BROAD RIVER POWER COMPANY

Directors

FREDERICK S. BURROUGHS
RODERICK D. DONALDSON
RALPH D. JENNISON
DANIEL STARCH

SANFORD J. MAGEE
JOHN I. MANGE
JOSEPH F. McKENNA

Officers

R. D. JENNISON - - - - - President
N. H. COIT - - - - - - Vice-President
S. J. MAGEE - - - - - Vice-President
J. F. McKENNA - - - - - Vice-President
C. A. DOUGHERTY - - - - - Vice-President and Secretary
J. M. COSTELLO - - - - - Treasurer

Principal Office

328 MAIN STREET, COLUMBIA, SOUTH CAROLINA

Operating Managers
(Under the supervision and direction of the Board of Directors of the Company)

THE UTILITY MANAGEMENT CORPORATION

Neither this report, nor any statement contained herein, is furnished in connection with any offering of securities or for the purpose of promoting, influencing or effecting the sale or purchase of securities.
To the Securityholders of
Broad River Power Company:

There is presented herewith a report of the operations for the year 1935 and other data pertaining to the policies of the Company.

Results of Operations

Operating revenues were $3,142,953.37, an increase of $238,795.83 over 1934. Operating expenses and maintenance were $1,564,598.75, an increase of $328,871.72. These increases do not reflect the transportation operations on a comparable basis for both periods. They include transportation operations for only two months in 1934, as compared with twelve months in 1935. The Company acquired the railway property of Columbia Railway, Gas and Electric Company on November 1, 1934, hence the inclusion of transportation operations for only two months in that year.

Revenues and expenses for the year 1935 in the electric and gas departments increased over the year 1934 as follows:

<table>
<thead>
<tr>
<th></th>
<th>Revenues Increased</th>
<th>Operating Expenses and Maintenance Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Electric</td>
<td>$49,689</td>
<td>2.0</td>
</tr>
<tr>
<td>Gas</td>
<td>8,916</td>
<td>2.4</td>
</tr>
</tbody>
</table>

During the year, an extensive program for the development of the Company's business was carried on by actively promoting the sale of electric and gas appliances to its customers, both by engaging directly in the sale of such appliances and by cooperating with dealers in its territory. In carrying out this program, new business expenses for the year were substantially increased but resulted in adding permanent load and increased revenue. This activity is being continued by the Management and prospects appear to indicate a wider acceptance by users of electricity and gas of mechanical equipment for the home. The broad program and educational promotion has tended to acquaint cutomers with the fact that with promotional rates such as are in effect, they
may add these appliances and not materially increase their total bill. Major appliances sold during the year were as follows:

<table>
<thead>
<tr>
<th>Electric</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranges</td>
<td>Water Heaters</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>Space Heaters</td>
</tr>
<tr>
<td>Water Heaters</td>
<td>Ranges</td>
</tr>
<tr>
<td></td>
<td>Refrigerators</td>
</tr>
</tbody>
</table>

The average kilowatt hour consumption per residential customer for the year 1935 amounted to 729 kilowatt hours which is an increase of 115 kilowatt hours over the preceding year and is largely attributable to the sale of major appliances.

The increases in unit sales of electricity to residential and commercial customers in 1935, as shown in the following tabulation, were the largest in the history of the Company. The power or industrial increase indicates the improvement in the textile industry.

SALES OF ELECTRICITY

<table>
<thead>
<tr>
<th></th>
<th>Kilowatt Hours</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1935</td>
<td>1934</td>
</tr>
<tr>
<td>Residential</td>
<td>9,198,808</td>
<td>7,471,398</td>
</tr>
<tr>
<td>Commercial</td>
<td>8,718,369</td>
<td>7,427,981</td>
</tr>
<tr>
<td>Power</td>
<td>91,562,540</td>
<td>82,439,647</td>
</tr>
</tbody>
</table>

The total number of customers increased from 16,319 at December 31, 1934, to 17,518 at December 31, 1935.

Cubic feet of gas sales in 1935 were 269,777,700 as compared with 248,457,500 in 1934, an increase of 8.5%, accounted for by a 7.1% increase for residential regular use and 56% in commercial space heating. Industrial cubic feet of gas consumption increased 20%.

The increases in operating expenses in the electric and gas departments are due principally to electricity and fuel purchased, new business expenses, and regulatory expenses. The latter expenses are connected principally with the Public Utility Act of 1935.

