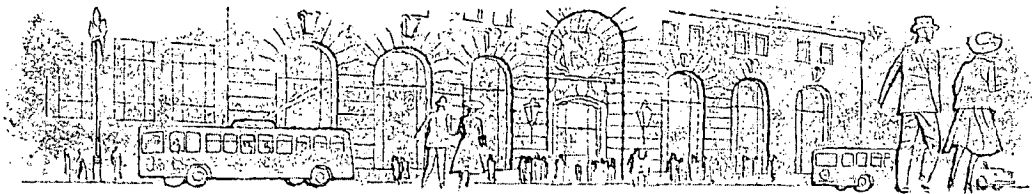


# PACIFIC GAS AND ELECTRIC COMPANY

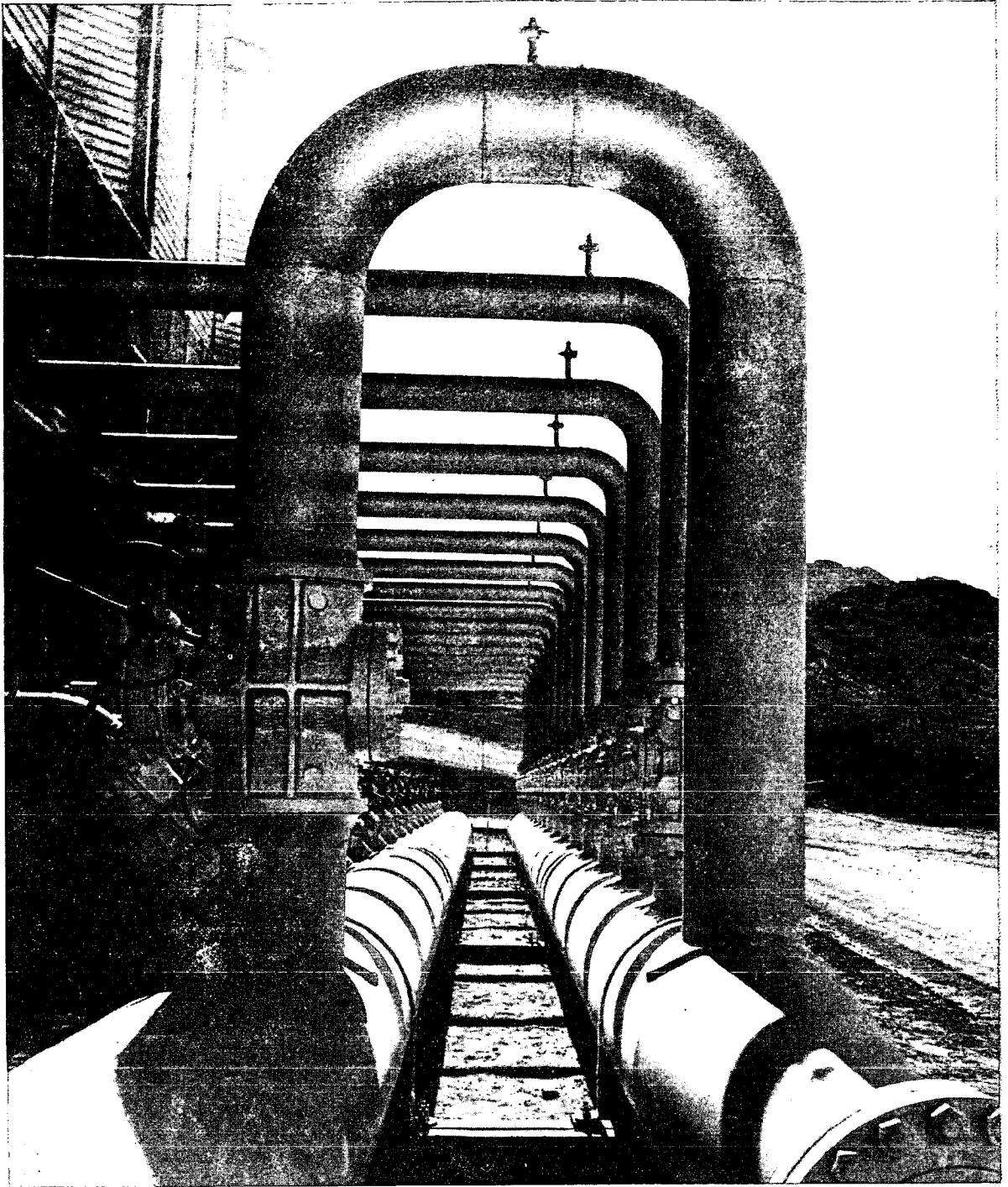
FIFTIETH ANNUAL REPORT 1955



# Pacific Gas and Electric Company



FIFTIETH ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1955



About two-thirds of the Company's natural gas supply is now received from out-of-state sources. The scene above was taken at one of the compressor stations along our Topock-Milpitas gas transmission line.



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JAMES B. BLACK	San Francisco
<i>Chairman of the Board</i>	
ALLEN L. CHICKERING	San Francisco
JOHN P. COGHLAN	San Francisco
JAMES F. CRAFTS	San Francisco
WILLIAM 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
PORTER SESNON	San Francisco
WALTER H. SULLIVAN	San Francisco
N. R. SUTHERLAND	San Francisco
CARL F. WENTE	San Francisco

*Executive Committee*

JAMES B. BLACK  
ALLEN L. CHICKERING  
WILLIAM W. CROCKER  
HENRY D. NICHOLS  
SILAS H. PALMER  
N. R. SUTHERLAND

*Executive Officers*

N. R. SUTHERLAND, *President and General Manager*  
ROBERT H. GERDES, *Executive Vice-President*  
L. HAROLD ANDERSON, *Vice-President and Assistant General Manager*  
S. L. SIBLEY, *Vice-President and Assistant General Manager*  
WALTER DREYER, *Vice-President and Chief Engineer*  
J. S. MOULTON, *Vice-President and Executive Engineer*  
O. R. DOERR, *Vice-President in Charge of Sales*  
G. A. PEERS, *Vice-President in Charge of Electric Operations*  
P. E. BECKMAN, *Vice-President in Charge of Gas Operations*  
A. J. SWANK, *Vice-President in Charge of General Construction*  
J. K. HORTON, *Vice-President*  
R. R. GROS, *Vice-President*  
K. C. CHRISTENSEN, *Treasurer*  
E. E. MANHARD, *Secretary*  
L. W. COUGHLAN, *Comptroller*  
R. H. PETERSON, *General Counsel*

\* \* \*

O. H. BARTHOL, *Assistant Treasurer and Assistant Secretary*  
F. W. MCCHESENEY, *Assistant Treasurer*  
V. D. VINCENT, *Assistant Treasurer*  
H. C. NELSON, *Assistant Secretary*  
J. F. TAYLOR, *Assistant Secretary*  
A. H. CATHERALL, *Assistant Secretary*

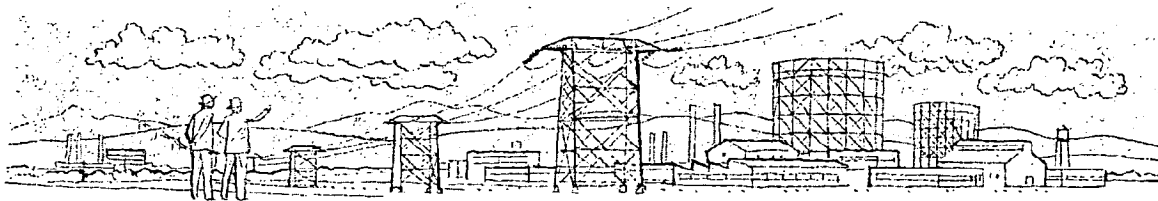
*Stock Transfer Agencies*

OFFICE OF THE COMPANY (E. F. Hall, 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 Pacific Gas and Electric Company

*San Francisco, California, February 17, 1956*

### *To our Stockholders:*

The year 1955 was one of the most satisfactory in the Company's long history.

The feature of the year's operations was the upsurge in the rate of growth, following only moderate gains in 1954. Sales of both gas and electricity were materially larger than those of the previous year. The gain in gross operating revenues exceeded that of any previous year, as did the number of new customers.

From an earnings standpoint the results of the year were likewise encouraging, although the improvement was due in part to favorable weather conditions. Net earnings for the common stock were equivalent to \$3.32 a share on the 16,255,733 shares of common stock outstanding throughout the year. This compares with earnings of \$2.89 a share on an average of 16,160,533 shares outstanding in the previous year, and \$2.88 a share based on the 16,255,733 shares outstanding at the close of 1954.

Dividends on the common stock were continued at the quarterly rate of 55 cents a share, or \$2.20 per year.

As the year 1955 marked the conclusion of the first postwar decade, it seems appropriate to review briefly the highlights of the Company's progress.

It was a period of strenuous activity and of unprecedented growth for the Company. Indeed, the growth was so rapid that the Company is today, by most standards of measurement, the largest utility of its kind in the country.

It was also a period in which many difficult problems had to be met and overcome, but we believe the Company emerged far stronger and with better credit than at any other time in its history.

The rapid growth of population, industry and agriculture in Northern and Central California required the Company, in accordance with its public utility obligation, to carry forward a construction program of a magnitude unparalleled in the industry. Expenditures made for expanding and improving our facilities amounted to almost one and one-half billion dollars. This included the building of new electric generating facilities with an aggregate installed capacity of 2,850,000 kilowatts, almost tripling our capacity at the beginning of the decade.

Financing this program presented a real problem. For this purpose the Company made twenty-four public offerings of securities from which it realized proceeds of slightly in excess of one billion dollars. This provided about two-thirds of the funds required, and the remainder was derived from internal sources.

Service was extended to approximately one and one-quarter million new customers in all branches of our operations, and at the end of the period we were supplying service to well over three million customers.

A significant development in the decade was the marked change in the character of our system resources. Predominantly a hydro system when the decade opened, about 67% of our electric generating resources are today in steam plants, compared with only about 37% at the beginning of the period. Until about halfway through the decade, our entire natural gas supply was obtained from fields within California, but by the end of 1955 about two-thirds was being received from out-of-state sources, principally from fields in Texas and New Mexico.

Other highlights of the decade include the commencement of our research activities in the field

of nuclear power, and the acquisition of Pacific Public Service Company in 1954. The number of stockholders participating in our ownership increased from about 133,000 to almost 218,000.

Regrettably, particularly in the early years of the decade, a substantial part of the time of the Company's management was devoted to resisting the efforts of the federal government to establish a tax-free commercial power system in competition with us. These efforts were inspired and directed from Washington, under previous administrations, through the instrumentality of the United States Bureau of Reclamation. Fortunately, following many appearances before Congressional committees, the Company was successful in forestalling the Bureau from attaining its major objective.

There is no significant body of public opinion in our service area which favors the establishment of government in the commercial power business. This view is confirmed by a poll taken among our customers last year by an independent outside agency which revealed that only one out of seven of our customers favored government ownership in the power business.

Incidental generation of power by public agencies in connection with worthy irrigation and flood control projects, however, is quite another matter. The Company has always endeavored to cooperate with such projects by providing a market for their by-product power. Our contract to purchase the power output of the Tri-Dam Project, now under construction on the Stanislaus River, is an example of our willingness to aid financially and otherwise assist worthy water projects.

More recently we have made a proposal, as discussed later in this report, to enter into a partner-

ship arrangement to build the power facilities of the Trinity River Project, authorized last year for construction by the Bureau of Reclamation as an addition to the Central Valley Project.

We shall continue this long-established policy of cooperating in the development of worthy water projects, as we believe it to be clearly in the public interest. On the other hand, whenever necessary, we will resist those who are intent upon forcing government into the power business on a tax-exempt basis in competition with its own citizens.

No one, of course, can predict with certainty what the next decade will bring. However, serving a growing and diversified area endowed with abundant wealth and natural resources, we feel confident that the Company will continue to prosper. This presupposes an absence of international conflict, and the exercise of reason and moderation in regulation and in our other affairs at home.

A detailed review of our operations in 1955 will be found on the pages following. Certified financial statements appear commencing on page 28 of the report.


We wish, on behalf of the Board of Directors, to acknowledge with deep appreciation the outstanding performance of our employees during the past year. The splendid results achieved are a direct reflection of their devotion to their duty. The quality of our employees in all ranks provides the best insurance that the Company is well equipped to cope with the problems of the future.

