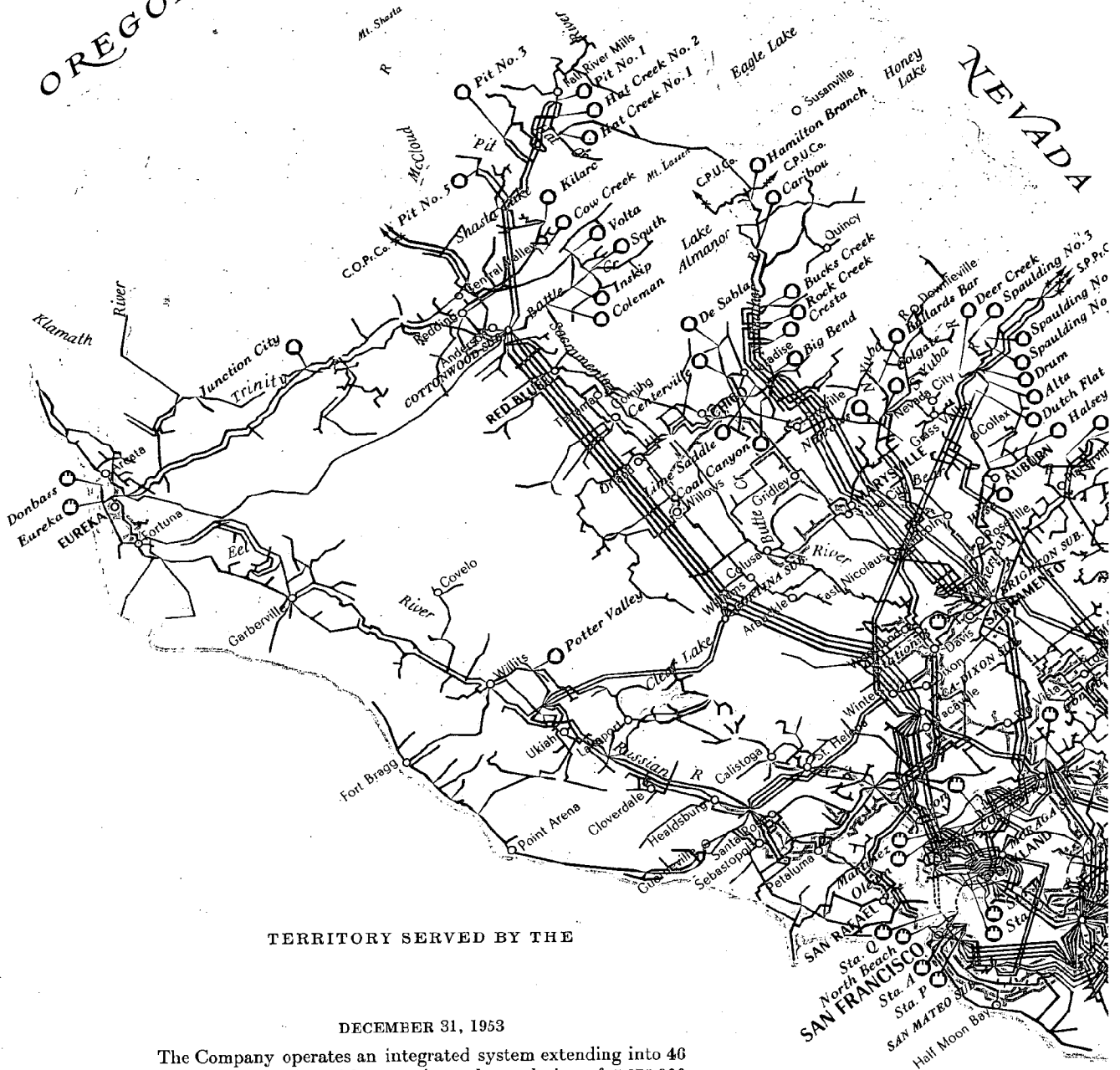
Foundation work under way at the site of Pit No. 4 Hydro Plant on the Pit River in Shasta County. The plant, fourth hydro power plant to be built on this river, will have a generating capacity of 84,000 kilowatts. When completed, it will increase the Company's total generating capacity on the Pit River to 363,000 kilowatts.



Pittsburg Steam Plant, capacity 600,000 kilowatts, greatest of all P. G. & E. plants, is rising near the industrial city of Pittsburg. In background are the steel framework and stacks of the lofty boiler section; in foreground, foundations for the four big generators which will be installed out-of-doors.

OREGON

NEVADA



TERRITORY SERVED BY THE

DECEMBER 31, 1953

The Company operates an integrated system extending into 46 California counties with an estimated population of 5,675,000