Condition of Property

The physical property of the Company was maintained to a high degree of efficiency as evidenced by expenditures for maintenance during the year of approximately $189,000, or approximately $66,000 more than the previous year. In addition to these expenditures, the sum of $244,000 was charged against income to augment the reserve for renewal and replacement of worn-out or obsolete property.

Taxes

Taxes amounted to $426,786.23, in 1935, equivalent to 13½ cents of every dollar of operating revenue received.
BROAD RIVER POWER COMPANY

Taxes remain a very large item in the family budget and, while there is continuous agitation from political sources for lower and lower unit costs for electric energy, there apparently is no consideration given by this same group, in whose power it lies, to reduce the cost of government, which would materially lessen the tax burden. Comparative costs of electricity for residential use and the taxes on gasoline and cigarettes in the United States in 1935 were as follows:

- Taxes paid on gasoline ........................................... $ 800,000,000
- Taxes paid on cigarettes ........................................ 385,000,000
- Bill for electricity for all residences in the United States ........................................ $ 600,000,000

If the taxes on gasoline and cigarettes were cut in half, the saving would be sufficient to pay the entire residential electric bill.

The Public Utility Act of 1935

We believe that the continuous persecution of the public utility industry, which culminated in the Public Utility Act of 1935, convinced customers, securityholders, and employees, generally, that the utilities were dealt with in a harsh and unjustifiable manner. In conjunction with other operating companies this Company shared the expenses incurred in studying and analyzing the Federal Public Utility Act of 1935, and protesting its enactment, all of which added approximately $37,500 to the operating expenses for the year. This expenditure was considered necessary by the directors and management of the Company because it was their conviction that this act was designed not for the purpose of a legitimate regulation of the electrical industry but as a beginning of complete nationalization and public ownership.

The Company has pending before the Securities and Exchange Commission an application for exemption from the provisions of the act for the reason that it is subject to the jurisdiction of the Public Service Commission of the State of South Carolina, and is a company whose operations do not extend beyond the state in which it is organized.

Services of Specialists in Accounting, Finance, Taxes, Advertising, Etc.

The Company has found it desirable at times to use the services of organizations employing specialists in the fields of engineering, accounting, taxes, finance, advertising, and similar specialty fields, as by reason of the experience and immediate availability of such men, the special needs of the Company to meet unusual conditions and emergencies are promptly and more economically filled. The increase in the number of laws, regulations, questionnaires, reports and forms instituted within the last few years, has been of such a nature that the local management and organization would have been unable to cope with them, without incurring permanent and heavy costs.
Social Security—Employees Welfare

The Company has for many years recognized the desirability of employees welfare programs. In conjunction with the other companies in the Associated Gas & Electric System it has done its utmost to furnish steady employment, inaugurated a plan of systematic savings, and a plan of life insurance considered in insurance circles to be one of the most progressive of its kind.

The Company’s policy of furnishing continuity of employment is indicated by the service record at December 31, 1935 as follows:

Number of employees:

- 20 years’ service and over: 26
- 10 to 20 years’ service: 118
- 5 to 10 years’ service: 72
- 2 to 5 years’ service: 89
- Less than 2 years’ service: 80
- Temporary—principally on rural electrification construction: 115
- Temporary—on operation and new business: 109

Total: 609

Annual payroll: $631,691.27

The Associated System Employees Insurance Plan was inaugurated on August 4, 1930. The plan provides that each employee is insured in a well-known insurance company for an amount equivalent to one year’s wages in the form of straight life insurance, and one year’s wages in the form of group insurance. Joint contributions are made by the employees and the Company to cover the cost of the insurance premiums. Since the inauguration of this plan $52,000 has been paid to dependents of deceased employees of this Company, and close to $2,000,000 has been paid to dependents of deceased employees of the Associated Gas & Electric System.

The provisions of the Federal Social Security Act of 1935 related to unemployment insurance became effective on January 1, 1936. It is estimated that the cost to the Company of complying with this Act, exclusive of the additional clerical and administrative expenses, will amount to $6,500 in 1936, which cost will increase in successive years.

Valuations and Write-Ups of Property

This Company has never written up the value of property in order to issue securities, against such write-ups. It was necessary to have an inventory made of the property owned by the Company for the purpose of maintaining accurate records, and of necessity the inventory was translated into dollars and cents and so recorded on the books. No securities have been issued nor have any dividends been paid as a result of the adjustment, which still remains upon the books of the Company.

