Luzerne County Gas and Electric Corporation

Annual Report to the Stockholders
Year Ended December 31 1935
Luzerne County Gas and Electric Corporation

Board of Directors

WM. W. BODINE
PHILIP H. GADSDEN
FRED B. HOFFT

A. J. LLEWELLYN
FRED J. RUTLEDGE
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

(Preferred Stock) The Pennsylvania Company for Insurances on Lives

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, 1935.

The general business conditions of the territory served by the Company follow very closely the activity in coal mining, silk, and cigar manufacturing. In the first part of the year the coal mines and silk mills were operating at a rate considerably below normal, but about the middle of the year, a general improvement took place to such an extent that by December the total sales were slightly in excess of those in 1934.

Operating Revenue for the year was $2,898,222, a decrease of $205,415, or 6.6% compared with last year. Electric Revenue decreased $200,258, or 7.2%; Gas Revenue decreased $5,157, or 1.6%. In connection with Electric Revenue attention is called to the rate reduction made effective January 1, 1935, representing a yearly saving of $165,700 to residential and commercial lighting customers. This reduction was mentioned in last year's Annual Report. In April and May electric rate reductions were made effecting further yearly savings of $19,800 to commercial and industrial power customers. In all, electric rate reductions in 1935 represented total yearly savings of $185,500 to all classes of customers. Sales of electricity to residential customers increased 4.1% and to commercial lighting customers 7.2%, which increases were partly offset by a decrease in sales to other classes of customers. Average sales per residential customer in 1935 were 443 kilowatt-hours compared with 425 kilowatt-hours in 1934 and 1933.

Total Operating Expenses increased $2,538 over 1934. While this increase appears to be negligible in comparison with last year, your attention is called to an increase of $50,175 in State Taxes to comply with the new tax laws. There was also provided an additional amount of $12,000 for Uncollectible Bills Reserve. These increases were materially offset by decreases in other classes of expense, principally a decrease in Federal Income Tax due to lower earnings.
Sales of electricity amounted to 117,258,000 kilowatt-hours, representing a negligible increase over 1934. Gas Sales amounted to 199,269 thousand cubic feet, which was 1.8% less than in 1934. More customers were served with both gas and electricity at the end of the year than at the close of the previous year.

At a meeting of the Board of Directors of your Company held January 16, 1936, the necessary action was taken to redeem and pay off on March 1, 1936, $1,000,000 principal amount out of the total outstanding First and Refunding Mortgage Gold Bonds 6% Series due 1954, with accrued interest to March 1, 1936, and a premium of 5% of the principal amount, this being the redemption price specified in these bonds and mortgage. To accomplish this, it was decided to dispose of your Company's marketable securities. The proceeds, together with excess cash and a loan of $300,000 obtained from The American Gas Company, which owns all the Common Stock of your Company, provided sufficient funds. The retirement of these bonds will effect a substantial saving in your Company's interest charges in coming years.

There were no unusual capital expenditures during the year. The property of your Company has been well maintained and is in good physical condition.

The Public Utility Act of 1935, formerly known as the Wheeler-Rayburn Bill, was passed by Congress and approved by the President, despite the protests of innumerable stockholders in utility companies throughout the nation.

Your Company desires to express its thanks to the stockholders for their efforts, although unavailing, in opposing this unjust legislation. As the constitutionality of the Act is now being tested in the Courts, no further comment on the effect of the Act on your Company is necessary at this time.

The management wishes to express its gratitude to all employees for their cooperation and for the satisfactory manner in which they have carried on and performed the various duties assigned to them.

Submitted herewith are Earnings Statement for Twelve Months ended December 31, 1935 and 1934, Earned Surplus Statement for Twelve Months ended December 31, 1935, and Balance Sheet as at December 31, 1935, 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>Year</th>
<th>Electric</th>
<th>Gas</th>
<th>Total Operating Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>$2,580,577.74</td>
<td>$317,644.72</td>
<td>$2,898,222.46</td>
</tr>
<tr>
<td>1934</td>
<td>$2,780,835.33</td>
<td>$322,802.13</td>
<td>$3,103,637.46</td>
</tr>
<tr>
<td>Increase</td>
<td>$200,257.59 D</td>
<td>5,157.41 D</td>
<td>205,415.00 D</td>
</tr>
</tbody>
</table>