This fiftieth annual report of the Company will be submitted at the annual meeting of stockholders to be held at the office of the Company, 245 Market Street, San Francisco, California, on Tuesday, April 10, 1956.

*For the Board of Directors*



*Chairman of the Board*



*President and General Manager*

*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 9, 1956.*



# Highlights of the Year's Operations

**GROSS OPERATING REVENUES** reached a new peak of \$443,500,000, exceeding those of the previous year by \$57,255,000, or 14.8%. Higher gas rates and colder-than-normal weather contributed to this record growth in revenues.

**CONSTRUCTION EXPENDITURES** totaled about \$133 million, compared with an average of \$170 million over the past five years. This reduced level of construction expenditures was made possible by the substantial completion of our program to build up adequate operating reserves.

**SALES OF ELECTRICITY TO CUSTOMERS** totaled 16,399,000,000 kilowatt-hours, an increase of 9.0%. In addition we delivered 1,392,000,000 kilowatt-hours for the account of others. Combined sales to customers and deliveries for others exceeded those of 1954 by 11.3%.

**THE COST OF OUT-OF-STATE GAS**, effective April 15, 1955, was further increased about \$8 million annually. Pursuant to an authorization of the California Public Utilities Commission, the Company increased its rates in May 1955 in an amount which should substantially offset this increase in the cost of out-of-state gas.

**SALES OF GAS TO CUSTOMERS** totaled 286,792,000,000 cubic feet, an increase of 17.8% over the previous year. In addition, 95,232,000,000 cubic feet of gas was purchased and transported for use as fuel in our steam-electric generating plants.

**NUCLEAR ENERGY** continued to engage the Company's attention. The Nuclear Power Group, Inc., of which the Company is a member, received approval from the Atomic Energy Commission to build the largest all-nuclear power plant yet scheduled for construction.

**THE NET GAIN IN CUSTOMERS** was 151,158, which includes 15,080 customers added as a result of the dissolution on December 31, 1954 of Vallejo Electric Light and Power Company, formerly a wholly-owned subsidiary. At the year-end the Company was serving 3,124,748 customers.

**STOCKHOLDERS** totaled 217,821 at the year-end, a gain of 485 for the year. It was the sixteenth consecutive year in which we experienced a gain in the number participating in our ownership. Of the total, 88,320 were preferred stockholders and 129,501 common stockholders.

**BONDS AND PREFERRED STOCK** with an aggregate par value of \$75 million were sold to finance our continuing construction program. This brings to approximately one billion dollars the amount of new money obtained to finance our postwar construction program.

**NET EARNINGS FOR THE COMMON STOCK** were equivalent to \$3.32 a share on the 16,255,733 shares of common stock outstanding throughout the year. This compared with earnings of \$2.89 a share on an average of 16,160,533 shares outstanding in the previous year.

## Revenues and Sales—Electric and Gas Departments by Classes of Service

		ELECTRIC DEPARTMENT		Increase	
ELECTRIC REVENUES	Year 1955	Year 1954	Amount	Per Cent	
Residential or Domestic Sales . . .	\$ 96,002,090	\$ 86,503,778	\$ 9,498,312	11.0%	
Small Light and Power Sales . . .	56,559,250	52,703,043	3,856,207	7.3	
Large Light and Power Sales . . .	72,527,448	65,079,055	7,448,393	11.4	
Agricultural Power Sales . . .	39,510,469	37,233,151	2,277,318	6.1	
Public Street and Highway Lighting	4,026,389	3,647,184	379,205	10.4	
Sales to Railroads and Railways . . .	302,242	316,028	* 13,786	* 4.4	
Sales to Other Electric Utilities . . .	13,378,470	13,059,600	318,870	2.4	
Company Use (Construction) . . .	197,031	185,541	11,490	6.2	
Other Miscellaneous Revenue . . .	7,206,575	6,691,296	515,279	7.7	
<b>TOTALS</b>	<b>\$ 289,709,964</b>	<b>\$ 265,418,676</b>	<b>\$ 24,291,288</b>	<b>9.2%</b>	
<b>ELECTRIC SALES—Kilowatt-Hours</b>					
Residential or Domestic Sales . . .	3,500,458,987	3,060,142,957	440,316,030	14.4%	
Small Light and Power Sales . . .	1,843,979,710	1,697,385,573	146,594,137	8.6	
Large Light and Power Sales . . .	6,156,236,698	5,480,987,445	675,249,253	12.3	
Agricultural Power Sales . . .	3,115,675,037	2,937,544,835	178,130,202	6.1	
Public Street and Highway Lighting	108,113,707	96,112,033	12,001,674	12.5	
Sales to Railroads and Railways . . .	20,552,528	21,368,363	* 815,835	* 3.8	
Sales to Other Electric Utilities . . .	1,644,621,097	1,740,614,038	*95,992,941	* 5.5	
Company Use (Construction) . . .	9,723,076	8,299,902	1,423,174	17.1	
<b>TOTAL SALES TO CUSTOMERS</b>	<b>16,399,360,840</b>	<b>15,042,455,146</b>	<b>1,356,905,694</b>	<b>9.0</b>	
Delivered for the account of others	1,391,746,350	942,831,215	448,915,135	47.6	
<b>TOTALS</b>	<b>17,791,107,190</b>	<b>15,985,286,361</b>	<b>1,805,820,829</b>	<b>11.3%</b>	

\*Denotes decrease

		GAS DEPARTMENT		Increase	
GAS REVENUES	Year 1955	Year 1954	Amount	Per Cent	
Residential or Domestic Sales . . .	\$ 85,718,355	\$ 65,051,067	\$ 20,667,288	31.8%	
Commercial Sales . . .	22,378,074	17,809,929	4,568,145	25.6	
Industrial Sales . . .	41,965,863	31,971,110	9,994,753	31.3	
Sales to Other Gas Utilities . . .	1,251,649	3,717,421	* 2,465,772	*66.3	
Company Use (Construction) . . .	38,114	40,277	* 2,163	* 5.4	
Other Miscellaneous Revenue . . .	156,101	256,756	* 100,655	*39.2	
<b>TOTALS</b>	<b>\$ 151,508,156</b>	<b>\$ 118,846,560</b>	<b>\$ 32,661,596</b>	<b>27.5%</b>	
<b>GAS SALES—Thousands of Cubic Feet</b>					
Residential or Domestic Sales . . .	127,658,779	102,046,027	25,612,752	25.1%	
Commercial Sales . . .	40,507,826	35,034,023	5,473,803	15.6	
Industrial Sales . . .	115,169,697	93,233,290	21,936,407	23.5	
Sales to Other Gas Utilities . . .	3,367,885	13,065,299	* 9,697,414	*74.2	
Company Use (Construction) . . .	87,462	129,241	* 41,779	*32.3	
<b>TOTAL SALES TO CUSTOMERS</b>	<b>286,791,649</b>	<b>243,507,880</b>	<b>43,283,769</b>	<b>17.8</b>	
Company Use (Steam-electric plants, etc.) . . .	95,231,999	71,092,400	24,139,599	34.0	
<b>TOTALS</b>	<b>382,023,648</b>	<b>314,600,280</b>	<b>67,423,368</b>	<b>21.4%</b>	

\*Denotes decrease

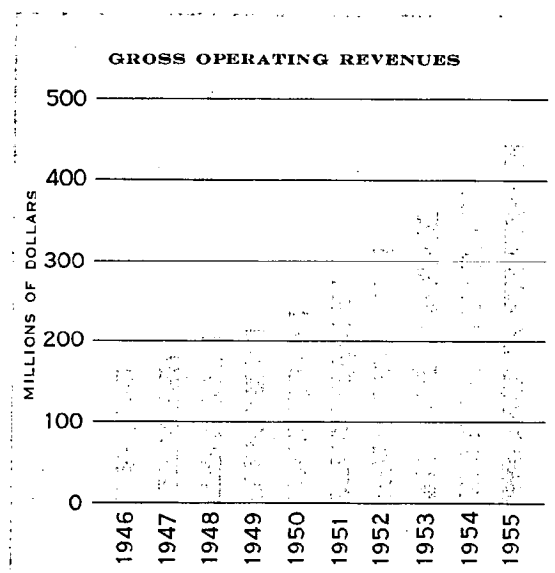
# The Year in Review

## REVENUES AND SALES

An outstanding feature of the year's operations was the large growth in revenues. Gross revenues increased \$57,255,000, or 14.8%, to a new peak of \$443,500,000. However, several factors contributed to the gain which were not associated with the normal growth in sales volume, particularly in the Gas Department.

The table on the opposite page shows the gross operating revenues and sales, by classes of service, compared with those for the previous year.

The Electric and Gas Departments registered gains in gross revenues of 9.2% and 27.5%, respectively, while the corresponding gains in sales were 11.3% and 17.8%.



Sales of electricity to customers totaled 16.4 billion kilowatt-hours for the year, and in addition we delivered 1.4 billion kilowatt-hours for the account of others. Sales of gas to customers reached 287 billion cubic feet, exclusive of more than 95 billion cubic feet which was used as fuel in our steam-electric generating plants.

Both revenues and sales in the Gas Department were stimulated to a considerable degree by the colder-than-normal weather which prevailed dur-

ing most of the year. In addition, revenues for this department were materially greater as a result of rate increases placed in effect to offset the higher cost of out-of-state gas purchased by the Company, as more fully discussed under the section on Rate Matters.

Comparison of the two years is also distorted by reason of the merger into our system of Coast Counties Gas and Electric Company on August 31, 1954. Prior thereto we supplied at wholesale all of that company's electric requirements and a large part of its gas requirements.

On a strictly comparable basis, however, the Company enjoyed an unusually strong growth in revenues and in sales volume during the year. The gain in domestic electric consumption was particularly noteworthy. The average annual use per customer reached 2,616 kilowatt-hours, or 192 kilowatt-hours greater than in the preceding year.

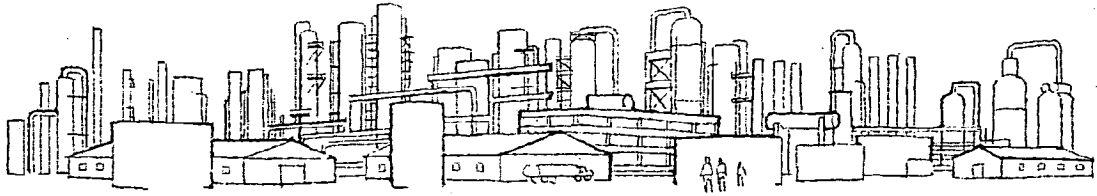
Industrial sales and related revenues showed exceptional gains in both the Electric and Gas Departments. This is a reflection not only of the high level of business activity during the year, but also of the location of new industries within the territory served by the Company.

## OPERATING EXPENSES

All operating expenses over which the management can exercise some degree of control were held very close to their 1954 levels, notwithstanding the increase in the volume of business. This is largely a reflection of the excellent results of the program, commenced in 1954, under which every phase of our operations is undergoing the closest scrutiny with a view to simplifying our procedures and reducing costs wherever possible.

Wages and salaries for operating employees amounted to \$53,612,000, or \$2,618,000 more than in the previous year. The increase is attributable to wage adjustments granted late in 1954, and to the absorption of about six hundred employees following the merger of the Coast Counties Gas and Electric Company, whose wages and salaries were reflected in our 1954 operations during only the last four months of that year.

The cost of power purchased from wholesale

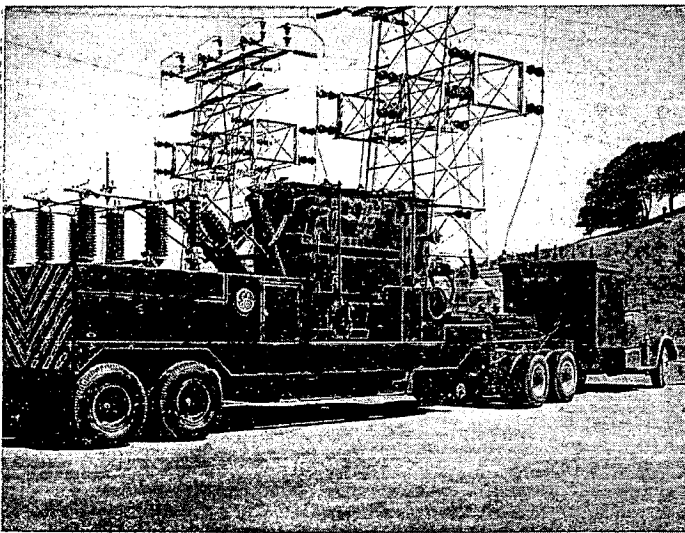


producers amounted to \$2,917,000, less than half that of the previous year. Virtually the entire reduction is attributable to reduced purchases from the Central Valley Project of the United States Bureau of Reclamation. Because of adverse water conditions, the output of the Bureau's plants was considerably less than in the previous year, and more power was transported by us to Bureau

chased, and 33% to the increase in average unit cost.