General

Building activities in Columbia, South Carolina, for the year 1935, estab-
lished what is believed to be a new high when 556 permits were issued aggregating an expenditure of approximately $1,400,000. There were 198 new residences erected in the city of Columbia during the year.

The City of Columbia, South Carolina, petitioned the Public Service Commission of South Carolina asking that the Broad River Power Company be required to substitute bus transportation for street cars on the four remaining street car lines. Broad River Power Company has acquiesced in the petition of the city of Columbia for such substitution. The Public Service Commission deferred decision on this matter claiming that if complete substitution was effected under existing statutes they would be without jurisdiction. This question is now pending in the State Supreme Court.

During the year 1935, the Company acquired 3,030 shares of common stock of the Utilities Mutual Management Association, Inc. The latter company owns the management, engineering and purchasing companies of the Associated Gas & Electric System. All of the services received from the Utilities Mutual Management Association, Inc., subsidiaries are, therefore, rendered on a mutualized basis.

The Columbia Railway, Gas and Electric Company, First Mortgage 5% Sinking Fund Bonds, an issue assumed by the Company, matures on July 1, 1936. The Company is now working on a proposed plan to create a new series of bonds, bearing a lower rate of interest than the present funded debt of the Company, for the purpose of refunding all of the present outstanding funded debt and to take care of the above mentioned maturity on July 1, 1936. If this proposed plan does not materialize, other arrangements will be made for meeting the maturity of these assumed bonds on that date.

The Company has a complete routine of auditing. Periodic examinations are made of the local offices and the general accounts and records of the Company by men trained for such examinations. Reports on these examinations are prepared especially for the use of the management and to protect the property of the Company.

Current results of operations continue to be such that the Company's Directors deemed it advisable to continue to defer payment of dividends, on account of the approaching bond maturity and the general uncertainty still prevailing with respect to the future of the utility industry. The unpaid 7% cumulative preferred stock dividends in arrears amounts to $978,028.34, applicable to the period from April 30, 1932, to December 31, 1935.

For the benefit of securityholders, the accounts of the Company for the year 1935, were examined by Messrs. Haskins & Sells, Certified Public Accountants, who have conducted such examinations for the past twelve years. The Accountants' Certificate for the year 1935, statements of income and statistics for the years ended December 31, 1935, and 1934, statement of corporate surplus for the year ended December 31, 1935, and balance sheet at December 31, 1935, are shown on the following pages.

For the Board of Directors,

R. D. JENNISON
President
ACCOUNTANTS' CERTIFICATE

BROAD RIVER POWER COMPANY:

We have made an examination of the balance sheet of Broad River Power Company (incorporated in South Carolina) as of December 31, 1935, and of the related statements of income and surplus for the year 1935. In connection therewith, we examined or tested accounting records of the company and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control. We previously made similar examinations for the years 1924 to 1934.

It is the accounting policy of the company, in general, to make provision for retirements, renewals, and replacements of fixed capital in amounts which when added to maintenance expenditures equal fixed percentages of gross operating revenues less power and gas (if any) purchased.

In our opinion, subject to the foregoing, the accompanying balance sheet, with the footnotes thereon, and related statements of income and surplus fairly present, in accordance with accepted principles of accounting consistently followed by the company, its financial condition as of December 31, 1935, and the results of its operations for the year.

HASKINS & SELLS

New York
April 9, 1936
STATEMENT OF INCOME
For the years ended December 31, 1935 and 1934

Operating revenues:
<table>
<thead>
<tr>
<th>Year</th>
<th>Electric</th>
<th>1935</th>
<th>2,554,087.97</th>
<th>1934</th>
<th>2,504,398.90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Gas</td>
<td>371,398.04</td>
<td>362,482.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Transportation</td>
<td>217,467.36</td>
<td>37,276.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Total operating revenues</td>
<td>3,142,953.37</td>
<td>2,904,157.54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating expenses and taxes:
<table>
<thead>
<tr>
<th>Year</th>
<th>Operating expenses</th>
<th>1,375,569.12</th>
<th>1,112,702.02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Maintenance</td>
<td>189,029.63</td>
<td>123,025.01</td>
</tr>
<tr>
<td>Year</td>
<td>Provision for retirements, renewals, and replacements of fixed capital</td>
<td>243,952.49</td>
<td>228,250.47</td>
</tr>
<tr>
<td>Year</td>
<td>Provision for taxes</td>
<td>426,786.23</td>
<td>436,204.15</td>
</tr>
<tr>
<td>Year</td>
<td>Total operating expenses and taxes</td>
<td>2,235,337.47</td>
<td>1,900,181.65</td>
</tr>
</tbody>
</table>