### Operating Expenses:

<table>
<thead>
<tr>
<th>Item</th>
<th>1935</th>
<th>1934</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary</td>
<td>929,819.33</td>
<td>907,238.31</td>
<td>22,581.02</td>
</tr>
<tr>
<td>Maintenance</td>
<td>164,070.39</td>
<td>178,741.56</td>
<td>14,671.17 D</td>
</tr>
<tr>
<td>Provision for Renewals and Replacements</td>
<td>289,822.26</td>
<td>310,363.75</td>
<td>20,541.49 D</td>
</tr>
<tr>
<td>Provision for Federal Income Taxes</td>
<td>84,639.31</td>
<td>116,786.91</td>
<td>32,147.60 D</td>
</tr>
<tr>
<td>Provision for Other Federal Taxes</td>
<td>56,435.72</td>
<td>59,293.40</td>
<td>2,857.68 D</td>
</tr>
<tr>
<td>Provision for Other Taxes</td>
<td>140,822.96</td>
<td>90,647.96</td>
<td>50,175.00 D</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>1,665,609.97</td>
<td>1,663,071.89</td>
<td>2,538.08</td>
</tr>
</tbody>
</table>

### Operating Income:

<table>
<thead>
<tr>
<th>Year</th>
<th>1,232,612.49</th>
<th>1,440,565.57</th>
<th>207,953.08 D</th>
</tr>
</thead>
</table>

### Non-Operating Income:

<table>
<thead>
<tr>
<th>Year</th>
<th>47,755.49</th>
<th>40,073.17</th>
<th>7,682.32</th>
</tr>
</thead>
</table>

### Gross Income:

<table>
<thead>
<tr>
<th>Year</th>
<th>1,280,367.98</th>
<th>1,480,638.74</th>
<th>200,270.76 D</th>
</tr>
</thead>
</table>

### Income Deductions:

<table>
<thead>
<tr>
<th>Item</th>
<th>691,952.35</th>
<th>702,505.10</th>
<th>10,552.75 D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Funded Debt</td>
<td>7,548.70</td>
<td>7,973.82</td>
<td>425.04 D</td>
</tr>
<tr>
<td>Miscellaneous Interest</td>
<td>87,787.27</td>
<td>58,700.77</td>
<td>29,086.50</td>
</tr>
<tr>
<td>Amortization of Debt Discount and Expense</td>
<td>787,288.40</td>
<td>769,179.69</td>
<td>18,108.71</td>
</tr>
<tr>
<td>Total Income Deductions</td>
<td>501,303.31</td>
<td>505,581.99</td>
<td>4,278.68</td>
</tr>
</tbody>
</table>

### Net Income:

<table>
<thead>
<tr>
<th>Year</th>
<th>493,079.58</th>
<th>711,459.05</th>
<th>218,379.47 D</th>
</tr>
</thead>
</table>

1934 figures restated for comparative purposes. D—Decrease

## Earned Surplus Statement

For Twelve Months Ended December 31, 1935

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—January 1st</td>
<td>$252,031.56</td>
</tr>
<tr>
<td>Net income for the year, as above</td>
<td>$493,079.58</td>
</tr>
<tr>
<td>Other Credits</td>
<td>8,223.73</td>
</tr>
<tr>
<td>Total</td>
<td>753,334.87</td>
</tr>
</tbody>
</table>

### Deductions:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends—Preferred</td>
<td>$227,972.23</td>
</tr>
<tr>
<td>Common</td>
<td>265,041.00</td>
</tr>
<tr>
<td>Total</td>
<td>493,013.23</td>
</tr>
</tbody>
</table>

### Other Debits

<table>
<thead>
<tr>
<th>Year</th>
<th>12,568.76</th>
<th>505,581.99</th>
</tr>
</thead>
</table>

### Balance—December 31st

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>$247,752.88</td>
</tr>
</tbody>
</table>
Luzerne County Gas
(Incorporated)
Balance Sheet

**ASSETS**

**PROPERTY, PLANT AND EQUIPMENT** .................................................. $18,546,920.09

**INVESTMENTS (AT COST OR LESS):**

- Marketable Bonds (Approximate Quoted Value $140,006.25) .................. $136,097.44
- Other Bonds ........................................ 2,000.00
- Other ........................................... 21,428.05

**SPECIAL DEPOSITS:**

- Sinking Fund ....................................... 57,615.76
- Bond Interest ..................................... 95,847.50