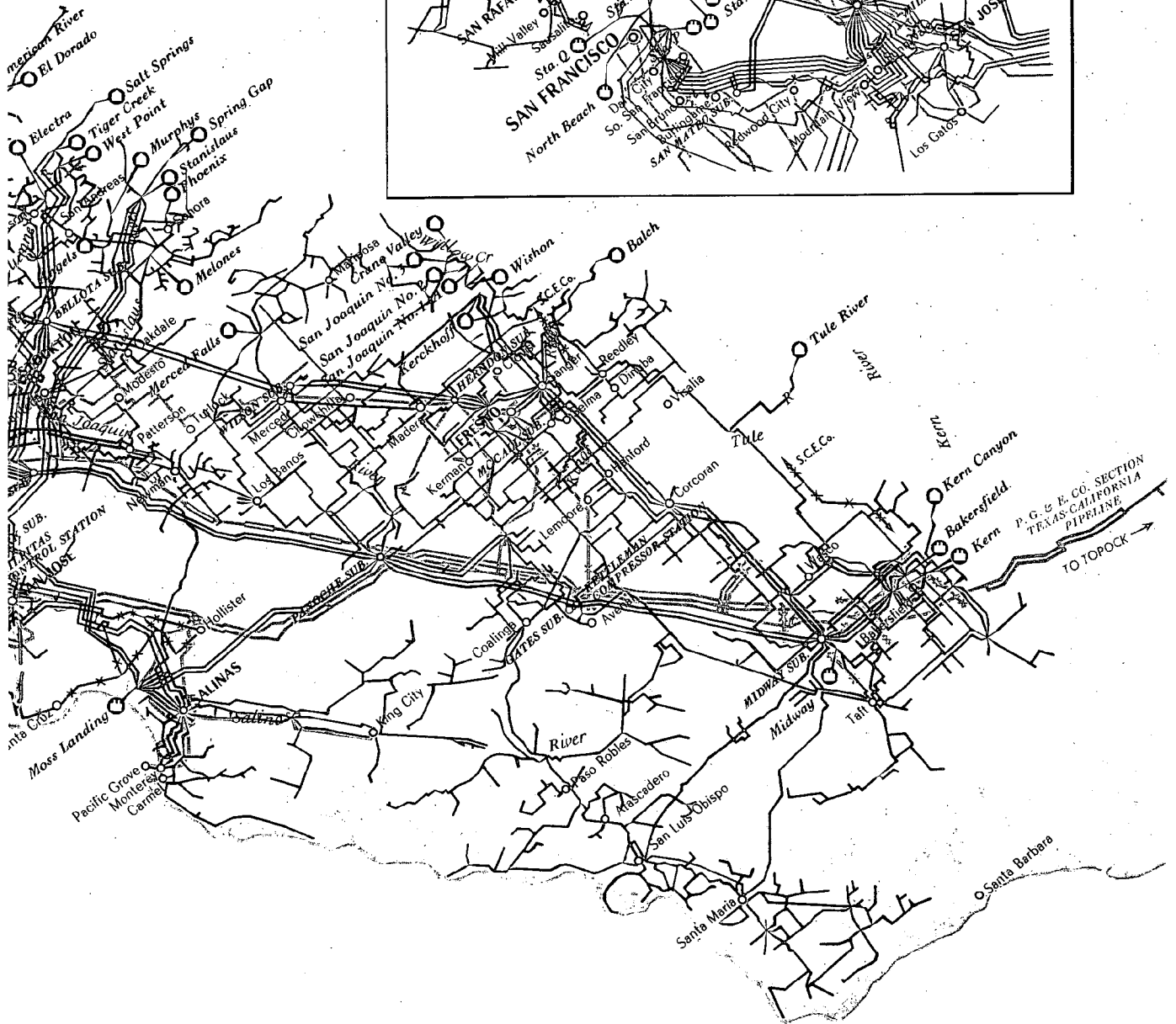
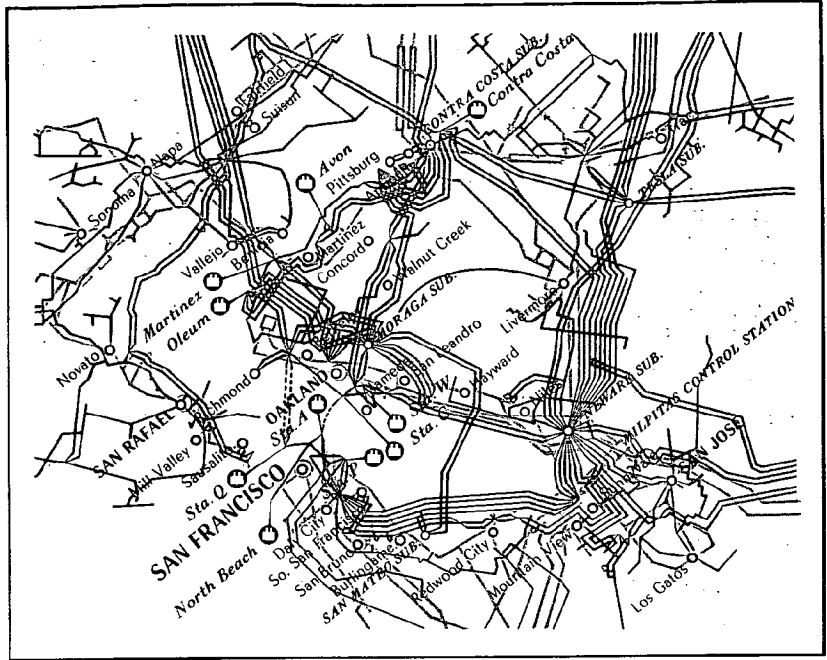
ELECTRIC SYSTEM		GAS SYSTEM	
⊙	Generating Plants—Steam-Electric	○	Generating Plants
⊖	Generating Plants—Hydro-Electric	—	Major Gas Lines
—	Major Electric Lines	—	Connecting Companies
—	Connecting Companies	—	Standard—Pacific Gas Line, Inc.

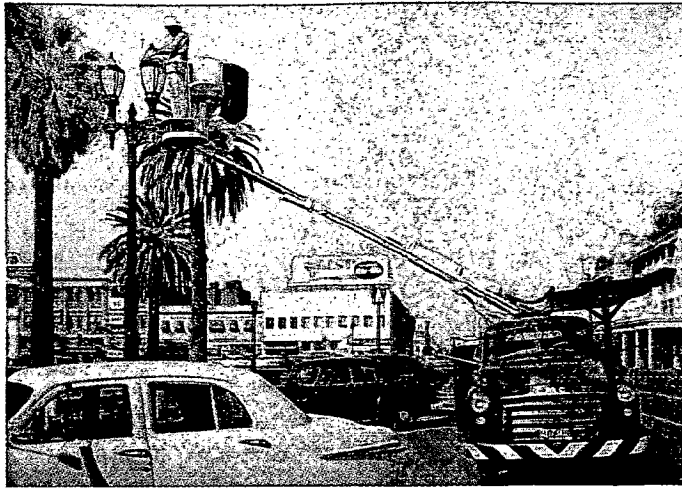
57 Hydro-Electric Plants	1,347,400 Kw.	2,500 miles gas transmission lines
17 Steam-Electric Plants	2,177,800 Kw.	12,850 miles gas distribution lines
74 Plants Capacity . . .	3,525,200 Kw.	15,350 miles of gas pipe lines
Capacity from others . . .	500,000 Kw.	
	62,300 miles of electric power lines	