Expenditures for oil and other fuel, consumed chiefly in our steam-electric generating plants, increased \$3,780,000 to a total of \$12,222,000. The reduced output from our hydro plants and smaller purchases from other producers, together with the increase in the volume of our business, necessitated the generation of substantially greater amounts of electricity in our steam plants than in the previous year.

All other operating expenses, including materials and supplies used in operations, services from others, etc., amounted to \$19,143,000, or \$1,202,000 less than the costs incurred for these same items in the previous year.



This mobile substation performs a variety of tasks to assure dependable service to our customers.

customers entitled to preference treatment under the Reclamation Law.

By far the major increase in operating expense during the year was for natural gas purchased. The total cost of this gas was \$94,947,000, or \$20,967,000 greater than in the previous year. Of the total increase in gas costs, approximately 67% was attributable to the greater volume of gas pur-

#### TAXES

For a number of years taxes have been by far our largest item of expense. The year 1955 was no exception, our total tax bill reaching a new peak of \$120,414,000, or \$16,528,000 more than in the previous year. Of the total, \$114,548,000 was charged against income, and the balance to capital and other accounts.

Taxes paid or accrued, by classes, and a comparison with the previous year, are shown in the table on page 12.

Many do not realize the magnitude of taxes as an element in the cost of utility service. In 1955 they absorbed almost 26% of our gross operating revenues from all sources. Taxes were substantially more than double all wages and salaries paid to operating employees, and were equivalent to about seven dollars per share of common stock outstanding. These figures serve to emphasize the substantial subsidy granted government-owned utilities, which enjoy virtually complete tax exemption in the conduct of their operations.

FIFTIETH ANNUAL REPORT

Ad valorem property taxes, approximately 45% of which goes to the support of public schools, increased \$3,629,000 to a total of \$44,902,000.

Well over one-half of our tax bill was for federal corporation income taxes, which amounted to \$64,671,000, including a provision of \$6,014,000 for federal income taxes payable following the period of accelerated amortization. Pursuant to

an order issued in 1954 by the California Public Utilities Commission, we continued to account for this latter item in the manner outlined in the notes to the financial statements.

**DEPRECIATION AND AMORTIZATION**

The provision made for depreciation and amortiza-

**Summary Showing Sources and Disposition of Income**

*Years 1951-1955 Inclusive*

	Year 1955	Year 1954	Year 1953	Year 1952	Year 1951
<b>SOURCES OF INCOME:</b>					
Electric Department revenues . . . . .	\$289,710,000	\$265,419,000	\$252,664,000	\$205,643,000	\$189,365,000
Gas Department revenues . . . . .	151,508,000	118,846,000	109,732,000	106,781,000	88,634,000
Revenues from other operating departments . . . . .	2,282,000	1,979,000	1,709,000	1,561,000	1,500,000
Miscellaneous income . . . . .	804,000	1,035,000	208,000	429,000	364,000
<b>Totals . . . . .</b>	<b>\$444,304,000</b>	<b>\$387,279,000</b>	<b>\$364,313,000</b>	<b>\$314,414,000</b>	<b>\$279,863,000</b>
<b>DISPOSITION OF INCOME:</b>					
Wages and salaries of operating employees . . . . .	\$ 53,612,000	\$ 50,994,000	\$ 49,066,000	\$ 46,688,000	\$ 42,392,000
Power purchased from wholesale producers . . . . .	2,917,000	6,377,000	7,011,000	10,166,000	10,975,000
Natural gas purchased . . . . .	94,947,000	73,980,000	65,503,000	54,957,000	50,238,000
Oil and other fuel purchased . . . . .	12,222,000	8,442,000	10,968,000	8,497,000	10,877,000
Material and supplies, services from others, etc. . . . .	19,143,000	20,345,000	22,179,000	20,537,000	16,363,000
Provision for pensions, insurance, etc. . . . .	9,114,000	7,776,000	5,629,000	3,805,000	3,806,000
Provision for depreciation and amortization . . . . .	43,372,000	39,090,000	35,172,000	32,700,000	31,610,000
Taxes, including provision for federal taxes on income . . . . .	108,264,000	93,186,000	91,309,000	73,324,000	60,497,000
Special charges in lieu of and for deferred federal and state taxes on income . . . . .	6,284,000	4,504,000	—	—	—
Bond interest and other income deductions . . . . .	23,394,000	19,546,000	17,783,000	16,740,000	16,229,000
Dividends paid on preferred stock . . . . .	17,102,000	16,266,000	15,722,000	15,530,000	13,383,000
Dividends paid on common stock . . . . .	35,763,000	35,553,000	29,689,000	24,984,000	22,003,000
Balance retained in the business . . . . .	18,170,000	11,220,000	14,282,000	6,486,000	1,490,000
<b>Totals . . . . .</b>	<b>\$444,304,000</b>	<b>\$387,279,000</b>	<b>\$364,313,000</b>	<b>\$314,414,000</b>	<b>\$279,863,000</b>
<b>AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING . . . . .</b>					
	16,255,733	16,160,533	14,114,427	12,492,070	11,001,529
<b>EARNINGS PER SHARE ON AVERAGE NUMBER OF SHARES OUTSTANDING . . . . .</b>					
	\$3.32	\$2.89	\$3.12	\$2.52	\$2.14
<b>DIVIDENDS PAID PER SHARE OF COMMON STOCK . . . . .</b>					
	\$2.20	\$2.20	\$2.10	\$2.00	\$2.00
<b>RETAINED IN THE BUSINESS, PER SHARE OF COMMON STOCK . . . . .</b>					
	\$1.12	\$0.69	\$1.02	\$0.52	\$0.14

**Taxes—by Classes and Comparison with Previous Year**

	Year 1955	Year 1954	Increase
<b>LOCAL TAXES:</b>			
Ad valorem property . . . . .	\$ 44,902,000	\$ 41,273,000	\$ 3,629,000
Franchise payments . . . . .	2,369,000	2,099,000	270,000
Total local taxes . . . . .	47,271,000	43,372,000	3,899,000
<b>STATE TAXES:</b>			
Bank and corporation franchise . . . . .	4,035,000	4,250,000	* 215,000
Provision for state income taxes payable following period of accelerated amortization . . . . .	200,000	36,000	164,000
Special charges in lieu of state income taxes . . . . .	145,000	—	145,000
Unemployment . . . . .	276,000	52,000	224,000
Other . . . . .	374,000	361,000	13,000
Total state taxes . . . . .	5,030,000	4,699,000	331,000
<b>CITY AND STATE:</b>			
Sales and use . . . . .	1,832,000	1,906,000	* 74,000
<b>FEDERAL TAXES:</b>			
Corporation income . . . . .	58,657,000	47,709,000	10,948,000
Provision for federal income taxes payable following period of accelerated amortization . . . . .	6,014,000	2,580,000	3,434,000
Special charges in lieu of federal income taxes . . . . .	* 75,000	1,888,000	*1,963,000
Unemployment . . . . .	167,000	168,000	* 1,000
Old age benefits . . . . .	1,435,000	1,349,000	86,000
Other . . . . .	83,000	215,000	* 132,000
Total federal taxes . . . . .	66,281,000	53,909,000	12,372,000
Total taxes . . . . .	\$120,414,000	\$103,886,000	\$ 16,528,000
<b>CHARGED TO:</b>			
Income account as taxes . . . . .	\$114,478,000	\$ 95,802,000	\$ 18,676,000
Income deductions . . . . .	70,000	1,888,000	*1,818,000
Capital and other accounts . . . . .	5,866,000	6,196,000	* 330,000
Total taxes . . . . .	\$120,414,000	\$103,886,000	\$ 16,528,000

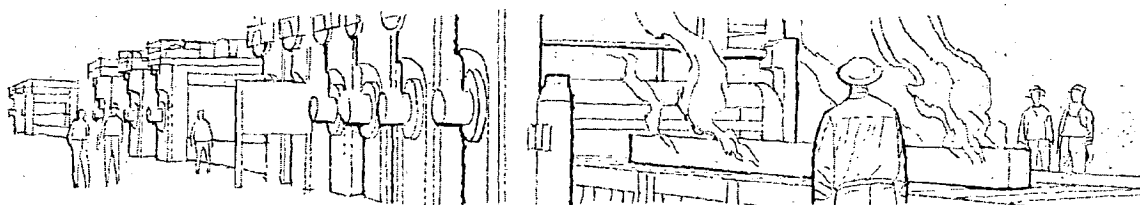
\*Denotes decrease

tion increased \$4,282,000 and totaled \$43,372,000. This was equivalent to 9.8% of our gross operating revenues.

Depreciation was accrued on the same basis as in the previous year, using the same lives on a 4% remaining-life sinking fund basis.

The reserve for depreciation and amortization

at the year-end was 19.0% of the gross plant account, compared with 18.5% at the end of the previous year. A significant factor in interpreting the adequacy of the depreciation reserve is the average dollar age of plant in service. At the close of 1955 the average dollar age of our plant was less than eleven years, compared with more than



seventeen years at the time the Company's post-war expansion program got under way in 1946.

### FINANCING

The reduced level of the Company's construction expenditures, together with increasing amounts of cash from internal sources, resulted in a reduction in the amount of the Company's new money requirements in 1955, as compared with its requirements over a number of preceding years. This situation is expected to continue at least through 1956.

For the second successive year the Company was able to finance its requirements without resorting to the sale of common stock, and still maintain its capital structure in satisfactory balance.

The Company closed the year 1954 with \$38 million of short-term bank loans outstanding. Approximately \$20 million of these loans had been obtained to retire the debt assumed following the mergers into this Company of Pacific Public Service Company and Coast Counties Gas and Electric Company in the latter half of 1954.

In March 1955 the Company sold at competitive bidding \$50 million of its First and Refunding Mortgage Bonds, Series Y, 3 $\frac{3}{8}$ %, due December 1, 1987. The major portion of the proceeds was used to retire the \$38 million of bank loans referred to above.

In October public offering was made through a nationwide group of underwriters of one million shares of the Company's 4.36% Redeemable First Preferred Stock. The issue was marketed at \$25.50 a share and was very favorably received by both individual and institutional investors. With the proceeds, all the Company's then outstanding bank loans, in the amount of \$23 million, were retired.

In order to meet its requirements for the remain-

ing portion of the year and for the early months of 1956, the Company late in November borrowed \$18 million from banks and closed the year with that amount of short-term debt outstanding.

The pattern of the Company's financing in 1955 was one of utilizing bank loans on a temporary basis, and later proceeding with permanent financing at times and in amounts as believed advantageous.

At the year-end the Company's total capitalization amounted to \$1,716 million, consisting of 46.9% bonds, all outstanding under the Company's First and Refunding Mortgage, 20.3% preferred stock, and 32.8% common stock equity.

### CONSTRUCTION PROGRAM

Construction expenditures totaled \$133 million, the lowest in a number of years. This compares with an average of approximately \$170 million over the past five years. The peak of about \$197 million was reached in 1953.

Expenditures for construction in 1956 are not now expected to exceed those made in 1955. This reduced level of construction expenditures has been made possible by the substantial completion of our program to build up adequate operating reserves.

About 260,000 kilowatts of additional electric generating capacity was completed during the year. This consisted of the first 165,000-kilowatt unit at our new Morro Bay Steam Plant, and 95,000 kilowatts at the new Pit No. 4 Hydro Plant on Pit River.

A feature of the Morro Bay plant is the use of evaporators to convert sea water into chemically pure water for use in its boilers. This is believed to be the first large-scale industrial application of such evaporators.