**UNITED STATES TREASURY 4 3/4's, 1952, PAR $138,200 PLEDGED TO SECURE PAYMENT OF CERTAIN INTEREST CHARGES** ................. 145,541.87

**CASH** .......................................................... 710,699.35

**INTEREST RECEIVABLE** ...................................................... 2,749.57

**ACCOUNTS RECEIVABLE:**

- Customers ......................................... 488,232.55
- Merchandise ....................................... 95,940.84
- Others ............................................. 57,539.31

**MATERIALS AND SUPPLIES** .................................................... 162,289.51

**DEFERRED CHARGES:**

- Prepaid Accounts .................................... 13,178.39
- Unamortized Debt Discount and Expense (Including $380,945.95 discount, premium, and expense on bonds refunded prior to date of maturity, being amortized over ten-year period from July 1, 1934) .................. 1,083,294.09
- Other ............................................. 165,010.06

**Total Assets** .............................................................................. $21,784,384.38

**NOTES:**

(A) Principal and interest guaranteed by The American Gas Company.

(B) Includes $1,000,000 principal amount of Bonds called for redemption March 1, 1936 at 105 and accrued interest.
LIABILITIES

CAPITAL STOCK (NO PAR):
$7 Dividend First Preferred, Cumulative. (In event of liquidation entitled to $100 per share)
Authorized........................................ 60,000 Shares
Issued........................................... 29,078.5 Shares $2,752,672.71
Less reacquired (at cost).......................... 226.5 Shares 21,287.50
Outstanding...................................... 28,852 Shares $2,731,385.21

$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 4,417,350.00 $7,648,735.21

FUNDED DEBT:
Luzerne County Gas and Electric Corporation—First and Refunding Mortgage Gold Bonds
6% Series, due September 1, 1954:
Outstanding...................................... 5,512,000.00 (A)
Less Reacquired................................ 5,512,000.00 (B)
(Sinking Fund payable at January 1st and July 1st each year of ½ 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:
Outstanding...................................... 3,475,000.00

Twenty Year 7% Sinking Fund Convertible Gold Bonds, due July 1, 1944:
Outstanding...................................... 2,738,500.00 (A)
Less Reacquired................................ 127,500.00 2,611,000.00 11,598,000.00
(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.)

CUSTOMERS' AND EXTENSION DEPOSITS.................................................. 146,929.28

ACCOUNTS PAYABLE:
Affiliated Companies.............................................. 303.69
Others.......................................................... 96,429.89 96,733.58

ACCRUED ACCOUNTS:
Interest on Funded Debt........................................ 245,062.50
Federal Income Taxes......................................... 1,510.94
Other Federal Taxes........................................ 17,405.05
Other Taxes.................................................. 187,481.75
Interest on Customers' Deposits............................... 43,358.92
Other....................................................... 3,002.50 625,225.66

RESERVES:
Renewals and Replacements.................................... 1,283,578.94
Contributions for Extensions................................ 37,155.91
Uncollectible Bills.......................................... 70,325.95
Other (Injuries and Damages, etc.).......................... 29,946.97 1,421,007.77

EARNED SURPLUS................................................ 247,752.88
TOTAL LIABILITIES.............................................. $21,784,384.38
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, 1935, and of the statements of earnings and surplus for the year 1935. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating accounts of the Company for the year, but we did not make a detailed audit of the transactions.

The allowances in respect of reserve for renewals and replacements have been computed upon the retirement reserve basis and, 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 our examination, the accompanying balance sheet and related statements of earnings and surplus, in our opinion, fairly present, in accordance with accepted principles of public utility accounting consistently maintained by the Company during the year under review, its position at December 31, 1935, and the results of its operations for the year ended that date.

LYBRAND, ROSS BROS. & MONTGOMERY
## Statistics

### Electric Operations:

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>36,871</td>
<td>36,711</td>
</tr>
<tr>
<td>Sales—M Kilowatt-Hours</td>
<td>117,258</td>
<td>117,190</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>

### Gas Operations:

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>9,889</td>
<td>9,713</td>
</tr>
<tr>
<td>Sales—M Cubic Feet</td>
<td>199,269</td>
<td>202,996</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>810</td>
<td>1,019</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>—</td>
</tr>
<tr>
<td>Miles of Mains</td>
<td>140</td>
<td>137</td>
</tr>
<tr>
<td>Population Served (estimated)</td>
<td>207,600</td>
<td>207,600</td>
</tr>
</tbody>
</table>