SAN FRANCISCO
 Sta. Q
 North Beach
 Sta. A
 Sta. P
 SAN MATEO
 Half Moon Bay

the above

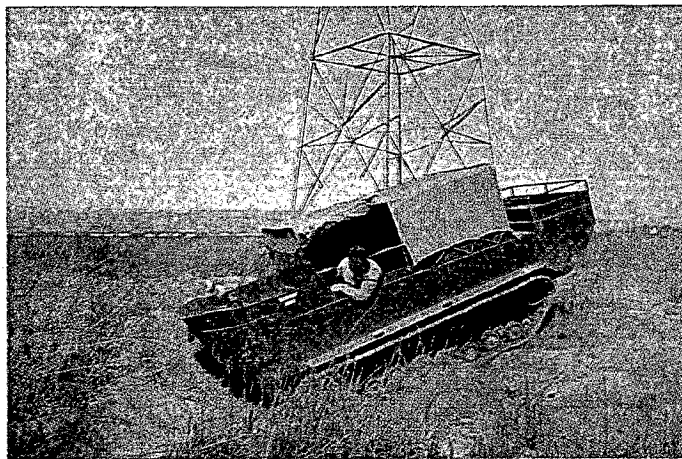




The "Industrial Monkey" on a lamp servicing job in Stockton. This revolving extendable platform is controlled by the operator.



The Sno-Cat transports power line maintenance men and materials over mountainous snow packs. Here snow gaugers are at work.

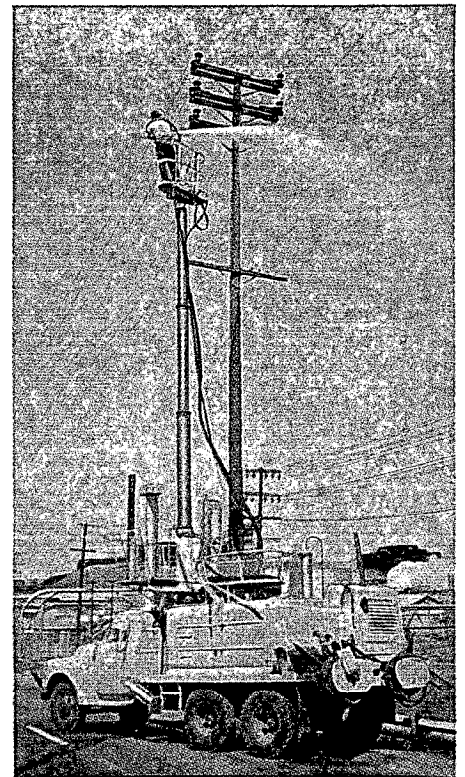


The amphibious "Weasel" navigates marshlands and open stretches of water as required on patrol of transmission lines.

INGENIOUS EQUIPMENT AIDS P. G. & E. OPERATIONS

Throughout the year the Company must perform many services and operations under unusual circumstances. Pictured on this page are several unique labor-saving devices, selected from our fleet of more than 5200 vehicles.

With the aid of such special mobile equipment, P. G. & E. is able to achieve operating economies in providing adequate and dependable gas and electric service to the people of Northern and Central California.



Insulators coated with dust must be washed periodically. This fifty-foot telescopic tower raises the operator and his pressure hose to pole-top level.

watt-hours was delivered into our system from other producers, substantially all of which was generated in hydro-electric plants.

The output of our hydro plants of 8.3 billion kilowatt-hours, representing 45% of our gross system output, came very close to the record 8.5 billion kilowatt-hours generated in our hydro plants in the previous year, the most favorable year for hydro generation in our history. Precipitation in the 1952-53 season was only slightly better than normal, but it was distributed in such a manner that the hydro yield was considerably greater than had a more normal pattern of distribution occurred.

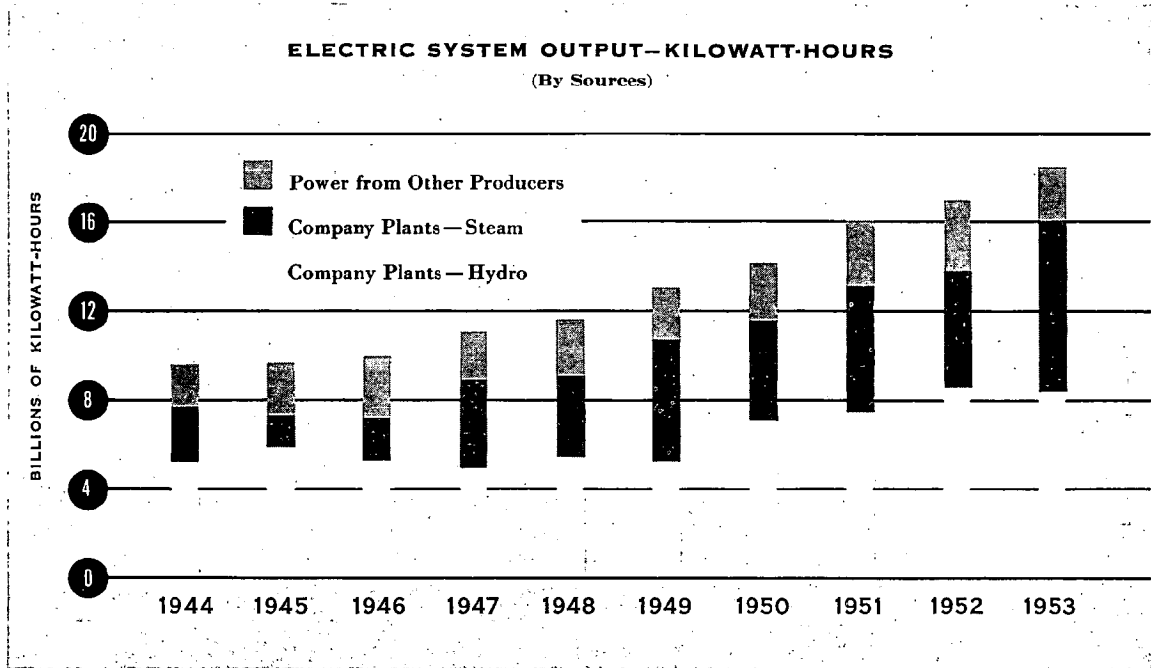
The character of our electric generating resources has changed materially in the postwar period. At the present time 62% of our generating facilities are in steam plants, compared with about 38% at the close of World War II. This means that we are no longer as dependent on our hydro-electric resources as we formerly were, and that varia-

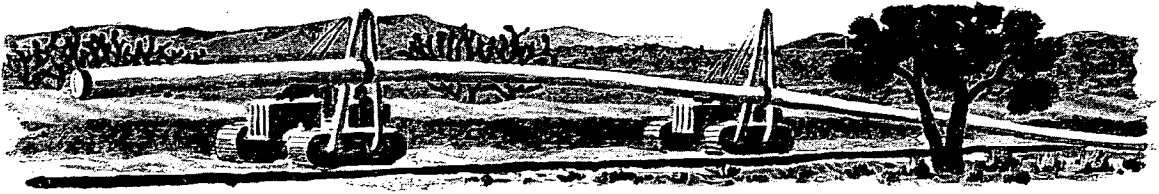
tions in water conditions are not as significant to us from the standpoint of either operations or earnings.