Operating income:
<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income</th>
<th>907,615.90</th>
<th>1,003,975.89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Other income</td>
<td>30,022.79</td>
<td>16,652.34</td>
</tr>
<tr>
<td>Year</td>
<td>Gross income</td>
<td>937,638.62</td>
<td>1,020,628.23</td>
</tr>
</tbody>
</table>

Deductions from income:
<table>
<thead>
<tr>
<th>Year</th>
<th>Interest on funded debt</th>
<th>571,833.71</th>
<th>625,514.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Interest on unfunded debt</td>
<td>129,152.18</td>
<td>86,576.41</td>
</tr>
<tr>
<td>Year</td>
<td>Amortization of debt discount and expense</td>
<td>64,034.10</td>
<td>63,675.82</td>
</tr>
<tr>
<td>Year</td>
<td>Less: Interest charged to construction (credit)</td>
<td>6,370.51</td>
<td>4,829.23</td>
</tr>
<tr>
<td>Year</td>
<td>Total deductions from income</td>
<td>758,649.48</td>
<td>770,937.11</td>
</tr>
<tr>
<td>Year</td>
<td>Net income</td>
<td>178,989.14</td>
<td>249,691.12</td>
</tr>
</tbody>
</table>

Note: The above statement includes operations of transportation properties of Columbia Railway, Gas and Electric Company from November 1, 1934, the date of acquisition.

STATEMENT OF CORPORATE SURPLUS
For the year ended December 31, 1935

Balance, January 1, 1935 | 1,380,279.72
Surplus credits:
Net income for the year, as above | 178,989.14
Discount on reacquired bonds, less unamortized debt discount and expense applicable thereto | 5,917.36
Balance, December 31, 1935 | 1,565,186.22
BROAD RIVER POWER COMPANY

BALANCE SHEET
DECEMBER 31, 1935

ASSETS

Fixed capital—Plant, property, etc., stated at valuation made as of December 31, 1932, based on estimated reproduction cost (including going value and other intangibles) December 31, 1930 (excepting railway department based on estimated reproduction cost, June 30, 1931), plus subsequent additions at cost, less retirements ................................................................. $31,608,960.70

Investments (including $46,207.50 in affiliated company) ................................ 56,521.46

Deposits for matured bonds and bond interest (contra) ................................... 37,442.50

Deposits with trustees for sinking funds, etc. .................................................... 14,222.87

Cash (including working funds) ........................................................................... 12,484.64

Notes receivable .................................................................................................... 2,400.00

Accounts receivable:

Consumers (including $73,328.12 due from affiliated company) ......................... $ 335,558.63

Appliances (instalment accounts):

Unpledged ........................................................................................................... 5,167.70

Pledged as security for appliance accounts receivable sold ................................ 50,858.31

Miscellaneous .................................................................................................... 4,205.44

Materials and supplies (book inventories) .......................................................... 131,880.46

Appliance accounts receivable sold (contra) ....................................................... 150,000.00

Deferred debit items:

Unamortized debt discount and expense ............................................................ $1,088,073.86

Prepayments ...................................................................................................... 10,860.01

Miscellaneous unadjusted debits ....................................................................... 13,647.60

Total ..................................................................................................................... $33,522,284.18

Notes:

Unpaid cumulative dividends on preferred stock amounted to approximately $978,000 at December 31, 1935.

The company's liability for Federal income taxes for the years 1926 to 1935, inclusive, is still subject to final determination. For the years 1926 to 1933, inclusive, the company has been included in consolidated returns of General Gas & Electric Corporation. Separate Federal income tax returns were filed for the years 1934 and 1935. For the years 1926 to 1928, inclusive, the company is liable only for its allocable portion of the consolidated tax. Under the Federal income tax regulations
BROAD RIVER POWER COMPANY

BALANCE SHEET
DECEMBER 31, 1935

LIABILITIES

Capital stock:
- Preferred capital stock (7% cumulative), par value $100 per share, 100,000 shares authorized, 38,105 shares issued and outstanding: $3,810,500.00
- Common stock, par value $100 per share, 109,000 shares authorized, 43,294 shares issued and outstanding: $4,329,400.00

Funded debt (less $2,735,500 principal amount of bonds in sinking fund and in treasury) (details on page 12):
- Maturing within one year: $1,225,000.00
- Not maturing within one year: 10,140,400.00

