Luzerne County Gas
and
Electric Corporation

Annual Report
Year Ended December 31
1936

This report and financial statements contained herein have been prepared for the stockholders of the Luzerne County Gas and Electric Corporation and are submitted for the sole purpose of providing them with general and statistical information concerning the Corporation. It is not a prospectus or representation in connection with the purchase or sale of any securities.
Luzerne County Gas and Electric Corporation

Board of Directors

Wm. W. Bodine  A. J. Llewellyn
Philip H. Gadsden  Fred J. Rutledge
Fred B. Hofft  Morris W. Stroud
R. R. Van Horn

Officers

President, A. J. Llewellyn
Vice-President, Fred B. Hofft
Vice-President, Fred J. Rutledge
Vice-President, R. R. Van Horn
Secretary, Johns Hopkins
Assistant Secretary, Leo A. Sommar
Treasurer, I. Wistar Morris
Assistant Treasurer, Joseph B. Townsend
Assistant Treasurer, Earnest MacMorris

General Office

247 Wyoming Avenue, Kingston, Pa.

Other Offices

Hazleton, Nanticoke, Plymouth, Shickshinny and Wyoming, Pa.

Transfer Agent

(Preferred Stock) Luzerne County Gas and Electric Corporation, 1401 Arch Street, Philadelphia, Pa.

Registrar


Annual Meeting

First Tuesday of April at Philadelphia, Pa.
TO THE STOCKHOLDERS:

There is presented herewith the Annual Report for the year ended December 31, 1936.

As stated in previous reports, general business conditions in the territory served by the Company follow very closely the activity in anthracite mining and silk and cigar manufacturing. Sales to these industries show substantial increases over 1935.

Operating Revenue for the year was $3,025,777, an increase of $127,555, or 4.4%, compared with last year. Electric revenue increased $129,259, or 5%; Gas revenue decreased $1,704, or 3 1/2%. Sales of electricity amounted to 127,563,395 kilowatt hours in 1936 compared with 117,257,879 kilowatt hours in 1935, an increase of 10,305,516 kilowatt hours, or 8.8%. Gas sales amounted to 198,574 thousand cubic feet, which was 0.3% less than 1935. More customers were served with both gas and electricity at the end of the period than at the close of the previous period.

During March 1936, the Wyoming Valley, in which most of your Company's properties are located, experienced the worst flood in its history. Damage to the Company's property involved an expenditure of $78,710. The greater part of this amount ($57,090) was charged to a deferred account and is being amortized over a 20-month period ending December 1937, the remainder being charged to fixed assets and the damaged property retired.

The Company called for redemption as of March 1, 1936, at 105%, $1,000,000 principal amount of First and Refunding Bonds, 6% Series, due September 1, 1954, using for the purpose funds derived from the sale of investment securities, treasury cash and short term borrowing, the latter having since been repaid. During the year $55,000 principal amount of the Luzerne County Gas & Electric Company (predecessor Company) 20-Year 7% Sinking Fund Convertible Bonds, due July 1, 1944, were converted into 605 shares $7 Dividend First Preferred Stock of the Corporation in accordance with the terms under which the bonds were issued. In addition the Company cancelled $104,000 principal amount of
reacquired bonds of two issues. It also retired 227 shares $7 Dividend First Preferred Stock, which had been reacquired at various times, resulting in a reduction in capital of $21,347.

Capital expenditures during the year amounted to $171,166, principally for extensions to the transmission and distribution system, both gas and electric. The property of your Company is in good physical condition and is being well maintained.

The interior of a two-story residence, which your Company owns, adjoining the general office building at 241 Wyoming Avenue, Kingston, Pa., has been completely remodeled, the first floor being converted into an attractive model kitchen and auditorium. The second floor space has all been utilized for offices for the new business department. Since completion of the alterations, the auditorium of the kitchen has been used for cooking school, demonstration, and other promotional purposes by various organizations in our territory.

Your Company was awarded a plaque by the Pennsylvania Electric Association for best results in the reduction of vehicular accidents in competition with member companies operating less than 80,000 vehicle miles per month, January 1st to June 30th, 1936. It is interesting to note that during this period our fifty cars and trucks were operated without an accident.

The management desires to take this opportunity to record its appreciation of the splendid service rendered by all employees throughout the year and especially for the loyal and untiring work performed during the period of the flood.

Submitted herewith are Earnings Statement for Twelve Months ended December 31, 1936 and 1935, Earned Surplus Statement for Twelve Months ended December 31, 1936, and Balance Sheet at December 31, 1936, together with Certificate of Lybrand, Ross Bros. & Montgomery, Accountants and Auditors, who have examined the accounts of the Company for the year.

By Order of the Board of Directors.