Our peak electric load occurred on July 21 and amounted to 3,340,100 kilowatts, exceeding the previous year's peak by 8.6%. The annual load factor was 63.3%.

The over-all efficiency of our steam-electric generating facilities was further improved in the third quarter of the year by placing in service two additional units at our Contra Costa Steam Plant. Such efficiency will further improve in 1954 with the addition of units at our new Pittsburg Steam Plant. These units will have greater efficiency than any heretofore installed on our system.

Our mobile radio and microwave systems and our power line carrier channels were further improved and expanded during the year, contributing materially to the efficiency of our operations. Devices such as electronic line fault analyzers for detecting faults on transmission lines and load fre-





quency control facilities were added to our communications system. Closed circuit television has been installed in some of our steam plants as an operational device to save time and increase efficiency, making possible remote viewing of operations from a central control room.

The maximum daily sendout on our gas system occurred on December 7 and amounted to 1,129,000,000 cubic feet. The increase in sendout over the previous year was not as great as anticipated because of higher than normal temperatures.

Our Topock-Milpitas line, the largest diameter pipe line ever constructed for the high-pressure transmission of natural gas, was carrying 550 million cubic feet of gas a day toward the close of the year, as compared to 400 million cubic feet a day at which it had operated previously.

GAS SUPPLY

About 297,000,000,000 cubic feet of natural gas was purchased during 1953 for sale to our customers, and for use as fuel in our steam-electric generating plants.

Approximately 60% of this gas originated from out-of-state sources, the balance having been delivered into our system from numerous gas fields in Northern and Central California. The gas from fields in Texas and New Mexico is delivered to us at the California-Arizona border through the facilities of the El Paso Natural Gas Company.

Reference has already been made under the caption Construction Program to the completion of facilities in 1953 which permitted an increase in our supplies of out-of-state gas from 400 to 550 million cubic feet of gas, and to a further increase from this source to 700 million cubic feet a day by the close of 1954.

With these additional increments, our gas supply should be adequate to meet our needs for several years. Over the longer term, however, the problem of securing adequate supplies of natural gas will no doubt be a continuing one.

PERSONNEL

Stability characterized our labor relations during 1953. The Unions previously certified to represent various units of employees continued in their representative capacities under harmonious conditions.

At the year-end we had 18,550 employees, compared with 18,200 at the end of the previous year.

Wages and salaries of employees engaged in operating and maintaining our properties and in construction activities totaled \$90,086,000, an increase of \$5,740,000 as compared with the previous year. The construction payroll accounted for approximately three-fifths of this increase, reflecting the higher volume of construction activities during the year. Of our total payroll, \$49,066,000, or about 54%, represented the payroll of operating employees, and was charged against income for the year. The balance of \$41,020,000, or 46%, represented the payroll of employees engaged in construction and was charged to capital accounts.

Employee benefits other than wages paid by the Company amounted to \$6,300,000 for the year. Details are shown in the table on the next page.

Wage agreements were entered into with the unions involved providing for a general increase of 3.5%, effective September 1, 1953. A similar increase was extended to all employees not represented by a union.

Our Retirement Plan, which has been in effect since January 1, 1937, was amended as of January 1, 1954. The amended plan will provide a

FORTY-EIGHTH ANNUAL REPORT

SUMMARY OF PAYROLLS AND OTHER EMPLOYEE BENEFITS, YEAR 1953

PAYROLLS:

Wages and salaries of operating employees	\$49,066,000
Payroll of construction employees	41,020,000
Sub-total	<u>\$90,086,000</u>

OTHER EMPLOYEE BENEFITS PAID BY COMPANY:

Contribution to Retirement Plan	\$ 3,983,000
Other pension payments made by Trustee	780,000
State unemployment insurance tax	56,000
Federal unemployment insurance tax	180,000
Federal old-age insurance contribution	1,040,000
Group Life Insurance Plan payments	135,000
Contributions to employee associations	126,000
Sub-total	<u>\$ 6,300,000</u>

TOTAL PAYROLLS AND OTHER EMPLOYEE BENEFITS	<u><u>\$96,386,000</u></u>
------------------------------------------------------	----------------------------

greater retirement income for employees and an increased minimum of such retirement pay. The amended plan also raises the normal retirement age for women from 60 to 65 years. The plan continues on a contributory basis, so that the increased cost will be borne by employees and the Company in the same ratio that has prevailed heretofore.

At the end of the year 1,763 employees were receiving pension benefits under the Retirement Plan.

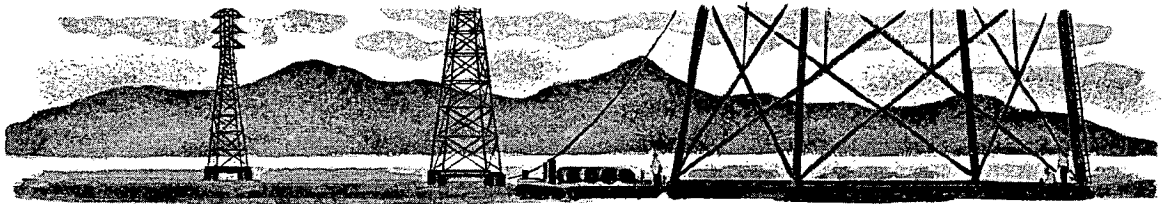
Our Employee Suggestion Plan is one of the oldest continuously operated suggestion systems in the country. Approximately 2,400 suggestions for the improvement of our operations were received during the year, an increase of 20% over the previous year. More than 800 suggestions were