A second unit of similar capacity will be com-

pleted at Morro Bay about the middle of this year. The first 50,000-kilowatt unit at our new Humboldt Bay Steam Plant, located in the extreme north-western part of our service area near Eureka, will also be placed in operation in 1956.

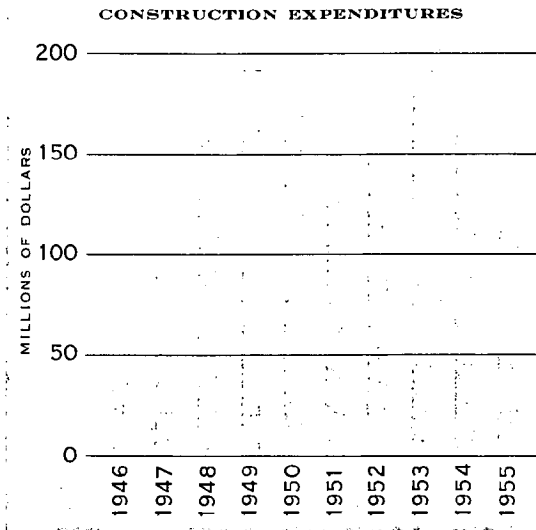
During the year construction proceeded or was commenced on several large hydro-electric projects. At the 106,000-kilowatt Poe Plant on the Feather River tunnel work was well advanced at the end of the year. Contracts were awarded for

Courtright, who died on December 20, 1955. A pioneer in the electric industry and an outstanding civic leader in the San Joaquin Valley, Mr. Courtright at the time of his death was serving as Assistant to the President and General Manager, with headquarters in Fresno.

The Federal Power Commission has granted to the Company licenses for the construction of three additional hydro plants on the Feather River. The plants, to be known as Butt Valley, Caribou No. 2, and Belden, will have an aggregate capacity of 258,000 kilowatts. Initial construction on these projects is expected to commence in 1956.

Construction will get under way on an additional 165,000-kilowatt unit at Station P in San Francisco about the middle of 1956.

Substantial additions and improvements are being made to the transmission and distribution systems in both the Electric and Gas Departments. Of the total expenditures for construction in 1955, approximately \$25 million was spent for additional Gas Department facilities. The bulk of the expenditures was made for extensions and improvements to the gas distribution system.



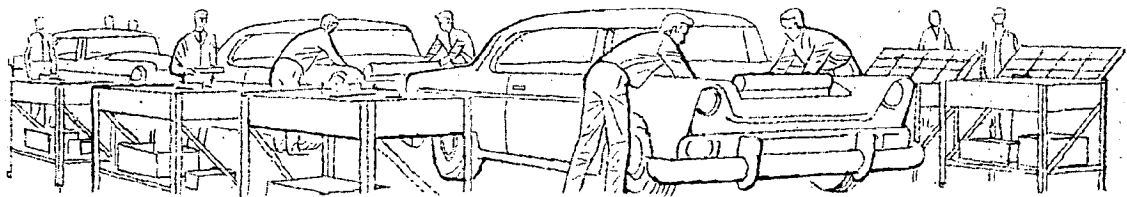
**NUCLEAR ENERGY**

In previous annual reports we have mentioned the Company's activities in connection with nuclear energy.

Our initial research in this field, conducted in association with the Bechtel Corporation, was completed in 1953 and submitted to the Atomic Energy Commission. In mid-1953 the Company and Bechtel Corporation joined with American Gas and Electric Company, Commonwealth Edison Company and Union Electric Company of Missouri to form the Nuclear Power Group for the purpose of continuing with advanced nuclear research.

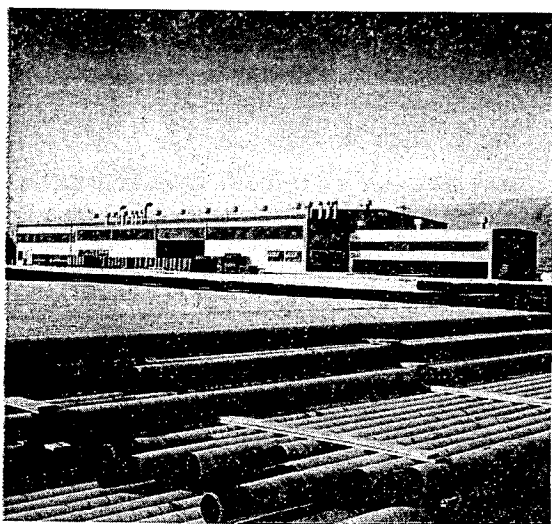
the construction of Wishon and Helms Dams, the first units of the Company's hydro development on the north fork of the Kings River, which upon completion will add 261,500 kilowatts to our electric generating resources.

Helms Dam has since been renamed Courtright Dam and Reservoir, in honor of the late H. H.





After almost two years of intensive research, the Nuclear Power Group, in response to an invitation from the Atomic Energy Commission, submitted a proposal early in 1955 for a license to build a large-scale nuclear-electric power plant of the boiling water reactor type. In August the Atomic Energy Commission accepted the Group's proposal. Shortly thereafter three additional companies joined the Group—Central Illinois Light Company, Illinois Power Company and Kansas City Power and Light Company—as co-sponsors of the projected



This new pipe wrapping plant at Decoto will process 40,000 feet of gas pipe in one day.

plant, and all eight companies have now formally incorporated as Nuclear Power Group, Inc.

The plant, expected to be completed in 1960, will have a capacity of 180,000 kilowatts, and is the largest all-nuclear plant yet scheduled for construction. Located near Chicago, it will be owned and operated by Commonwealth Edison Company which will integrate the output into its system. Of the total estimated cost of \$45 million, Commonwealth Edison Company will pay \$30 million, while all the member companies of the Group will share the balance of \$15 million as a research and developmental expense.

By participating in the engineering, construction

and operation of the plant, and also in its financing through our research contribution, our organization will gain valuable experience.

It is interesting to note that the design of this nuclear-electric plant is being carried on in California, at San Jose, by the General Electric Company as prime contractor, in association with personnel of our Company and other participants.

It is recognized that this and other early developmental plants will not produce competitive electric power, particularly in view of the expected continued advances in the efficiency of conventional steam plants. However, from the experience gained from this and other nuclear plants now under construction and from continuing research on other types of reactors, including research by our own Group, it is hoped that one or more types will be developed which will be able to compete with conventional plants in the United States. If and when this occurs, nuclear-electric plants will be integrated with existing power sources, and will not supplant them.

### CUSTOMERS

A milestone was passed in February when the three millionth customer was connected to our lines. At the year-end the Company was serving 3,124,748 customers in all branches of its operations.

The net gain in customers was 151,158, which includes 15,080 customers added as a result of the dissolution on December 31, 1954 of Vallejo Electric Light and Power Company, formerly a wholly-owned subsidiary. In the previous year the gain in customers totaled 244,422, of which 139,642 were acquired as a result of the merger of Coast Counties Gas and Electric Company. Excluding the customers added as a result of the acquisition of properties, the net gain in customers was 136,078 in 1955, and 104,780 in 1954.

The large gain in customers reflects an acceleration of the strong growth trends that have been evident in the Company's service area for many years. Continued rapid increase in population and a very high level of residential construction, together with the extension of our lines into some areas not heretofore served, all contributed to this record growth in customers.

Responsible authorities appear to agree that California will continue to experience a growth in population about double the national average and that it will, within a few years, be the most populous state in the nation.

**BUSINESS DEVELOPMENT**

Intensified sales promotional activities, coupled with high levels of production and employment, resulted in the connection of more new business to our lines than in any previous year in our history.

The Company does not merchandise appliances. Sales to residential customers are promoted principally by means of sales campaigns carried on cooperatively with about 2,500 major electric and gas appliance dealers in our area. These activities are supported by appliance exhibits and cooking schools.

An important part of our residential sales promotion is an aggressive campaign to raise the general wiring standards in new homes and to promote adequate wiring in older establishments. The latter is of major importance throughout the nation, as most older homes are inadequately wired for maximum beneficial use of heavy-duty electric appliances.

Improved lighting in stores and factories featured our commercial sales activities. As a service

to municipalities the Company prepared long-range master plans on street and highway lighting for fifty-five cities. We continued to sponsor a program of modernization and re-lighting of older school classrooms. Demonstration rooms in eighteen counties aid school administrators to judge the degree of improvement that can be accomplished. Since this activity was started, more than three thousand classrooms have been re-lighted to modern standards.

Industrial expansion continued at an accelerated pace in our service area. Through its industrial development department, the Company actively promotes the location of new industries within its territory. It also cooperates with other agencies concerned with industrial development by giving technical advice and assistance on problems associated with the utilization and availability of gas and electric service. In 1955 announcements were made of 670 new plants or expansions to existing plants in our service area, involving a total outlay of almost \$200 million.

Considerable additional gas business, principally industrial in character, has recently been connected or is in prospect along the route of our Topock-Milpitas gas transmission line in the Mojave Desert area.

The quality of the service rendered is of paramount importance in promoting the sale of gas

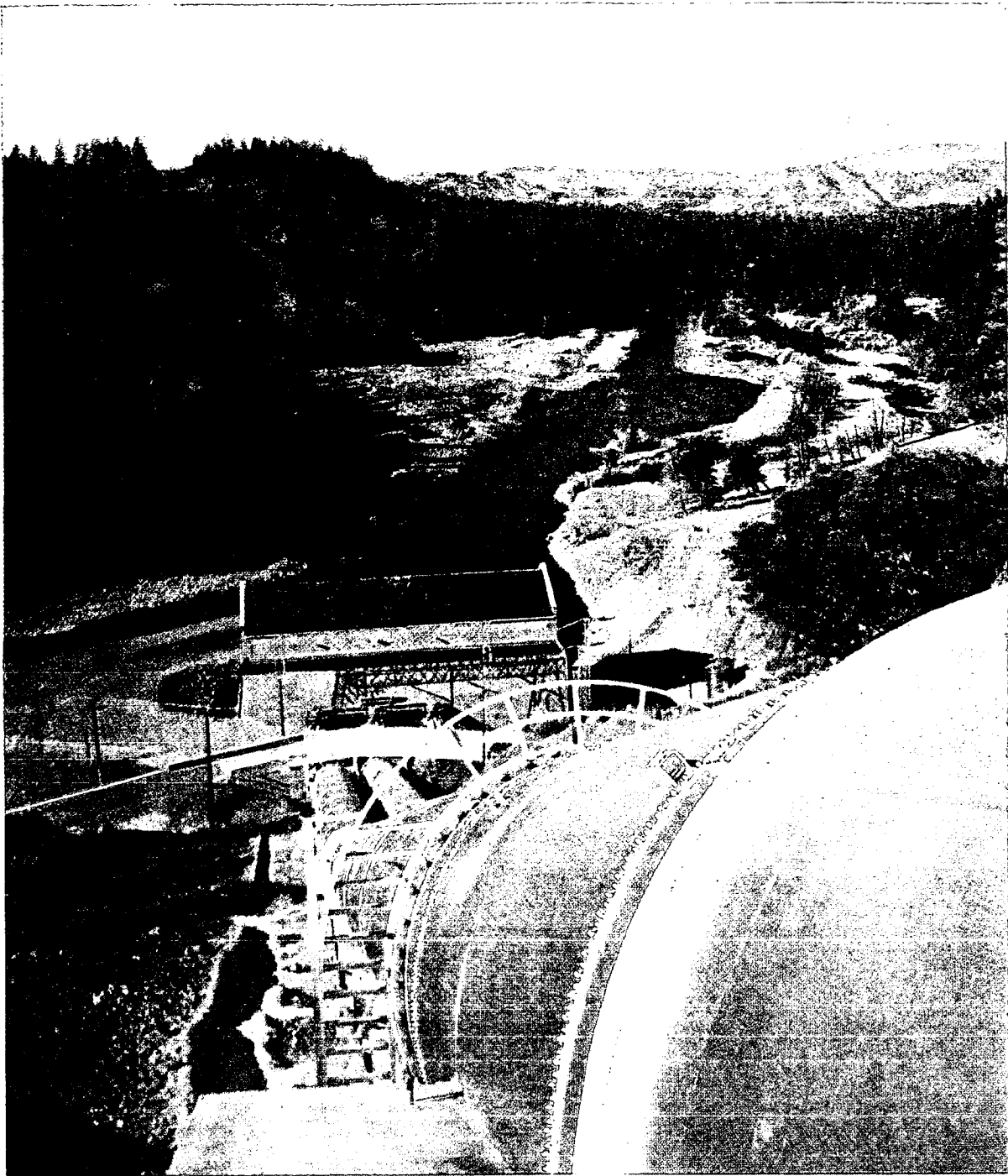
**Customers—By Departments and Increase During Year**