A. J. Llewellyn, President.
### Luzerne County Gas and Electric Corporation

#### Earnings Statement

For Twelve Months Ended December 31st

<table>
<thead>
<tr>
<th></th>
<th>1936</th>
<th>1935</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric</td>
<td>$2,709,836.40</td>
<td>$2,580,577.74</td>
<td>$129,258.66</td>
</tr>
<tr>
<td>Gas</td>
<td>315,941.01</td>
<td>317,644.72</td>
<td>1,703.71*</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$3,025,777.41</td>
<td>$2,898,222.46</td>
<td>$127,554.95*</td>
</tr>
</tbody>
</table>

| **Operating Expenses** |               |               |             |
| Ordinary              | $961,364.80   | $929,819.33   | 31,545.47   |
| Maintenance           | 161,089.67    | 164,070.39    | 2,980.72*   |
| Provision for Renewals and Replacements | 380,713.69  | 289,822.26    | 90,891.43   |
| **Provision for Federal Income Taxes** | 93,439.39    | 84,639.31     | 8,800.08    |
| Provision for Other Federal Taxes | 57,983.63    | 56,435.72     | 1,547.91    |
| Provision for Other Taxes | 197,537.81   | 140,822.96    | 56,714.85   |
| **Total Operating Expenses** | $1,852,128.99 | $1,665,609.97 | $186,519.02 |

| **Operating Income** |               |               |             |
| $1,173,648.42        | $1,232,612.49 |              |             |

| **Non-Operating Income** |               |               |             |
| $41,413.93           | $47,755.49    |              |             |

| **Gross Income** | $1,215,062.35 | $1,280,367.98 | 65,305.63* |

| **Income Deductions** |               |               |             |
| Interest on Funded Debt | 633,768.80    | 691,952.35  | 58,183.55* |
| Interest on Unfunded Debt | 7,506.52     | —            | 7,506.52   |
| Miscellaneous Interest | 7,668.44      | 7,548.78    | 119.66     |
| Amortization of Debt Discount and Expense | 85,206.78    | 87,787.72  | 2,580.94* |
| **Total Income Deductions** | $734,150.54  | $787,288.40 | 53,137.86* |

| **Net Income** | $480,911.81 | $493,079.58  | $12,167.77* |

**Notes:**

- The provision for Federal and Other Income Taxes, included in the Earnings Statement for 1936, is based upon current operations. The liability for these taxes, however, through application of deductions, principally for Premium, Unamortized Debt Discount and Expense on Bonds Retired, was decreased $32,579.66, which amount was credited to the Surplus Account.

Effective January 1, 1937, a new uniform system of accounts was prescribed by the Pennsylvania Public Service Commission but the Company is, at present, unable to determine or predict the extent to which this system of accounts will affect its accounts.

#### Earned Surplus Statement

For Twelve Months Ended December 31, 1936

<table>
<thead>
<tr>
<th>Balance—January 1st</th>
<th>$247,752.88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income for the year, as above</td>
<td>$480,911.81</td>
</tr>
<tr>
<td>Non-Recurring Income</td>
<td>5,955.97</td>
</tr>
<tr>
<td>Federal and State Income Taxes (See Note A above)</td>
<td>32,579.66</td>
</tr>
<tr>
<td>Other Credits</td>
<td>5,985.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>773,185.82</td>
</tr>
</tbody>
</table>

| Deductions: |               |
| Dividends—Preferred | $233,265.06 |
| Common | 176,694.00 |
| Premium, Unamortized Debt Discount and Expense on Bonds Retired | 114,462.52 |
| Other Debt | 6,035.00 |
| **Total** | 530,456.58 |

| Balance—December 31st | $242,729.24 |

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*Decrease.
property, plant and equipment ................................................. $18,532,270.13
investments (at cost or less):
  bonds (no market quotations available) ................................ $19,500.00
  other ........................................................................... 21,428.05 $40,928.05
special deposits:
  sinking fund ........................................................................ 51,575.83
  bond interest ..................................................................... 89,460.00 141,035.83
united states treasury 4½'s, 1952, par $136,900, pledged to secure payment of certain interest charges ......................... 144,172.81
accounts not currently receivable .............................................. 212,098.60
cash ........................................................................... 229,797.41
interest receivable ................................................................. 258.75
accounts receivable:
  customers ........................................................................... 295,609.38
  merchandise ..................................................................... 101,208.07
  others ........................................................................... 55,230.71 452,048.16
materials and supplies .............................................................. 170,866.14
deferred charges:
  prepaid accounts ................................................................. 7,751.64
  unamortized debt discount and expense (including $336,128.81
discount, premium and expense on bonds refunded prior to
   date of maturity, being amortized over ten-year period from
   july 1, 1934). ................................................................. 933,612.29
  other ........................................................................... 181,018.81 1,122,382.74
total assets ........................................................................ $21,045,858.62

notes:
(a) principal and interest guaranteed by the united gas improvement company.
effective january 1, 1937, a new uniform system of accounts was prescribed by the
   pennsylvania public service commission but the company is, at present, unable
to determine or predict the extent to which this system of accounts will affect its accounts.
### LIABILITIES