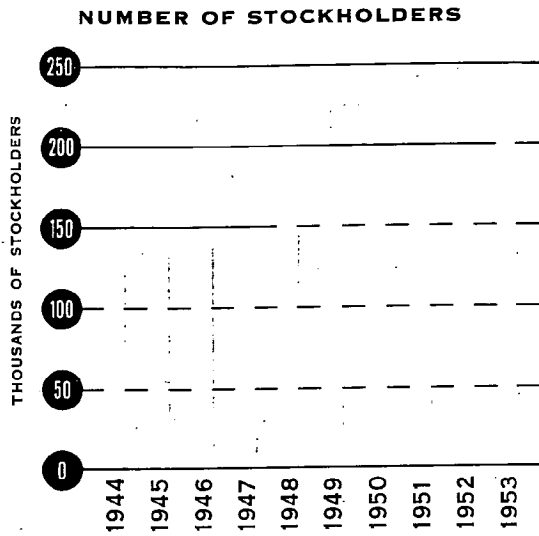
adopted, for which cash awards were made.

The Pacific Service Employees Association, a voluntary organization managed and operated entirely by its members, conducts an extensive program of educational, social and recreational activities for its approximately 16,000 members. It also sponsors a welfare program for the benefit of its membership, including a Disability Plan, a Hospitalization Plan, and a Wage Benefit Plan, and also operates a Credit Union.

STOCK OWNERSHIP

The number of those participating in the ownership of the Company passed the 200,000 mark for the first time in 1953. At the year-end we had





207,083 stockholders of record, an increase of 8,753 compared with the end of the previous year.

In only a few years since its incorporation has the Company failed to register a gain in the number of its stockholders. This not only reflects the

Company's growth, but also indicates increasing acceptance of its securities by both individual and institutional investors.

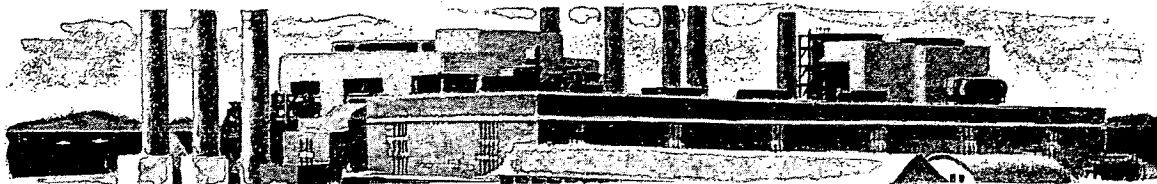
There was no major change during the year in the geographical distribution of our stockholders or in the proportion of shares held by them. Over the years the Company has consistently encouraged a high degree of local ownership. At the year-end 66% of our stockholders resided in California and held 49% of the outstanding stock. The balance of our stockholders were domiciled in every state of the Union, and in many foreign countries.

At the year-end the average ownership of individual and joint accounts was only 84 shares, representing \$2,100 par value of stock. The average for all accounts, including institutional holdings, was 132 shares. This latter average has exhibited an upward trend in recent years and has been due primarily to the growth of institutions seeking investments in equities, such as insurance and investment companies, and pension funds. Investors of this character customarily hold securities in larger blocks than do individuals.

According to a recent survey, our Company is now the most widely-owned electric and gas utility

DISTRIBUTION OF STOCK OWNERSHIP BY CLASS OF INVESTOR, DECEMBER 31, 1953

CLASS OF INVESTOR	Number of Stockholders	Number of Shares Owned
Women stockholders	81,789	6,622,243
Joint and other tenancies	55,277	4,590,993
Men stockholders	51,409	4,699,288
Trustees, guardians and other fiduciaries	12,516	1,584,494
Corporations, partnerships and proprietorships	2,204	1,657,846
Charitable and fraternal organizations and foundations	941	240,967
Nominees	925	3,332,835
Banks, investment companies and security dealers	752	1,329,975
Insurance companies	542	2,923,908
Religious institutions	419	81,080
Educational institutions	309	188,437
TOTALS	207,083	27,252,066



in the nation, and ranks eighth among the publicly-owned corporations of the country in number of stockholders.

The democratic character of the ownership of modern corporations is often overlooked. Anyone, regardless of race, creed or national origin, can freely participate in such ownership upon the purchase of a single share of stock. Yet, many apparently still believe that the privilege of stock ownership is restricted in some manner. A broader base for the ownership of American industry will do much toward a better understanding of our economic system. To this end, the efforts of the security exchanges and security dealers to promote a broader ownership of industry are to be highly commended.

CENTRAL VALLEY POWER

Stockholders have previously been advised of the two cooperative 10-year contracts executed in 1951 with the United States Bureau of Reclamation governing the disposition of power from the Central Valley Project.

Under the so-called "wheeling contract" the Company provided service during 1953 to 16 Federal establishments and to four customers entitled to preference under the Reclamation Law. The maximum simultaneous firm demand of these customers was about 37,000 kilowatts.

On January 1, 1954 the Company commenced wheeling power to the Ames Aeronautical Laboratory. Prior to that time the Laboratory purchased all of its power from the Company, with a maximum demand of 67,200 kilowatts in 1953. The Sacramento Municipal Utility District has entered into a contract with the Bureau of Reclamation under which it will purchase its power require-

ments from the Bureau commencing on July 1, 1954. Power deliveries will be made by the Company under the wheeling contract. The District is presently receiving power from the Company under a contract which extends to June 30, 1954. The District's maximum demand in 1953 was 145,200 kilowatts.

DIRECTORS AND OFFICERS

It is with deep regret that we record the death on December 27, 1953, of Mr. Norman B. Livermore, a member of the Company's Board of Directors and of its Executive Committee. At the time of his death he was the oldest member of the Board of Directors in point of service.

Mr. Livermore first became a director in 1916, resigning in 1918 to enter Army service in World War I. He returned to the Board in 1920 and was elected a member of the Executive Committee in 1935, serving continuously in these positions until his death.

Member of a pioneer California family, Mr. Livermore's service with the Company carried on a family tradition. His father, Horatio P., built Folsom Plant on the American River in 1895, the first hydro plant of the Pacific Gas and Electric Company system. His service and wise counsel will be greatly missed.

