Luzerne County Gas
and
Electric Corporation

Annual Report
Year Ended December 31
1937
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 Office

(Preferred Stock) Office of the Corporation,
1401 Arch Street, Philadelphia, Pa.

Registrar


Annual Meeting

First Tuesday of April at Philadelphia, Pa.
Luzerne County Gas and Electric Corporation

Office of the President

Kingston, Penna., April 1, 1938.

To the Stockholders:

There is presented herewith the Annual Report for the year ended December 31, 1937.

General business conditions in the territory served by the Company were not as favorable as during 1936. Operations of the Company follow very closely the activity in anthracite mining, and cigar and silk manufacturing, the major industries in the community. Cigar and silk manufacturing were seriously affected at various times during the year by labor troubles, practically the entire silk industry being at a standstill for three weeks during August, due to a strike.

Total electric sales decreased 2,633,738 kilowatt hours or 2.1%, due to decreases in sales of electricity for industrial purposes, municipal street lighting and to railroad corporations. The sales for domestic use increased 7.5% and there were also increases in sales for commercial lighting and to rural customers. The total sales of gas decreased 1,809 thousand cubic feet, or 0.9%, entirely due to a decrease in sales for industrial purposes. At the end of the year the Company’s electric customers numbered 36,438, an increase of 493 over last year, while the number of gas customers at the end of the year was 10,480, an increase of 340.

Total Operating Revenue for the year was $3,024,257, a decrease of $41,026, or 1.3%. Electric revenue decreased $41,103, or 1.5%, and gas revenue was practically unchanged. Total Operating Expenses were greater by $193,299, or 10.8%, due to the increased cost of coal and labor, greater provision for uncollectible bills, additional expenditures for maintenance, and an increased provision for renewals and replacements. There was an increase in new business expense which was offset by income from Merchandising, Jobbing and Contract Work, reflected in an increase in Total Non-Operating Income of $13,257. Net Income for the year was $286,861, a decrease of $194,051 compared with 1936.

Capital expenditures for the year amounted to $255,589, prin-
cipally for extensions to the distribution systems to add new business. During the year rural electric line extensions, approximating thirty-eight miles, were made.

The property of the Company is in good physical condition and is being well maintained.

The Company was again awarded a plaque by the Pennsylvania Electric Association for the best results between July 1, 1936, to June 30, 1937 in the reduction of vehicular accidents, in competition with member companies operating less than 80,000 vehicular miles per month. During this period our fleet of fifty cars and trucks was operated without an accident.

The Management wishes to take this opportunity of expressing its appreciation of the excellent cooperation by all employees throughout the year.

Submitted herewith are Earnings Statement for twelve months ended December 31, 1937 and 1936, Earned Surplus Statement for twelve months ended December 31, 1937, and Balance Sheet at December 31, 1937, together with a copy of report of Lybrand, Ross Bros. & Montgomery, Certified Public Accountants, 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>1937</th>
<th>1936</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric</td>
<td>$2,708,238.47</td>
<td>$2,749,341.92</td>
<td>$41,103.45*</td>
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<tr>
<td>Gas</td>
<td>316,018.53</td>
<td>315,941.01</td>
<td>77.32</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>3,024,257.00</td>
<td>3,065,282.93</td>
<td>41,025.93*</td>
</tr>
<tr>
<td>OPERATING EXPENSES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary</td>
<td>1,115,110.44</td>
<td>959,950.20</td>
<td>155,160.24</td>
</tr>
<tr>
<td>Maintenance</td>
<td>169,193.60</td>
<td>161,951.78</td>
<td>7,241.82</td>
</tr>
<tr>
<td>Provision for Renewals and Replacements</td>
<td>435,000.00</td>
<td>380,713.69</td>
<td>54,286.31</td>
</tr>
<tr>
<td>Provision for Federal Income Taxes</td>
<td>71,788.79(A)</td>
<td>93,439.39</td>
<td>21,650.60*</td>
</tr>
<tr>
<td>Provision for Other Federal Taxes</td>
<td>56,196.61</td>
<td>49,468.73</td>
<td>6,727.88</td>
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<tr>
<td>Provision for State and Local Taxes</td>
<td>138,769.39</td>
<td>147,236.32</td>
<td>8,466.93*</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>1,986,058.83</td>
<td>1,792,760.11</td>
<td>193,298.72</td>
</tr>
<tr>
<td>OPERATING INCOME</td>
<td>1,038,198.17</td>
<td>1,272,522.82</td>
<td>234,324.65*</td>
</tr>
<tr>
<td>NON-OPERATING INCOME:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchandising, Jobbing and Contract Work</td>
<td>12,504.48</td>
<td>559.70**</td>
<td>13,064.18</td>
</tr>
<tr>
<td>Other</td>
<td>3,420.76</td>
<td>3,227.69</td>
<td>193.07</td>
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<tr>
<td>Total Non Operating Income</td>
<td>15,925.24</td>
<td>2,667.99</td>
<td>13,257.25</td>
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<tr>
<td>GROSS INCOME:</td>
<td>1,054,123.41</td>
<td>1,275,190.81</td>
<td>221,067.40*</td>
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<tr>
<td>INCOME DEDUCTIONS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Long Term Debt</td>
<td>615,955.11</td>
<td>633,768.80</td>
<td>17,813.69*</td>
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<tr>
<td>Amortization of Debt Discount and Expense</td>
<td>84,581.10</td>
<td>85,206.78</td>
<td>625.68</td>
</tr>
<tr>
<td>Taxes Assumed on Interest</td>
<td>58,153.10</td>
<td>58,816.39</td>
<td>663.29</td>
</tr>
<tr>
<td>Other Other Interest</td>
<td>7,880.02</td>
<td>15,719.82</td>
<td>7,839.80*</td>
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<tr>
<td>Other</td>
<td>1,633.48</td>
<td>1,312.07</td>
<td>321.41</td>
</tr>
<tr>
<td>Total Income Deductions</td>
<td>768,202.81</td>
<td>794,823.86</td>
<td>26,621.05*</td>
</tr>
<tr>
<td>Less—Interest Charged to Construction</td>
<td>940.39</td>
<td>544.86</td>
<td>395.53</td>
</tr>
<tr>
<td>Total Income Deductions</td>
<td>767,262.42</td>
<td>794,279.00</td>
<td>27,016.58*</td>
</tr>
<tr>
<td>NET INCOME:</td>
<td>$286,860.99</td>
<td>$480,911.81</td>
<td>$194,050.82*</td>
</tr>
</tbody>
</table>