	December 31 1955	December 31 1954	Increase during 1955
Electric Department . . . . .	1,692,997	1,612,263	80,734(a)
Gas Department . . . . .	1,406,722	1,337,592	69,130
Water and Irrigation Department . . . . .	24,335	23,028	1,307
Steam Sales Department . . . . .	694	707	* 13
<b>TOTALS . . . . .</b>	<u>3,124,748</u>	<u>2,973,590</u>	<u>151,158</u>

\*Denotes decrease

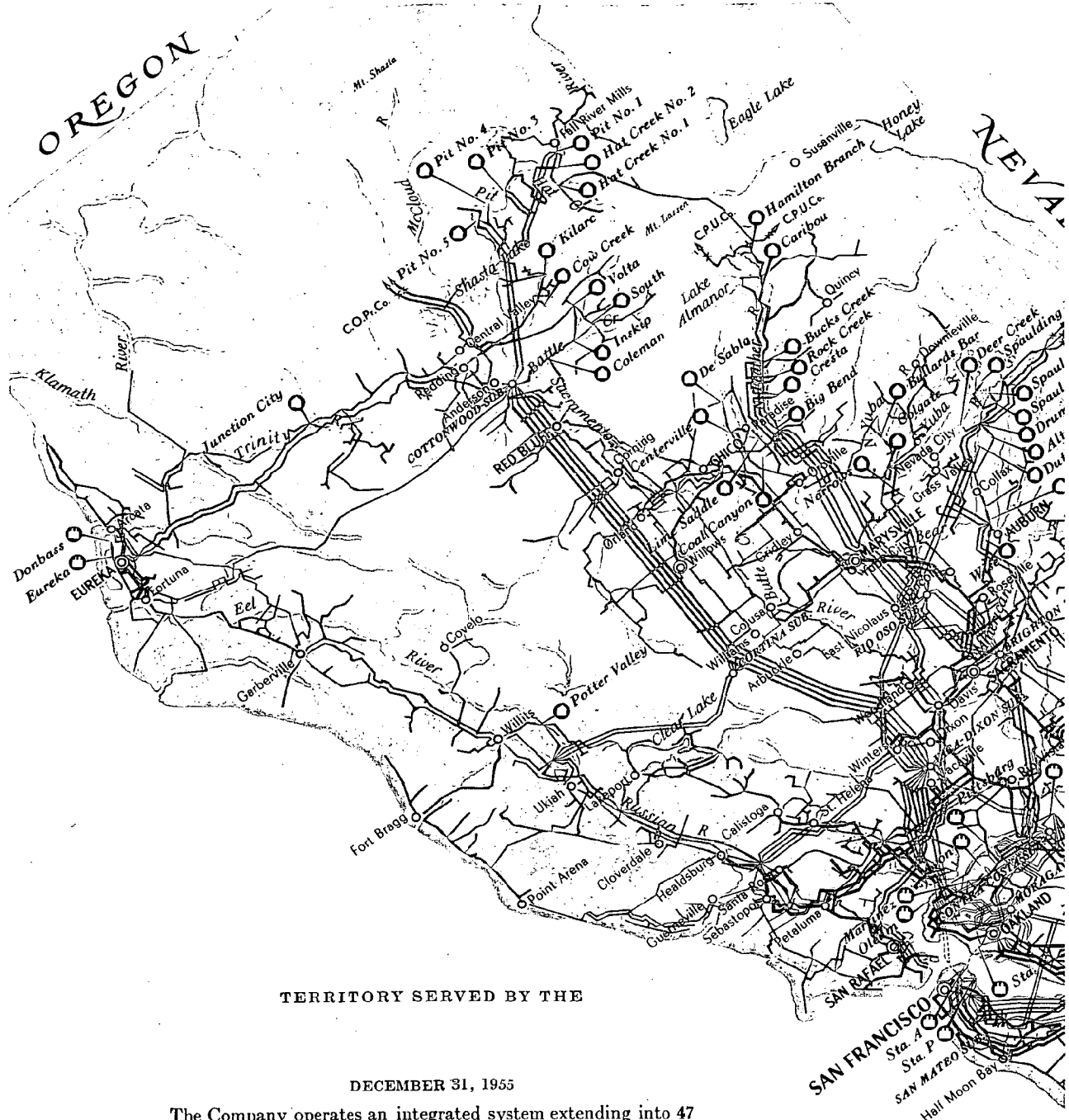
(a) Includes 15,080 customers of former Vallejo Electric Light and Power Company, a wholly-owned subsidiary dissolved on December 31, 1954.





Pit No. 4 Hydro Plant, capacity 95,000 kilowatts. Completed in 1955, this plant increased our generating capacity on the Pit River system to 391,000 kilowatts. At the year-end, the Company's combined hydro and steam generating resources totaled 4,317,800 kilowatts, exclusive of about 500,000 kilowatts available from other producers.





TERRITORY SERVED BY THE

DECEMBER 31, 1955

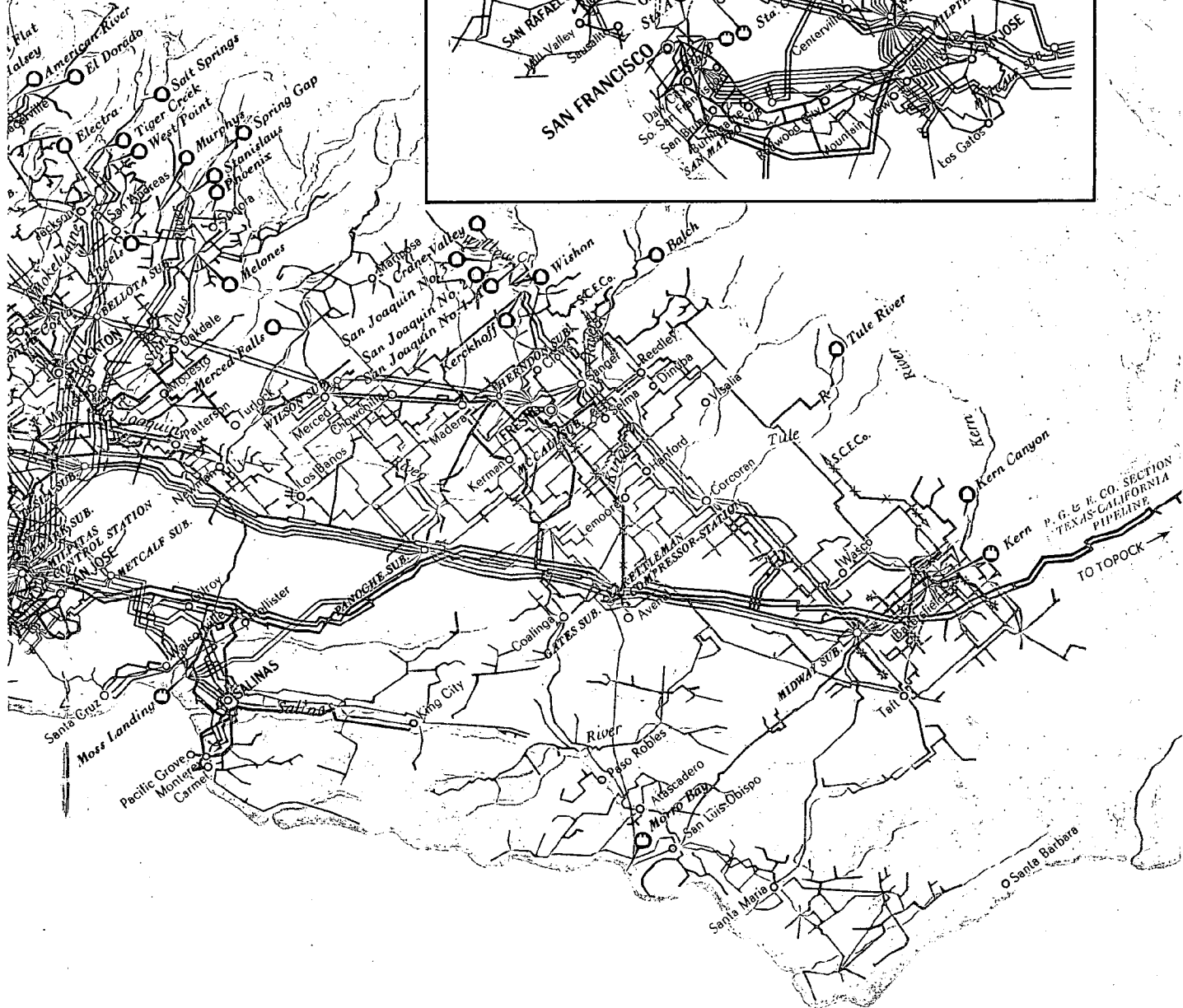
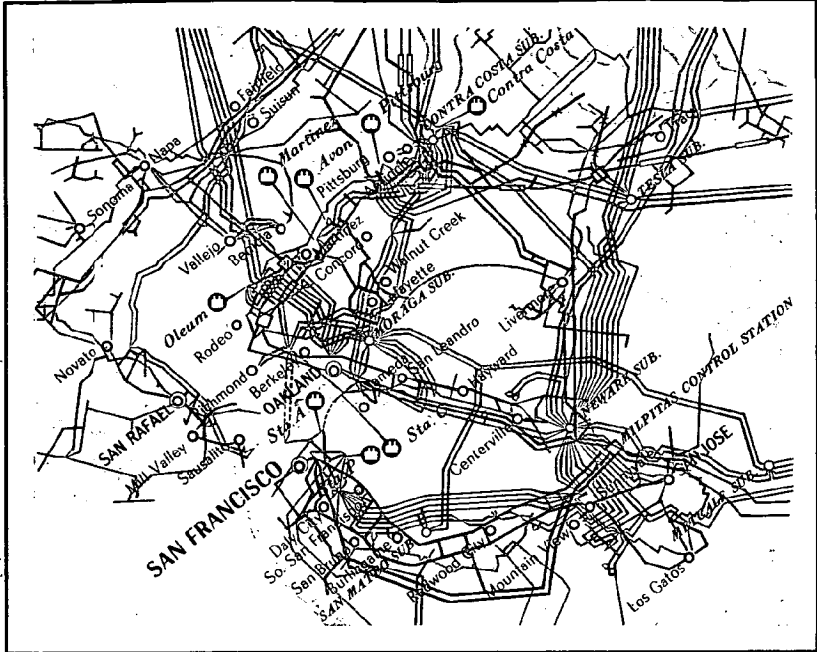
The Company operates an integrated system extending into 47 California counties with an estimated population of 6,250,000

- |  |                                  |  |                                |
|--|----------------------------------|--|--------------------------------|
|  | 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. |

58 Hydro-electric Plants	1,451,500 Kw.	2,900 miles gas transmission lines
13 Steam-electric Plants	2,866,300 Kw.	15,600 miles gas distribution lines
71 Plants Capacity . . .	4,317,800 Kw.	18,500 miles of gas pipe lines
Capacity from others . . .	500,000 Kw.	
67,500 miles of electric power lines		



SP P. Co.  
ng No. 1  
Lake Tahoe





Topock Compressor Station. Located on the California-Arizona border, it is one of three compressor stations on the Company's 502-mile Topock-Miipitas gas transmission line, through which natural gas from out-of-state sources, principally from fields in Texas and New Mexico, is transported to our customers in Northern and Central California.

and electricity. We are constantly improving our service, and we believe that it is now better than ever.

**OPERATIONS**

Gross system electric output totaled 21.3 billion kilowatt-hours, an increase of 10.4% over the previous year. Of the total output, 12.3 billion or 57.7% was produced in our steam plants, 6.7 billion or 31.2% in our hydro plants, and the remaining 2.3 billion or 11.1% was received from other producers. The latter figure includes power received into our system and transported for the account of other producers.