Mr. W. G. B. Euler, Executive Vice-President of the Company and a member of the Board of Directors since 1948, resigned from the Board on August 19, 1953, and retired from active service with the Company at the close of the year. Prior to his elevation as Executive Vice-President, Mr. Euler served as Vice-President and General Manager from July 1, 1947 to August 1, 1950. His retirement comes after more than 43 years of dis-

tinguished service with the Company and its predecessors.

Mr. Robert H. Gerdes, Vice-President and General Counsel, was elected a director to succeed Mr. Euler on August 19, 1953. Mr. Gerdes has been with the Company for sixteen years, becoming General Counsel in 1946, and was appointed Vice-President and General Counsel on July 1, 1953.

Mr. Henry D. Nichols, a member of the Board of Directors since 1938, was appointed a member of the Executive Committee on January 13, 1954, to fill the vacancy caused by the death of Mr. Livermore.

Mr. K. C. Christensen, Treasurer, was elected a director to succeed Mr. Livermore on February 24, 1954. Mr. Christensen has been with the Company for twenty-three years, and was appointed Treasurer in 1952.

On July 1, 1953 the following additional changes in our organization became effective: Mr. D. D. Smalley, Vice-President in Charge of Operations, was appointed Vice-President and Assistant General Manager; Mr. G. H. Hagar, Manager of Electric Operations, was appointed Vice-President in Charge of Operations; Mr. A. J. Swank, Manager of General Construction, was appointed Vice-President in Charge of General Construction; and Mr. E. E. Manhard, Assistant Secretary, was appointed Secretary, succeeding Mr. Raymond

Kindig who retired after 39 years of loyal service.

Effective January 1, 1954, Mr. P. E. Beckman was appointed Vice-President in Charge of Gas Operations, Mr. Hagar becoming Vice-President in Charge of Electric Operations.

ANNUAL MEETING

This annual report, for the forty-eighth 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 13, 1954.

* * *

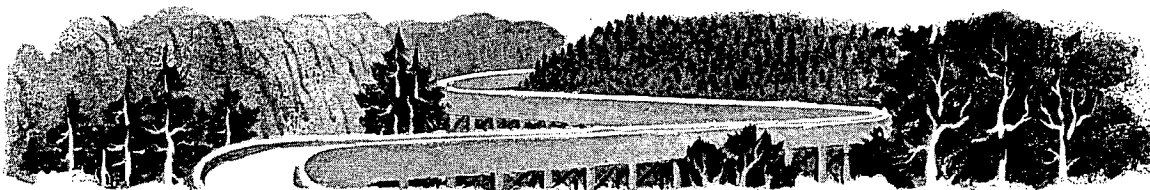
In closing this report, I wish on behalf of the Board of Directors to express sincere appreciation to all employees for their splendid performance during the year. They can well take pride in the results achieved. By most standards of measurement, our Company is now the largest among the electric and gas utilities of the nation. This position carries with it added responsibilities, which I feel confident our organization will meet successfully.

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 8, 1954.



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, 1953 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, 1953 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 19, 1954.

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Net Income for the Years Ended December 31, 1953 and 1952

Year Ended December 31

	1953	1952
GROSS OPERATING REVENUES:		
Electric department	\$252,663,806	\$205,643,601
Gas department	109,732,200	106,780,977
Other	1,709,464	1,560,705
Total	<u>\$364,105,470</u>	<u>\$313,985,283</u>
OPERATING EXPENSES:		
Maintenance and repairs	\$ 17,057,327	\$ 16,786,822
Production expenses:		
Power purchased	7,010,866	10,166,451
Natural gas purchased	65,503,416	54,957,038
Oil and other fuel	10,968,124	8,496,982
Other	8,533,766	8,083,882
Transmission expenses	4,210,733	3,777,557
Distribution expenses	17,772,310	16,500,187
Customers' accounting and collecting expenses	13,039,346	12,263,416
Sales promotion expenses	2,694,957	2,485,572
Provision for depreciation and amortization (Note 2)	35,172,465	32,699,648
Taxes:		
Provision for Federal income tax (Note 6)	52,541,593	38,947,926
Other taxes	38,767,195	34,376,179
Administrative and general expenses	7,936,015	7,327,126
Provision for doubtful accounts	810,000	420,000
Provision for insurance and casualties	2,126,393	1,549,070
Pension plan expenses	2,692,392	1,836,231
Total	<u>\$286,836,898</u>	<u>\$250,674,087</u>
NET OPERATING REVENUES	<u>\$ 77,268,572</u>	<u>\$ 63,311,196</u>
MISCELLANEOUS INCOME:		
Dividends	\$ 17,100	\$ 17,100
Interest	167,366	444,109
Other (net)	23,168	*32,564
Total	<u>\$ 207,634</u>	<u>\$ 428,645</u>
Total	<u>\$ 77,476,206</u>	<u>\$ 63,739,841</u>
INCOME DEDUCTIONS:		
Interest on funded debt	\$ 21,145,536	\$ 19,463,499
Amortization of net bond discount and expense	375,648	386,918
Miscellaneous interest	539,530	144,840
Interest charged to construction	*4,863,642	*3,764,151
Miscellaneous	585,739	508,485
Total	<u>\$ 17,782,811</u>	<u>\$ 16,739,591</u>
NET INCOME	<u>\$ 59,693,395</u>	<u>\$ 47,000,250</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, 1953 and 1952

	Year Ended December 31	
	1953	1952
EARNED SURPLUS:		
Balance at beginning of year	\$ 55,030,903	\$ 48,603,899
Net income, from statement of net income	59,693,395	47,000,250
Miscellaneous additions to earned surplus—net.	*9,966	3,206
Total	\$ 114,714,332	\$ 95,607,355
Deductions from earned surplus:		
Cost of preliminary surveys on projects abandoned (less related Federal income tax credit, \$210,126)	\$ 193,963	
Provision for contingent rate rebate	94,625	
Purchase premium on bonds reacquired, plus related unamortized net discount and expense	8,259	\$ 62,160
Total	\$ 296,847	\$ 62,160
Dividends on capital stocks held by public—Cash:		
First preferred—6% cumulative	\$ 6,317,590	\$ 6,317,592
First preferred—5½% cumulative	1,613,221	1,613,222
First preferred—5% cumulative	5,991,007	5,799,338
First preferred—4.80% cumulative	1,800,000	1,800,000
Common	29,688,968	24,984,140
Total	\$ 45,410,786	\$ 40,514,292
Total deductions from earned surplus	\$ 45,707,633	\$ 40,576,452
Balance at end of year	\$ 69,006,699	\$ 55,030,903
CAPITAL SURPLUS—Balance at beginning and end of year		
	627,217	627,217
TOTAL SURPLUS	\$ 69,633,916	\$ 55,658,120