(*)—Decrease.  (**)—Deficit

1936 figures restated for comparative purposes.
(A) Includes $6,601.05 Provision for Federal Surtax on Undistributed Profits.

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 $35,579.66, which amount was credited to the Surplus Account.

Effective January 1, 1937, a new uniform system of accounts was prescribed by the Pennsylvania Public Utility Commission for the use of electric companies subject to its jurisdiction and having annual revenues of more than $250,000.

Effective January 1, 1938, a new system of accounts was prescribed by the Pennsylvania Public Utility Commission for manufacturers gas companies subject to its jurisdiction and having annual revenues of more than $250,000.

The company is, at present, unable to determine or predict the extent to which the systems of accounts prescribed will affect its accounts.

Earned Surplus Statement
For Twelve Months Ended December 31, 1937

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE—JANUARY 1ST</td>
<td>$242,729.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income for the year</td>
<td>$286,860.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Credits</td>
<td>5,789.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>292,650.97</td>
<td>292,650.97</td>
</tr>
</tbody>
</table>

DEDUCTIONS:
Dividends—
Preferred | 239,253.24   |
Common     | 44,173.50    | 283,426.74   |
Other Debits | 34,633.64    | 318,060.38   |
BALANCE—DECEMBER 31ST | $217,319.83 |
# Luzerne County Gas

(Incorporated)

## Balance Sheet

### ASSETS

**PROPERTY, PLANT AND EQUIPMENT (INCLUDING INTANGIBLES).............................................................................................................. $18,503,358.78**

**INVESTMENTS (AT COST OR LESS)—**

- (No Market Quotations Available):
  - Bonds .......................................................... $25,650.00
  - Other ....................................................... 21,428.05

**SINKING FUNDS................................................................................................................................. 52,548.20**

- **UNITED STATES TREASURY 41/4's, 1952, PAR $136,000, PLEDGED TO SECURE PAYMENT OF CERTAIN INTEREST CHARGES.......................................................................................... 143,224.10**

- **ACCOUNTS NOT CURRENTLY RECEIVABLE ................. 136,747.22**

**LESS—RESERVE FOR UNCOLLECTIBLE ACCOUNTS........... 86,747.22**

### CURRENT ASSETS:

- **Cash ................................................................. 277,225.60**
- **Special Deposit—Bond Interest ................................ 87,762.50**
- **Working Funds .................................................. 12,100.00**

**Marketable Securities—At Cost—**

- (Quoted amount computed at market prices December 31, 1937—$2,798.25) ................................................................. 2,528.40

**Accounts Receivable:**

- **Customers (Service) ........................................... $250,031.21**
- **Merchandise and Jobbing (Including Installment Accounts) .......... 116,073.49**

**366,104.70**

**Less—Reserve for Uncollectible Accounts .................................. 20,036.14**

**346,068.56**

**Others ................................................................. 390,039.36**

**Interest Receivable .................................................. 500.52**

**Rents Receivable ................................................... 99.37**

**Materials and Supplies (at average cost):**

- **Operation and Construction .................................. 166,530.05**
- **Merchandise ..................................................... 22,505.19**

**189,035.24**

**Deferred Charges:**

- **Prepaid Accounts ................................................ 4,412.06**

**Unamortized Debt Discount and Expense (Including $291,311.63 discount, premium and expense on bonds refunded prior to date of maturity, being amortized over ten-year period from July 1, 1934)................................. 844,485.05**

**Other ................................................................. 966,171.31**

**TOTAL ASSETS ................................................................................................................................. $20,758,418.65**

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

**NOTE:**

- Effective January 1, 1937, a new uniform system of accounts was prescribed by the Pennsylvania Public Utility Commission for the use of electric companies subject to its jurisdiction and having annual revenues of more than $270,000.