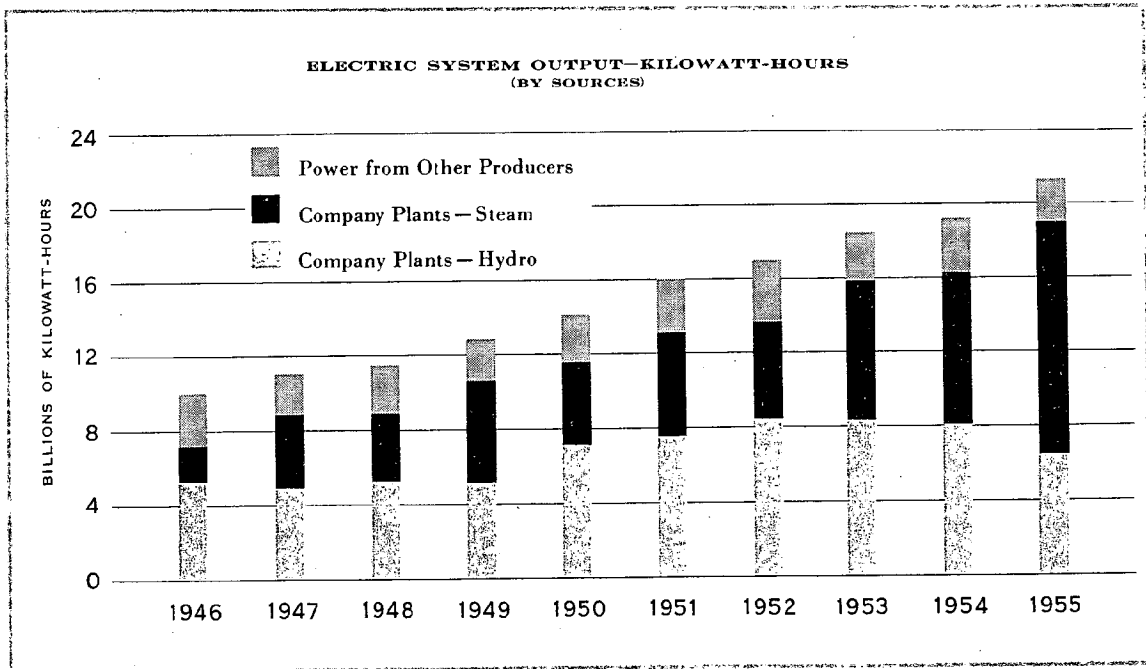
Precipitation in the 1954-1955 season was considerably less than average, which resulted in a yield from our hydro plants of about 80% of normal. Such reduced hydro output, coupled with the increase in sales volume and reduction in the amount of power purchased, necessitated the production of about 4.1 billion more kilowatt-hours in our steam plants than in 1954.

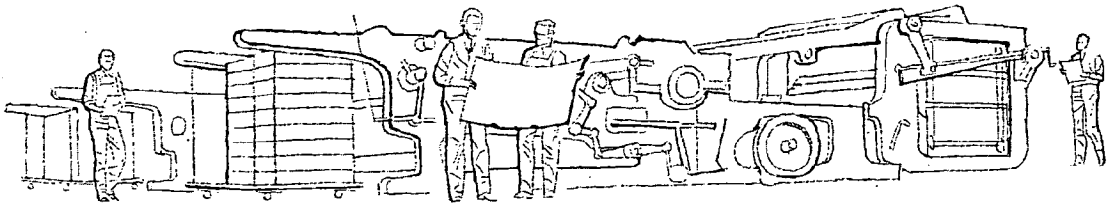
The peak demand on our electric facilities,

which occurred on August 3, was 3,788,700 kilowatts. It was somewhat less than had been anticipated, due in part to lower summer temperatures which reduced the agricultural pumping and air conditioning loads at the time when we normally experience our peak load.

An unprecedented series of storms of tropical origin caused extensive wind and flood damage at a number of locations throughout Northern and Central California in the third week of December. Numerous service interruptions resulted, caused principally by trees falling into electric distribution lines, but service was promptly restored in most places. About 300,000 kilowatts of hydro capacity was out of service for varying lengths of time. This, however, was less than 7% of our total resources and ample reserves were available to meet the emergency. On the whole, considering the violence of the storms, we believe both our gas and electric systems stood the test remarkably well.

The flood conditions were brought about by relatively warm, heavy rains falling on snow in the mountains at elevations up to 10,000 feet.





The unseasonal runoff filled our reservoirs to about 61% of capacity at the year-end, whereas under normal programmed operation they would not have been filled to that level until about May of this year. Heavy snowfall has since brought the amount on the ground to above normal for the year to date. As a result, we appear to be assured of a satisfactory, and perhaps a considerably greater-than-normal, output in 1956 from our hydro plants, with substantial savings in fuel costs.

Flooded areas would have suffered greater damage were it not for the fact that our power reservoirs held back vast quantities of water. During the flood period, these reservoirs retained 470,000 acre feet. In addition, reservoirs in Northern and Central California owned by irrigation districts, Southern California Edison Company and the City and County of San Francisco, retained 670,000 acre feet during the same period. Storage in these reservoirs, built for water and power supply, is normally low in winter. The 1,140,000 acre feet of water they captured during the December storms was one-third of all flood water stored during the period. The remainder was held back by reservoirs built by the Army Corps of Engineers or the Bureau of Reclamation for flood control or other purposes.

Damages to our facilities arising from the storm and chargeable to operating expenses were estimated at \$1,738,000, and a provision for storm damages has been included in our 1955 accounts in that amount.

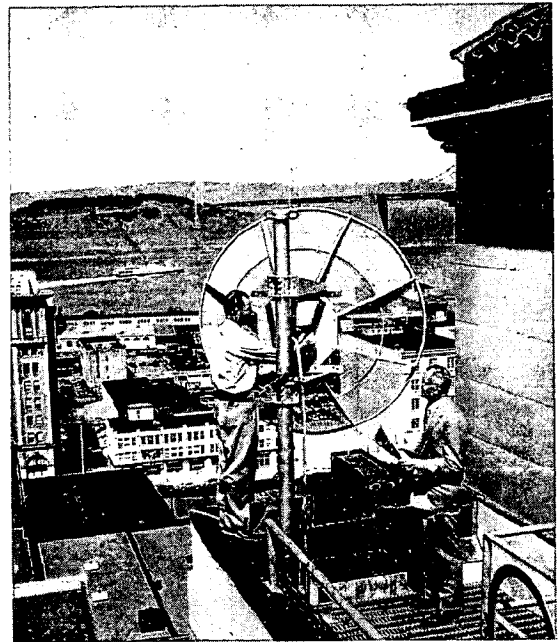
The maximum day sendout on our gas system, which occurred on January 17, amounted to 1,384 million cubic feet. Our natural gas transmission system operated satisfactorily throughout the year, with no major outages affecting customer service. During the course of the storm referred to above, service supplied from local distribution was cur-

tailed in the flooded areas, but was restored promptly when the flood waters receded.

### GAS SUPPLY

Natural gas purchased for sale to our customers and for use as fuel in our steam-electric generating plants reached 398 billion cubic feet in 1955, or about 19% more than in the previous year.

Since 1950 our principal gas supplier has been El Paso Natural Gas Company. In 1955 approximately 64% of our gas requirements was supplied by that company from out-of-state sources. This gas is delivered into our gas transmission



This microwave antenna is a part of the Company's extensive communications system.



system at the California-Arizona border near Topock. The remaining 36% of our requirements was obtained from a number of producers in fields located in Northern and Central California.

Our gas service agreement obligates the El Paso Company to deliver to us at the present time a maximum volume of 700 million cubic feet of natural gas per day. In November the Federal Power Commission authorized the El Paso Company to construct facilities to deliver an additional 175 million cubic feet per day, the first increment to commence in 1956.

Shortly after the close of the year, the California Public Utilities Commission authorized our Company to construct additional facilities to handle the increased volume of gas. Estimated to cost about \$20 million, the additional capacity will be obtained by paralleling our existing Topock-Milpitas 34-inch transmission line for about 150 miles, after which all but 73 miles of the 502-mile line will have been paralleled. Additional compressor capacity totaling 9,260 brake horsepower will be added to our existing compressor stations at Topock, Hinkley and Kettleman.

This gas is required to meet the growing demands for natural gas in our service area, and should provide us with sufficient supplies to meet our requirements for the next several years.

**RATE MATTERS**

In last year's annual report we referred to the gas rate increase of about \$7 million annually which was placed in effect on December 1, 1954, to offset higher prices for out-of-state gas purchased from El Paso Natural Gas Company.

On April 15, 1955 the El Paso Company made effective a further increase in its rates which was estimated to add about \$8 million annually to our cost of out-of-state gas based on the estimated

volume of purchases in 1955. Pursuant to an authorization of the California Public Utilities Commission, the Company increased its rates in May 1955 in an amount which should substantially offset this second increase in the cost of out-of-state gas.

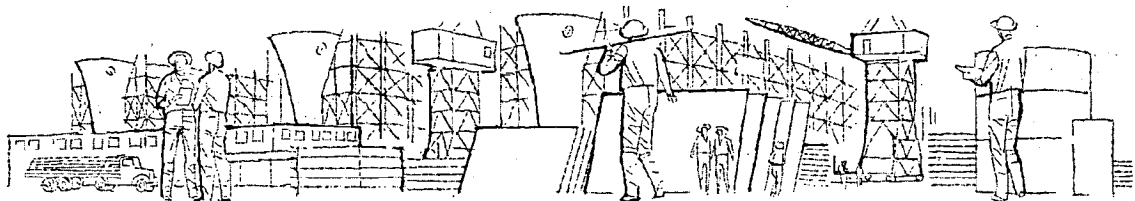
Both of the increases in cost of out-of-state gas are subject to refund to the extent that the Federal Power Commission determines that the full amounts are not justified. The Company in turn must refund to its customers any portion of the offset increases which exceeds the actual increases in cost of out-of-state gas during the offset increase collection period as finally determined by the Federal Power Commission. It is not now known when the Federal Power Commission will hand down its decisions.

**PERSONNEL**

Including both operating and construction personnel, we had 17,387 employees at the year-end, a reduction of 647 as compared with the close of 1954. The smaller number of employees reflects the reduced level of our construction activities, as well as the continued improvement in the efficiency of our operations.

Wages and salaries totaled \$90,763,000 for the year. Of this amount \$53,612,000 was paid to operating employees and charged against income. The balance of \$37,151,000, representing the payroll of construction employees, was charged to capital accounts.

In addition to direct payroll costs, other employee benefits paid by the Company totaled \$9,422,000 for the year. The largest single item was the contribution made to the Retirement Plan, which amounted to \$6,431,000. During the year 205 employees retired under the terms of the Plan, and at the year-end 1,979 former employees were receiving retirement benefits.



Our Group Life Insurance Plan was amended during the year, approximately doubling the coverage available under the former plan. Participation in the Plan is entirely voluntary; about 90% of our employees are presently availing themselves of this insurance.

Our union wage agreements, last amended in the fall of 1954, continued in effect without modification throughout the year. These agreements, by their terms, may not be amended or terminated before July 1, 1956.

The Company's extensive and continuing program to reduce accidents among its employees has produced excellent results. During the year many awards were received by the Company for the progress made in that direction.

The Pacific Service Employees Association completed its 39th year of operations. While financially supported in part by the Company, it operates as a voluntary association conducted entirely by its members, which now number about 16,300. Among other things, the Association conducts an extensive educational program and sponsors a comprehensive welfare program for its members.

### CENTRAL VALLEY POWER

Under our contracts for disposition of Central Valley Project power, we delivered for the account

#### SUMMARY OF PAYROLLS AND OTHER EMPLOYEE BENEFITS, YEAR 1955

<b>PAYROLLS:</b>	
Wages and salaries of operating employees . . .	\$ 53,612,000
Payroll of construction employees . . . . .	37,151,000
Sub-total . . . . .	<u>\$ 90,763,000</u>
<b>OTHER EMPLOYEE BENEFITS PAID BY COMPANY:</b>	
Contributions to Retirement Plan . . . . .	\$ 6,431,000
Other pension payments made by Trustee . . . .	831,000
State unemployment insurance tax . . . . .	276,000
Federal unemployment insurance tax . . . . .	167,000
Federal old-age insurance contribution . . . . .	1,435,000
Group Life Insurance Plan payments . . . . .	147,000
Contributions to employee associations . . . . .	135,000
Sub-total . . . . .	<u>\$ 9,422,000</u>
<b>TOTAL PAYROLLS AND OTHER EMPLOYEE BENEFITS . . . . .</b>	<b><u>\$100,185,000</u></b>

of the United States about 1,145 million kilowatt-hours to sixteen federal establishments and eight customers entitled to preference under the Reclamation Law. The maximum demand of these loads was about 260,000 kilowatts. All remaining project commercial power was purchased by the Com-



As a service to farm customers, our pump testing crews periodically check efficiency of irrigation pumps.

pany. Our purchase contract was recently amended to include the output of the Folsom and Nimbus Plants of the project, which have an installed capacity of 175,500 kilowatts.