*Denotes red figure

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

PACIFIC GAS AND ELECTRIC COMPANY

Balance Sheet, December 31, 1953 and 1952

	December 31	
ASSETS	1953	1952
UTILITY PLANT (Note 2):		
Tangible plant	\$1,850,718,368	\$1,673,098,917
Intangible plant	1,178,119	1,152,993
Plant acquisition adjustments	15,544,051	15,530,949
Total utility plant	<u>\$1,867,440,538</u>	<u>\$1,689,782,859</u>
Less reserves for depreciation and amortization	349,957,211	326,246,940
Utility plant—net	<u>\$1,517,483,327</u>	<u>\$1,363,535,919</u>
INVESTMENTS—At cost (Note 3):		
Capital stock of subsidiaries (Note 1)	\$ 2,326,386	\$ 2,326,386
Other security investments:		
Standard Pacific Gas Line Incorporated (less reserve for amortization: 1953, \$3,959,746; 1952, \$3,797,021)	1,379,260	1,346,979
Other	5,410	5,910
Investment in other physical property	4,998,267	5,300,067
Total investments	<u>\$ 8,709,323</u>	<u>\$ 8,979,342</u>
SINKING FUNDS AND SPECIAL DEPOSITS	<u>\$ 144,714</u>	<u>\$ 167,575</u>
CURRENT ASSETS:		
Cash on hand, demand deposits, and time deposits	\$ 27,377,967	\$ 28,275,244
Temporary cash investments (United States Government securities)—at cost	4,980,100	7,969,629
Miscellaneous special deposits	338,683	233,324
Accounts receivable (less reserve for doubtful accounts: 1953, \$1,391,633; 1952, \$1,322,476)	25,358,777	28,925,916
Materials and supplies (for operations and construction)—at average cost	19,379,825	17,601,724
Total current assets	<u>\$ 77,435,352</u>	<u>\$ 83,005,837</u>
DEFERRED CHARGES:		
Unamortized bond discount and expense (Note 4)	\$ 10,145,960	\$ 10,604,743
Other (Note 6)	5,325,622	2,797,153
Total deferred charges	<u>\$ 15,471,582</u>	<u>\$ 13,401,896</u>
TOTAL	<u><u>\$1,619,244,298</u></u>	<u><u>\$1,469,090,569</u></u>

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

PACIFIC GAS AND ELECTRIC COMPANY

Balance Sheet, December 31, 1953 and 1952

December 31

	1953	1952
LIABILITIES		
CAPITAL STOCK (Schedule 1) (Note 5):		
First preferred	\$ 291,937,975	\$ 291,937,975
Common	389,365,675	340,694,950
Excess of premiums received over discount and expense on outstanding shares	42,329,421	27,094,966
Instalments received on preferred stock purchase agreements	2,972,807	1,438,228
Total capital stock	<u>\$ 726,605,878</u>	<u>\$ 661,166,119</u>
MORTGAGE BONDS (Schedule 2) (Note 4):		
Issued	\$ 716,580,000	\$ 658,464,000
Less in treasury	2,404,000	2,253,000
Mortgage bonds held by public	\$ 714,176,000	\$ 656,211,000
Less estimated additional sinking-fund requirements for year shown among current liabilities	4,762,000	4,332,000
Remainder—Mortgage bonds (less sinking-fund requirements)	<u>\$ 709,414,000</u>	<u>\$ 651,879,000</u>
DUE TO SUBSIDIARY COMPANIES	\$ 253,396	\$ 296,997
CURRENT LIABILITIES:		
Accounts payable	\$ 15,673,349	\$ 15,145,531
Drafts outstanding	1,448,089	1,188,459
Dividends payable	8,566,113	6,813,968
Estimated additional sinking-fund requirements for year (Note 4)	4,762,000	4,332,000
Matured mortgage bonds unpaid	59,775	99,325
Bond interest due	231,361	180,429
Accrued bond interest—not due	1,840,614	1,644,010
Customers' meter and line deposits	3,811,984	3,698,764
Accrued taxes for current and prior years (Note 6)	68,653,339	59,848,852
Total current liabilities	<u>\$ 105,046,624</u>	<u>\$ 92,951,338</u>
DEFERRED CREDITS:		
Unamortized premium on bonds (Note 4)	\$ 1,946,294	\$ 1,674,454
Other	98,078	153,218
Total deferred credits	<u>\$ 2,044,372</u>	<u>\$ 1,827,672</u>
RESERVES:		
For insurance and casualties	\$ 1,277,686	\$ 899,860
For contingent rate rebates	94,625	—
Total reserves	<u>\$ 1,372,311</u>	<u>\$ 899,860</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 4,873,801	\$ 4,411,463
SURPLUS:		
Earned surplus	\$ 69,006,699	\$ 55,030,903
Capital surplus	627,217	627,217
Total surplus	<u>\$ 69,633,916</u>	<u>\$ 55,658,120</u>
TOTAL	<u><u>\$1,619,244,298</u></u>	<u><u>\$1,469,090,569</u></u>

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

PACIFIC GAS AND ELECTRIC COMPANY

Capital Stock, December 31, 1953

SCHEDULE 1	Description	Shares Authorized	Issued and Outstanding —Held by Public	
			Shares	Amount
FIRST PREFERRED, CUMULATIVE, PAR VALUE \$25 PER SHARE:				
	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	2,806,680	2,806,680	70,167,000
	5% redeemable—Series A	1,750,000	1,586,014	39,650,350
	4.80% redeemable	1,500,000	1,500,000	37,500,000
	Redeemable (unclassified in series)	8,158,495		
	TOTAL	20,000,000	11,677,519	\$291,937,975
COMMON, PAR VALUE \$25 PER SHARE				
		20,000,000	15,574,627	389,365,675
	TOTAL	40,000,000	27,252,146	\$681,303,650
EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES				42,329,421
INSTALMENTS RECEIVED ON PREFERRED STOCK PURCHASE AGREEMENTS				2,972,807
TOTAL				\$726,605,878