**CAPITAL STOCK (NO PAR):**

- **$7 Dividend First Preferred, Cumulative (In event of liquidation entitled to $100 per share)**
  - Authorized: 60,000 Shares
  - Issued: 29,456.5 Shares
  - Less reacquired (at cost): .5 Shares
  - Outstanding: 29,456.0 Shares

- **$6 Dividend First Preferred, Cumulative (In event of liquidation entitled to $100 per share)**
  - Authorized: 30,000 Shares
  - Issued and Outstanding: 5,000 Shares

**COMMON:**
- Authorized and Outstanding: 176,694 Shares

**FUNDED DEBT:**
- Luzerne County Gas and Electric Corporation—First and Refunding Mortgage Gold Bonds 6%, due September 1, 1954. 4,465,000.00 (A)
- Sinking Fund payable at January 1st and July 1st each year at 1/2 of 1% of all bonds outstanding at dates of payments
- Luzerne County Gas and Electric Company—First Mortgage Refunding and Improvement Five Percent Gold Bonds, due October 1, 1948. 3,475,000.00
- Twenty Year 7% Sinking Fund Convertible Gold Bonds, due July 1, 1944. 2,556,000.00 (A) 10,496,000.00
- Sinking Fund payable at January 1st each year of $30,000. If bonds are not tendered to the Trustee by March 4th, the Sinking Fund Deposit is returned to the Corporation

**NOTE PAYABLE, AFFILIATED COMPANY:**

**CUSTOMERS' AND EXTENSION DEPOSITS:**

**ACCOUNTS PAYABLE:**
- Affiliated Companies: 361.32
- Others: 80,876.11

**ACCRUED ACCOUNTS:**
- Interest on Funded Debt: 222,197.50
- Interest on Customers' Deposits: 44,224.76
- Federal Income Tax: 71,697.61
- Other Federal Taxes: 16,602.06
- Other Taxes: 185,728.25
- Other Accruals: 3,001.00

**DEFERRED CREDITS:**

**RESERVES:**
- Renewals and Replacements: 1,487,036.77
- Contributions for Extensions: 37,386.85
- Uncollectible Bills: 85,818.35
- Other Reserves (Injuries and Damages, Taxes, etc.): 73,800.48

**EARNED SURPLUS:**

**TOTAL LIABILITIES:**

$21,045,858.62
March 10, 1937.

To the Board of Directors,
Luzerne County Gas and Electric Corporation,
Kingston, Pennsylvania.

We have made an examination of the balance sheet of
LUZERNE COUNTY GAS AND ELECTRIC CORPORATION
as at December 31, 1936, and of the statements of earnings and surplus for the year 1936. In connection therewith we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from the officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts of the Company for the year, but we did not make a detailed audit of the transactions.

The Company, in its accounts and financial statements, follows the retirement-reserve method of providing for property retired from service. The amounts charged against income by the Company for renewals and replacements, we are informed, are as determined by officials of the Company based upon their study of the Company's history and experience over the period of its existence and giving consideration to the condition and efficiency of the property and prospective retirements.

Subject to the foregoing and based upon such examination, the accompanying balance sheet and related statements of earnings and surplus, in our opinion, fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1936, and the results of its operations for the year ended that date.

LYBRAND, ROSS BROS. & MONTGOMERY
Statistics

<table>
<thead>
<tr>
<th>Electric Operations</th>
<th>1936</th>
<th>1935</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>37,309</td>
<td>36,871</td>
</tr>
<tr>
<td>Sales—M Kilowatt-Hours</td>
<td>127,563</td>
<td>117,258</td>
</tr>
<tr>
<td>Generating Capacity—Kilowatts</td>
<td>55,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Population Served (estimated)</td>
<td>172,100</td>
<td>172,100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gas Operations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>10,140</td>
<td>9,889</td>
</tr>
<tr>
<td>Sales—M Cubic Feet</td>
<td>198,574</td>
<td>199,269</td>
</tr>
<tr>
<td>Generating Capacity—M Cubic Feet</td>
<td>3,300</td>
<td>3,300</td>
</tr>
<tr>
<td>Maximum Daily Output—M Cubic Feet</td>
<td>792</td>
<td>810</td>
</tr>
<tr>
<td>Number of Storage Holders</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Capacity of Storage Holders—M Cubic Feet</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Capacity of High Pressure Storage Holders—M Cubic Feet</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Miles of Mains</td>
<td>139.4</td>
<td>139.6</td>
</tr>
<tr>
<td>Population Served (estimated)</td>
<td>207,600</td>
<td>207,600</td>
</tr>
</tbody>
</table>