Within the next few months it is expected that the Sacramento Municipal Utility District, one of the preference customers now served from the Company's system, will accept delivery of power directly from project transmission facilities. Last June the Company entered into an agreement to supply up to 300,000 kilowatts of firm power to the District when the latter's demands exceed 290,000 kilowatts. The agreement, extending to April 1, 1971, obviates the need for construction of a steam-electric plant by the District. It also provides that the Company will not serve within the District's present boundaries, and that the District will not extend its facilities beyond its present boundaries.

By an Act approved on August 12, 1955, Congress authorized the construction of the Trinity River Project as an addition to the Central Valley Project. This project will store and divert waters of the Trinity River to the Sacramento River Basin for irrigation use. As provided in the Act, the project would have an installed capacity of 233,000 kilowatts. Under a partnership proposal made by the Company to the Bureau and to Congressional committees, the Company offered to install on the project power plants with a capacity of 362,000 kilowatts, to provide transmission facilities, and to pay \$3,500,000 per year for use of the falling water developed by the project. Construction of the power facilities by the Company would save the federal government a capital outlay of about \$50 million and would produce substantial tax revenues for local, state and federal governments, which would otherwise be lost under federal development of the power resources.

We believe that this partnership would provide the most feasible development of the Trinity water and power resources, and would make funds available to help finance other needed water projects in California. The authorizing act directs the Secretary of the Interior to negotiate for non-federal development of the power features of the project, subject to Congressional approval of any specific

plan adopted. The Company is now negotiating with the Department of the Interior for acceptance of the Company's proposal.

**STOCK OWNERSHIP**

At the year-end we had 217,821 stockholders of record, a gain of 485 for the year. While the gain was the smallest in a number of years, it was nonetheless the sixteenth consecutive year in which we have experienced a net gain in the number of those participating in our ownership.

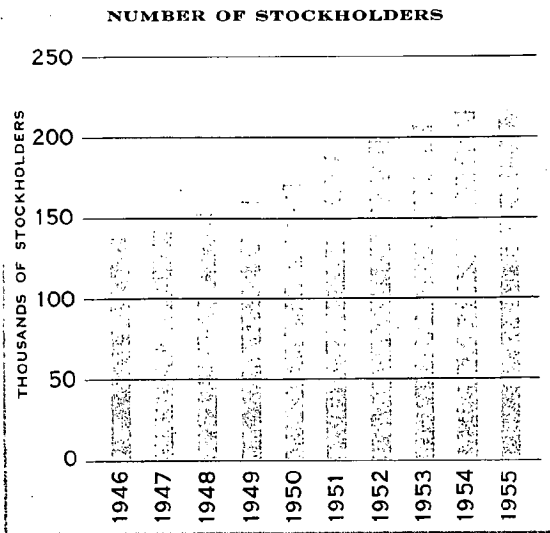
Of the total, 88,320 were preferred stockholders, and 129,501 common stockholders.

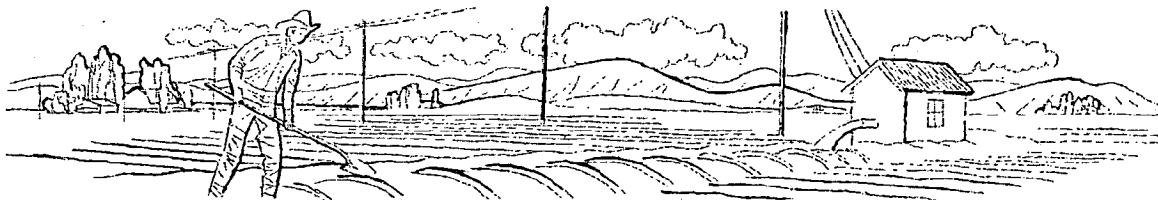
The proportion of our stockholders with California addresses—about 65.1%—was only fractionally changed from that at the end of the previous year. Because of the continued growth and importance of institutional investors as a source of capital, the proportion of our stock held in California showed a further decline to 45.8%. While most of the larger institutional accounts, including insurance and investment companies, pension funds and other similar types of institutional investors, are nominally domiciled in the East, their beneficiaries are, of course, dispersed throughout the United States, including California.

For many years bonds were the principal invest-

**DISTRIBUTION OF STOCK OWNERSHIP BY CLASS OF INVESTOR, DECEMBER 31, 1955**

CLASS OF INVESTOR	Number of Stockholders	Number of Shares Owned
Women stockholders . . . . .	85,690	6,973,767
Joint and other tenancies . . . . .	59,689	4,693,856
Men stockholders . . . . .	51,226	4,625,311
Trustees, guardians and other fiduciaries . . . . .	13,971	1,817,969
Nominees . . . . .	2,102	5,683,732
Corporations, partnerships and proprietorships . . . . .	1,471	638,265
Charitable and fraternal organizations and foundations . . . . .	1,244	275,939
Banks, investment companies and security dealers . . . . .	912	1,378,367
Insurance companies . . . . .	657	3,727,326
Religious institutions . . . . .	463	84,586
Educational institutions . . . . .	396	239,178
<b>TOTALS . . . . .</b>	<b>217,821</b>	<b>30,138,296</b>





ment medium of most institutional investors, particularly insurance companies. While this is still true to a major degree, the growing importance of institutional investors as a source of preferred and common stock equity capital is not generally realized. This has been stimulated, in part, by the liberalization of the legal investment statutes in the several states.

It is essential, of course, that the Company's securities find a ready market among institutional investors, as they constitute an important source of capital for American industry today. Nevertheless, we believe it is healthy and desirable that individual investors participate directly in our ownership, and we shall continue to encourage such ownership, particularly on the part of those residing in our service area.

Capital formation, so essential to the continued growth of our economy and to a higher standard of living, basically arises from individual savings. Substantial benefits will flow from a wider ownership of American industry by individuals than now exists. Not the least of these benefits will be a better understanding and appreciation of the American enterprise system, the perpetuation of which is essential to the preservation of our individual liberties.

#### *DIRECTORS AND OFFICERS*

On June 1, 1955 Mr. James B. Black, President of the Company since 1935, was elected Chairman of the Board of Directors. A Director for 25 years, Mr. Black's entire service with the Company and a

predecessor company covers a period of 43 years.

On the same date Mr. N. R. Sutherland was elected President and General Manager, and assumed active direction of the Company's affairs. Mr. Sutherland served as Vice-President and General Manager since 1950 and was elected a Director in 1952. His career with the Company embraces a period of 42 years.

Also on June 1, 1955 Mr. Robert H. Gerdes was elected Executive Vice-President. He was first employed in the Company's Law Department in 1929 and became General Counsel in 1945. He was elected Vice-President and General Counsel and a Director in 1953.

Mr. Porter Sesnon was elected a member of our Board of Directors on July 27, 1955. He replaced Mr. Frank E. Buck who resigned after almost ten years of distinguished service on the Board. Mr. Sesnon is an active leader in California's industrial, agricultural and civic affairs.

On August 1, 1955 Mr. Shermer L. Sibley was appointed Vice-President and Assistant General Manager and Mr. Robert R. Gros was appointed a Vice-President. Mr. Sibley has been with the Company since 1936, and prior to his appointment served as an assistant to the Vice-President and General Manager. Mr. Gros joined the Company in 1937 and became Manager of its Advertising and Publicity Department in 1944.

On September 1, 1955 Mr. R. H. Peterson was appointed General Counsel, and Mr. F. T. Searls was appointed General Attorney. Both were serving as Assistant General Counsel at the time of their appointments.

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, 1955 and the related statements of net income and earned 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 earned surplus present fairly the financial position of the Company at December 31, 1955 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 17, 1956.

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Net Income for the Years Ended December 31, 1955 and 1954

	1955	1954
<b>GROSS OPERATING REVENUES:</b>		
Electric department . . . . .	\$289,709,964	\$265,418,676
Gas department . . . . .	151,508,156	118,846,560
Other . . . . .	2,281,435	1,978,956
Total . . . . .	<u>\$443,499,555</u>	<u>\$386,244,192</u>
<b>OPERATING EXPENSES:</b>		
Maintenance and repairs . . . . .	\$ 13,220,482	\$ 15,063,191
Production expenses:		
Power purchased . . . . .	2,917,500	6,377,050
Natural gas purchased . . . . .	94,946,851	73,980,191
Oil and other fuel . . . . .	12,222,397	8,442,500
Other . . . . .	8,878,963	8,463,994
Transmission expenses . . . . .	4,285,929	4,214,983
Distribution expenses . . . . .	18,768,896	18,231,693
Customers' accounting and collecting expenses . . . . .	14,865,406	13,688,354
Sales promotion expenses . . . . .	3,340,303	2,973,051
Provision for depreciation and amortization (Note 2) . . . . .	43,372,342	39,090,308
Taxes:		
Provision for Federal income tax (Note 4) . . . . .	64,671,843	50,289,329
Other taxes . . . . .	49,806,596	45,512,679
Administrative and general expenses . . . . .	15,809,518	15,539,158
Provision for doubtful accounts . . . . .	960,000	940,000
Provision for casualty losses from storm damage . . . . .	1,738,200	
Total . . . . .	<u>\$349,805,226</u>	<u>\$302,806,481</u>
<b>NET OPERATING REVENUES . . . . .</b>	<u>\$ 93,694,329</u>	<u>\$ 83,437,711</u>
<b>MISCELLANEOUS INCOME:</b>		
Dividends from subsidiaries . . . . .	\$ 729,650	\$ 915,483
Other (net) . . . . .	74,459	119,570
Total . . . . .	<u>\$ 804,109</u>	<u>\$ 1,035,053</u>
Total . . . . .	<u>\$ 94,498,438</u>	<u>\$ 84,472,764</u>
<b>INCOME DEDUCTIONS:</b>		
Interest on funded debt . . . . .	\$ 24,462,946	\$ 23,645,828
Amortization of net bond discount and expense . . . . .	417,310	420,053
Miscellaneous interest . . . . .	1,001,561	514,328
Interest charged to construction . . . . .	*3,676,852	*5,656,119
Special charge equivalent to reduction in income taxes (resulting from redemption of bonds) . . . . .	69,699	1,887,672
Other . . . . .	1,188,960	621,853
Total . . . . .	<u>\$ 23,463,624</u>	<u>\$ 21,433,615</u>
<b>NET INCOME . . . . .</b>	<u>\$ 71,034,814</u>	<u>\$ 63,039,149</u>

\*Denotes red figure.