Mortgage Bonds, December 31, 1953

SCHEDULE 2	Title of Issue	Interest Rate %	Maturity	Amount Outstanding —Held by Public	Amount Held in Treasury
FIRST AND REFUNDING MORTGAGE (See Note):					
	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	
	Series N	3	Dec. 1, 1977	48,182,000	
	Series O	3	Dec. 1, 1975	10,300,000	\$ 250,000
	Series P	2¾	June 1, 1981	24,088,000	
	Series Q	2⅞	Dec. 1, 1980	67,434,000	
	Series R	3⅞	June 1, 1982	69,150,000	
	Series S	3	June 1, 1983	74,774,000	
	Series T	2⅞	June 1, 1976	77,475,000	
	Series U	3⅞	Dec. 1, 1985	48,775,000	1,504,000
	Series V	4	June 1, 1984	63,040,000	650,000
	TOTAL			\$714,176,000	\$2,404,000
CLASSIFICATION IN BALANCE SHEET OF MORTGAGE BONDS:					
SHOWN UNDER CURRENT LIABILITIES—Estimated additional sinking-fund requirements (see Note 4 to the financial statements)				\$ 4,762,000	
SHOWN AS MORTGAGE BONDS				709,414,000	
TOTAL				\$714,176,000	

NOTE: Additional amounts may be issued under the terms of the indentures relating to these bonds.

PACIFIC GAS AND ELECTRIC COMPANY

Notes to Financial Statements, December 31, 1953

**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, 1953 and 1952 the Company's investment in subsidiaries (\$2,326,386 at each date) exceeded its equities in the net assets of the subsidiaries by \$119,267 and \$208,527, respectively, and the Company's equities in the undistributed earnings of the subsidiaries for the years 1953 and 1952 were \$79,739 and \$103,309, respectively. On January 20, 1954 the Company agreed to issue and exchange 330,535 shares of its common stock for 623,651 shares (representing an 84% interest held by the majority owner) of the common stock of Pacific Public Service Company. Further information is set forth in the introductory section of the Directors' report regarding proposed additional exchanges of capital stock.

NOTE 2—Utility Plant:

The Company maintains its accounts in accordance with the California Public Utilities Commission's uniform systems of accounts prescribed for electrical corporations and for gas corporations, which are substantially the same as those prescribed by the Federal Power Commission. The major portion of the Company's utility plant consisting of plant constructed by the Company is recorded in the accounts at 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, consisting of acquisitions of operating units or systems, is recorded in accordance with said systems of accounts at "original cost" (defined as cost to the person first devoting the property to public service) except an amount of \$15,544,051 charged to utility plant acquisition adjustments, representing the excess of cost to the Company over "original cost," which is being amortized out of earnings over the fifteen-year period commenced January 1, 1950.

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:**

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 1954 will amount to approximately \$7,166,000 as to bonded indebtedness outstanding at December 31, 1953, subject to reduction, in effect, by such amounts as may be received through sales to the sinking-fund Trustee of the treasury bonds held by the Company at December 31, 1953 in the principal amount of \$2,404,000. The net of these amounts, \$4,762,000, is shown among the current liabilities in the accompanying balance sheet as of December 31, 1953.

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 on an instalment basis. Purchase agreements covering 133,839 shares with unpaid balances of \$172,409.50 were in effect at December 31, 1953. Under the provisions of the plan, the stock for which payment has been completed will be issued in 1954.

At December 31, 1953 the Company had outstanding 4,392,694 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.

NOTE 6—Federal Income Tax:

In June 1953 final agreement was reached with the Internal Revenue Service on Federal income tax liability for the years 1946 to 1951, inclusive. Adjustments in allowable depreciation for those years gave rise to additional assessments of Federal income and State franchise taxes, of which the unamortized balance of \$2,657,237 is included in other deferred charges at December 31, 1953. This unamortized balance is to be amortized by charges to income over the period from January 1, 1954 to December 31, 1957 as authorized by the Public Utilities Commission of the State of California.

The Company's accounts for provision for Federal income tax and the related accrued tax liability include \$47,125 and \$630,754, respectively, for the years 1952 and 1953, representing provision for income taxes payable following period of accelerated amortization of defense

facilities. Such amounts will be carried in those accounts until regulatory commissions have established other accounting disposition thereof.

NOTE 7—Commitments and Contingent Liabilities:

At December 31, 1953 the Company had firm commitments in the aggregate amount of about \$100,672,000 for purchases of equipment, etc., in connection with its plant construction program.

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, 1953 and 1952 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

H. H. Courtright, *Assistant to Vice-President and General Manager*

I. W. Collins, *Assistant to Vice-President in Charge of Operations*

DEPARTMENT OF ELECTRIC OPERATION

G. A. Peers, *Manager of Electric Operation*
General Superintendents: J. H. Martin, *Power Control*;
V. F. Estcourt, *Steam Generation*; J. N. Spaulding,
Water Systems; E. A. Crellin, *Hydro Generation*; H. T.
Sutcliffe, *Substations*; T. B. Copeland, *Transmission*
and Distribution; R. L. Brinton, *Communications*;
A. Scott, *System Protection*

DEPARTMENT OF GAS OPERATION

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

DEPARTMENT 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*

DEPARTMENT OF EXECUTIVE ENGINEER

Stanley B. Barton, *Manager Valuation Department*
B. K. Dunshee, *Manager Land Department*
Rudolph Jenny, *Manager Rate 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

C. C. Wheelchel, *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*
H. V. Lutge, *Civil Engineer*
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

C. R. Stanley, *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*

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: W. F. Pape, San Rafael
SACRAMENTO: L. J. Brundige, Sacramento
SAN FRANCISCO: Grover S. Tracy, * San Francisco
SAN JOAQUIN: A. D. Church, Fresno
SAN JOSE: T. W. Snell, * San Jose
SHASTA: L. H. Smith, Red Bluff

STOCKTON: C. V. Wilbur, Stockton

*Retired December 31, 1953

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