- Effective January 1, 1938, a new system of accounts was prescribed by the Pennsylvania Public Utility Commission for manufactured gas companies subject to its jurisdiction and having annual revenues of more than $270,000.

The Company is now engaged in the determination of original cost (the cost to the person first devoting it to public service, estimated if not known) of property, plant and equipment as required in the new system of accounts. It is required that these studies be completed at December 31, 1938, with respect to electric plant, and at December 31, 1939, with respect to gas plant. Upon completion thereof, the net balances of revaluations and intangibles, if any, determined in connection therewith will be classified in accordance with the prescribed systems of accounts.
and Electric Corporation
in Pennsylvania)
December 31, 1937

**Liabilities**

<table>
<thead>
<tr>
<th>Capital Stock (No Par):</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$7 Dividend First Preferred, Cumulative—(In event of liquidation entitled to $100 per share)</td>
<td></td>
</tr>
<tr>
<td>Authorized...</td>
<td>60,000 Shares...</td>
</tr>
<tr>
<td>Issued...</td>
<td>29,984.5 Shares... $2,829,690.98</td>
</tr>
<tr>
<td>Less reacquired (at cost).</td>
<td>0.5 Shares... 47.02</td>
</tr>
<tr>
<td>Outstanding...</td>
<td>29,984 Shares... 2,829,643.96</td>
</tr>
</tbody>
</table>

| $6 Dividend First Preferred, Cumulative—(In event of liquidation entitled to $100 per share) |   |
| Authorized... | 30,000 Shares... |
| Issued and Outstanding... | 5,000 Shares... 500,000.00 $3,329,643.96 |

Common—
Authorized and Outstanding—176,694 Shares... 4,417,350.00 $7,746,993.96

**Long Term Debt:**
Luzerne County Gas and Electric Corporation First and Refunding Mortgage Bonds 6% Series, due September 1, 1954... 4,425,000.00 (A)
(Sinking Fund payable January 1st and July 1st of each year—3% of 1% of all bonds outstanding at dates of payments.)

Luzerne County Gas and Electric Company:
First Mortgage Refunding and Improvement Five Percent Bonds, due October 1, 1948... 3,475,000.00
Twenty Four Year 7% Sinking Fund Convertible Bonds, due July 1, 1944... 2,507,500.00 (A) 10,407,500.00
(Sinking Fund of $30,000 payable January 1st of each year. If bonds are not tendered to the Trustee by March 4th, the Sinking Fund Deposit is returned to the Corporation.)

**Current and Accrued Liabilities:**
Accounts Payable:
Affiliated Companies... 213.92
Others... 77,025.41 77,239.33

Customers' Deposits... 53,233.11

Accrued Accounts:
Federal Income Taxes (Including Surtax on Undistributed Profits)... 67,556.95
Other Federal Taxes... 21,711.05
State Taxes... 1,327,974.20
Interest on Long Term Debt... 219,700.00
Other Interest... 17,881.24
Other Accruals... 3,301.00 478,124.44 608,596.88

**Deferred Credits:**
Customers' Advances for Construction... 5,792.64
Other... 13,330.63 19,123.27

**Reserves:**
Renewals and Replacements... 1,649,283.46
Injuries and Damages... 25,269.31
Federal Income Taxes—Prior Years... 45,239.73
Other... 2,535.53 1,722,328.03

**Contributions in Aid of Construction**... 36,556.68
**Earned Surplus**... 217,319.83

**Total Liabilities**... $20,758,418.65
February 24, 1938.

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

We have made an examination of the balance sheet of the
LUZERNE COUNTY GAS AND ELECTRIC CORPORATION
as at December 31, 1937, and of the statements of earnings and
surplus for the year 1937. 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 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 annually against income and
credited to reserve for renewals and replacements by the Company,
we are informed, are considered by the management to be sufficient
provision for the retirement of fixed assets and are not necessarily
uniform in amount from year to year.

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, 1937, 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>1937</th>
<th>1936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>36,438</td>
<td>35,945</td>
</tr>
<tr>
<td>Sales—M Kilowatt-Hours</td>
<td>125,169</td>
<td>127,803</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>
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</table>

<table>
<thead>
<tr>
<th>Gas Operations:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>10,480</td>
<td>10,140</td>
</tr>
<tr>
<td>Sales—M Cubic Feet</td>
<td>196,765</td>
<td>198,574</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>753</td>
<td>792</td>
</tr>
<tr>
<td>Number of Storage Holders</td>
<td>3</td>
<td>3</td>
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<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>141.8</td>
<td>139.4</td>
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<tr>
<td>Population Served (estimated)</td>
<td>207,600</td>
<td>207,600</td>
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</table>