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

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Earned Surplus for the Years Ended December 31, 1955 and 1954

	1955	1954
BALANCE, JANUARY 1. . . . .	\$ 81,711,345	\$ 69,524,694
NET INCOME . . . . .	71,034,814	63,039,149
OTHER ADDITIONS:		
Addition to restricted surplus for income taxes payable following period of accelerated amortization (Note 4) . . . . .	6,288,409	2,617,625
Miscellaneous—net (includes \$459,668 profit on sales of properties in 1955) . . . . .	511,048	*75,470
Total . . . . .	<u>\$159,545,616</u>	<u>\$135,105,998</u>
DEDUCTIONS:		
Dividends—Cash:		
First preferred—various series . . . . .	\$ 17,102,301	\$ 16,266,235
Common . . . . .	35,762,613	35,553,172
Adjustment of past service pension fund . . . . .		1,000,000
Provision for contingent electric rate refund . . . . .	550,799	472,383
Purchase premium on bonds reacquired, plus unamortized net discount and expense applicable thereto . . . . .	276,075	102,863
Total deductions . . . . .	<u>\$ 53,691,788</u>	<u>\$ 53,394,653</u>
BALANCE, DECEMBER 31 (restricted for income taxes payable following period of accelerated amortization: 1955, \$9,424,029; 1954, \$3,135,620) (Note 4) . . . . .	<u>\$105,853,828</u>	<u>\$ 81,711,345</u>

\*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, 1955 and 1954

ASSETS		
	1955	1954
<b>UTILITY PLANT (Note 2):</b>		
Tangible plant . . . . .	\$2,148,456,204	\$2,035,589,436
Intangible plant . . . . .	1,265,238	1,212,657
Plant acquisition adjustments . . . . .	15,544,051	15,544,051
Total utility plant . . . . .	\$2,165,265,493	\$2,052,346,144
Less reserves for depreciation and amortization . . . . .	411,934,726	379,607,593
Utility plant—net . . . . .	\$1,753,330,767	\$1,672,738,551
<b>INVESTMENTS AND NON-CURRENT RECEIVABLES:</b>		
Capital stock of subsidiaries—at cost (Notes 1 and 3) . . . . .	\$ 15,953,928	\$ 17,045,316
Investment in other physical property—at cost . . . . .	4,244,585	4,335,294
Other investments and non-current receivables . . . . .	1,865,821	189,362
Total investments and non-current receivables . . . . .	\$ 22,064,334	\$ 21,569,972
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 26,498,828	\$ 26,857,543
Miscellaneous special deposits . . . . .	437,314	539,874
Accounts receivable (less reserve for doubtful accounts: 1955, \$1,635,973; 1954, \$1,512,188) . . . . .	32,771,692	27,618,820
Materials and supplies (for operations and construction)—at average cost . . . . .	14,911,602	15,368,650
Total current assets . . . . .	\$ 74,619,436	\$ 70,384,887
<b>DEFERRED CHARGES:</b>		
Unamortized bond discount and expense (Note 3) . . . . .	\$ 10,505,220	\$ 11,143,653
Other (Note 4) . . . . .	3,667,768	4,940,865
Total deferred charges . . . . .	\$ 14,172,988	\$ 16,084,518
<b>TOTAL . . . . .</b>	<b>\$1,864,187,525</b>	<b>\$1,780,777,928</b>

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



PACIFIC GAS AND ELECTRIC COMPANY  
Balance Sheet, December 31, 1955 and 1954

LIABILITIES		
<b>CAPITALIZATION:</b>		
Capital stock and surplus:	1955	1954
Capital stock (Schedule 1):		
First preferred . . . . .	\$ 347,064,125	\$ 322,064,125
Common . . . . .	406,395,275	406,395,275
Excess of premiums received over discount and expense on outstanding shares	48,962,647	49,002,806
Instalments received on employees' preferred stock purchase agreements . . . . .	1,802,210	178,924
Total capital stock . . . . .	<u>\$ 804,224,257</u>	<u>\$ 777,641,130</u>
Surplus:		
Capital surplus . . . . .	\$ 627,217	\$ 627,217
Earned surplus (including restricted surplus: 1955, \$9,424,029; 1954, \$3,135,620—Note 4) . . . . .	105,853,828	81,711,345
Total surplus . . . . .	<u>\$ 106,481,045</u>	<u>\$ 82,338,562</u>
Total capital stock and surplus . . . . .	<u>\$ 910,705,302</u>	<u>\$ 859,979,692</u>
Mortgage bonds (less sinking-fund requirements) (Schedule 2) . . . . .	805,135,320	763,415,730
Total capitalization . . . . .	<u>\$1,715,840,622</u>	<u>\$1,623,395,422</u>
<b>CURRENT LIABILITIES:</b>		
Bank loans . . . . .	\$ 18,000,000	\$ 38,000,000
Accounts payable . . . . .	17,802,822	18,161,658
Drafts outstanding . . . . .	1,439,466	1,394,279
Dividends payable . . . . .	8,947,117	8,947,100
Current sinking-fund requirements (Note 3) . . . . .	4,932,680	5,027,270
Accrued interest . . . . .	2,362,922	2,180,269
Customers' meter and line deposits . . . . .	5,360,449	4,567,188
Accrued taxes for current and prior years . . . . .	75,922,959	69,114,142
Total current liabilities . . . . .	<u>\$ 134,768,415</u>	<u>\$ 147,391,906</u>
DEFERRED CREDITS . . . . .	<u>\$ 1,795,424</u>	<u>\$ 1,658,166</u>
<b>RESERVES:</b>		
For insurance and casualties . . . . .	\$ 1,946,558	\$ 1,731,926
For contingent electric rate refund . . . . .	1,117,807	567,008
Total reserves . . . . .	<u>\$ 3,064,365</u>	<u>\$ 2,298,934</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION . . . . .	<u>\$ 8,718,699</u>	<u>\$ 6,032,500</u>
TOTAL . . . . .	<u>\$1,864,187,525</u>	<u>\$1,780,777,928</u>

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

PACIFIC GAS AND ELECTRIC COMPANY

Capital Stock, December 31, 1955

(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	2,860,977	2,860,977	71,524,425
	5% redeemable—Series A	1,750,000	1,719,388	42,984,700
	4.80% redeemable	1,517,375	1,517,375	37,934,375
	4.50% redeemable	1,000,000	1,000,000	25,000,000
	4.36% redeemable	1,000,000	1,000,000	25,000,000
	Redeemable (unclassified in series)	6,086,823	—	—
	TOTAL	20,000,000	13,882,565	\$347,064,125
	COMMON, PAR VALUE \$25 PER SHARE	20,000,000	16,255,811	406,395,275
	TOTAL	40,000,000	30,138,376	\$753,459,400
	EXCESS OF PREMIUMS RECEIVED OVER DISCOUNT AND EXPENSE ON OUTSTANDING SHARES			48,962,647
	INSTALMENTS RECEIVED ON EMPLOYEES PREFERRED STOCK PURCHASE AGREEMENTS			1,802,210
	TOTAL			\$804,224,257

Mortgage Bonds, December 31, 1955

(SCHEDULE 2)	Title of Issue	Interest Rate %	Maturity	Amount Outstanding —Held by Public	Amount Held in Treasury
<b>FIRST AND REFUNDING MORTGAGE (See Note):</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	
	Series N	3	Dec. 1, 1977	48,182,000	
	Series O	3	Dec. 1, 1975	9,600,000	\$ 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	46,675,000	775,000
	Series W	3⅞	Dec. 1, 1984	55,807,000	50,000
	Series X	3⅞	June 1, 1984	60,950,000	
	Series Y	3⅞	Dec. 1, 1987	44,975,000	2,125,000
	TOTAL			\$810,068,000	\$3,200,000
<b>CLASSIFICATION IN BALANCE SHEET OF MORTGAGE BONDS:</b>					
	SHOWN UNDER CURRENT LIABILITIES—Current sinking-fund requirements (See Note 3 to the financial statements)			\$ 4,932,680	
	SHOWN AS MORTGAGE BONDS			805,135,320	
	TOTAL			\$810,068,000	

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, 1955*

**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, 1955 and 1954 the Company's investment in subsidiaries (\$15,953,928 and \$17,045,316 at the respective dates) exceeded its equities in the net assets of the subsidiaries by \$13,065,035 and \$13,696,423, respectively. The excess represents principally the investment in Natural Gas Corporation of California as to which it is believed, based on engineering estimates, that the earnings of this subsidiary will be adequate to amortize the Company's investment over the life of the gas reserve.

**NOTE 2—Utility Plant:**

The major portion of the Company's utility plant consists of plant constructed by the Company and 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 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—Mortgage Bonds:**

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 due during the year ending December 31, 1956 are shown among the current liabilities net of the treasury bonds held by the Company at December 31, 1955.

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.

All fixed properties and certain personal property of the Company are subject to the lien of the mortgage bonds. The capital stocks of subsidiaries are on deposit and pledged with the California trustee of the first and refunding mortgage.

Subsequent to December 31, 1955 the Company's Board of Directors authorized the sale at competitive bidding of \$25,000,000 face amount of first and refunding mortgage bonds.

**NOTE 4—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 \$1,034,082 is included in other deferred charges at December 31, 1955. This balance is to be amortized by charges to income over the period from January 1, 1956 to December 31, 1957 as authorized by the Public Utilities Commission of the State of California.

The cost of plant construction completed under Certificates of Necessity is being amortized on a five-year basis for income tax purposes whereas for general accounting purposes such cost is being depreciated at normal rates. Because the benefits produced by the deferral of taxes are temporary, the Company has offset the effect on income by recording in its accounts provisions for deferred income taxes and an earned surplus account restricted for income taxes payable following the period of accelerated amortization.

**NOTE 5—Commitments and Contingent Liabilities:**

At December 31, 1955 the Company had firm com-

mitments in the aggregate amount of about \$69,306,000 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 unrecorded items of expense from month to month and year to year; at December 31, 1955 the unrecorded liabilities and accruals for expenses were more than

offset by the unrecorded and unbilled revenues accrued at that date.

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,\* A. R. Bailey, *Assistants to President and General Manager*

### DEPARTMENT OF ELECTRIC OPERATION

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

General Superintendents: J. H. Martin, *Power Control*; V. F. Estcourt, *Steam Generation*; J. N. Spaulding, *Water Systems*; W. H. Herbeck, *Hydro Generation*; H. T. Sutcliffe, *Substations*; T. B. Copeland, *Transmission and Distribution*; R. L. Brinton, *Communications*; Earl Whiteley, *System Protection*

### DEPARTMENT OF GAS OPERATION

General Superintendents: R. D. Smith, *Transmission and Distribution*; M. A. Richford, *Production and Utilization*; R. T. Peterson, *Gas Control*; K. B. Anderson, *Technical Services*; E. H. Fisher, *Pipe Line Operations*

### DEPARTMENT OF GENERAL CONSTRUCTION

H. W. Haberkorn, *Manager of Hydroelectric Construction*

Charles H. Sedam, *Manager of Station Construction*

H. D. Wright, *Manager of Line Construction*

J. A. Love, *Manager 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

R. N. Dreiman, *Assistant Comptroller*

T. R. Salm, *General Auditor*

Harry McGann, *Auditor of Division Accounts*

D. J. Beaudet, *Auditor of Plant Accounts*

Francis J. Carr, *Manager Tax Department*

\*Died December 20, 1955

### DEPARTMENT OF ENGINEERING

C. C. Whelchel, *Chief Mechanical Engineer*

H. V. Lutge, *Chief Civil Engineer*

W. R. Johnson, *Chief Electric Generation and Transmission Engineer*

C. E. Baugh, *Chief Electric Distribution Engineer*

E. V. Noe, *Chief of Bureau of Specifications and Estimates*

W. N. Lindblad, *Chief of Bureau of Tests and Inspections*

John F. Bonner, *Assistant to Vice-President and Chief Engineer*

### SALES AND COMMERCIAL DEPARTMENT

R. W. Joyce, *Manager Commercial Department*

J. H. Gumz, *Manager Commercial and Industrial Sales*

Walter D. Howell, *Manager Agricultural Sales*

J. S. C. Ross, *Manager Residential Sales*

R. I. Mendes, *Manager Market Research and Sales Control*

R. L. Hayden, *Manager Customer and Community Services*

### LAW DEPARTMENT

F. T. Searls, *General Attorney*

R. W. White, *Manager Claims and Safety Department*

### CREDIT AND COLLECTION DEPARTMENT

F. U. Naylor, *Manager*

### PERSONNEL DEPARTMENT

H. F. Carr, *Manager*

### AUTOMOTIVE DEPARTMENT

C. R. Stanley, *Manager*

### PURCHASES AND STORES DEPARTMENT

F. E. Baxter, *Manager*

### ADVERTISING AND PUBLICITY DEPARTMENT

A. J. McCollum, *Manager*

## Division Managers

COAST VALLEYS: T. E. Ward, Salinas

COLGATE: F. Y. Kraft, Marysville

DE SABLE: George L. Works, Chico

DRUM: R. A. Cayot, Auburn

EAST BAY: W. F. Pape, Oakland

HUMBOLDT: D. F. Villa, Eureka

NORTH BAY: E. S. Day, San Rafael

SACRAMENTO: L. J. Brundige, Sacramento

SAN FRANCISCO: H. A. Lee, San Francisco

SAN JOAQUIN: A. D. Church, Fresno

SAN JOSE: W. R. Bowler, San Jose

SHASTA: L. H. Smith, Red Bluff

STOCKTON: C. V. Wilbur, Stockton