Notes and accounts payable to parent company, Southeastern Electric and Gas Company: 1,517,321.42
Matured bonds and bond interest (contra): 37,442.50
Notes payable (equipment purchase liens): 9,663.08
Accounts payable: 160,972.21
Taxes accrued: 195,765.27
Interest accrued: 184,875.92
Miscellaneous accruals: 1,695.81
Consumers' service and line deposits: 82,546.42
Guaranty of appliance accounts receivable sold (contra): 150,000.00

Reserves and miscellaneous unadjusted credits:
- Retirements, renewals, and replacements of fixed capital (including adjustments arising through revaluation of fixed capital): $1,241,525.31
- Doubtful accounts receivable: 25,490.24
- Additional Federal income taxes for prior years, subject to final determination: 65,289.11
- Other reserves and miscellaneous unadjusted credits: 11,610.80
- Contributions for extensions (non-refundable): 42,702.50
- Capital surplus (arising through revaluation of fixed capital and related retirement reserve): 8,724,897.37
- Corporate surplus (details on page 9): 1,565,186.22

Total: $33,522,284.18

Notes (Continued):
Covering the years 1929 to 1933, inclusive, the companies included in consolidated returns may be held to be jointly and severally liable for any deficiencies assessed against the consolidation. The portion of amounts asserted against the consolidation for the years 1926 to 1928, inclusive, allocable to the company amounts to approximately $76,000. Federal income taxes and penalties for the years 1929 to 1933, inclusive, aggregating approximately $7,610,000, have been asserted against General Gas & Electric Corporation and the other companies included in the consolidated returns for those years. All asserted deficiencies are being contested.
**STATEMENT OF FUNDED DEBT**

**December 31, 1935**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Authorized</th>
<th>Outstanding</th>
<th>Interest dates</th>
<th>Trustee payable at (see references)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First and refunding mortgage 5% bonds, series A, due September 1, 1954 (including $198,500 to be issued)</td>
<td>*</td>
<td>$8,181,400</td>
<td>M&amp;S 1</td>
<td>1-3</td>
</tr>
</tbody>
</table>

**Divisional Liens:**

- **Columbia Gas Light Company** thirty-year 5% coupon bonds, due July 1, 1936 ($225,000 issued, and pledged§) | $300,000† |

- **Columbia Railway, Gas and Electric Company** first mortgage 5% sinking fund bonds, due July 1, 1936 (less $65,500 in treasury and $1,404,000 pledged***) | 7,500,000† | 1,225,000 | J&J 1 | 2 | 4 |

- **The Parr Shoals Power Company** first mortgage 5% sinking fund bonds, due April 1, 1952 (less $102,000 pledged** and $939,000 in sinking fund) | 3,000,000‡ | 1,959,000 | A&O 1 | 2 | 5 |

**Total funded debt** | $11,365,400 |

* Additional bonds issuable upon compliance with mortgage and statutory requirements.
† Any additional bonds which may be issued are required to be pledged under the mortgage of Broad River Power Company.
§ Pledged with Trustee under mortgage securing Columbia Railway, Gas and Electric Company, first mortgage 5% sinking fund bonds, due July 1, 1936.
** $1,404,000 of Columbia Railway, Gas and Electric Company first mortgage 5% sinking fund bonds, due July 1, 1936 and $102,000 of The Parr Shoals Power Company first mortgage 5% sinking fund bonds, due April 1, 1952 pledged with Trustee under mortgage securing Broad River Power Company first and refunding 5% bonds, series A, due September 1, 1954.
‡ Closed mortgage.

1. Guaranty Trust Company of New York New York, N. Y.
2. Irving Trust Company New York, N. Y.
4. Transfer and Coupon Paying Agency 61 Broadway, New York, N. Y.
5. The Chase National Bank of the City of New York New York, N. Y.
BROAD RIVER POWER COMPANY

COMPARATIVE STATISTICS
For the years ended December 31, 1935 and 1934

Electric Department:

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sold</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>9,198,808</td>
<td>7,471,398</td>
</tr>
<tr>
<td>Other</td>
<td>170,674,211</td>
<td>182,960,827</td>
</tr>
<tr>
<td>Number of customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>13,162</td>
<td>12,495</td>
</tr>
<tr>
<td>Other</td>
<td>4,356</td>
<td>3,824</td>
</tr>
<tr>
<td>Miles of transmission lines</td>
<td>405</td>
<td>405</td>
</tr>
<tr>
<td>kw. generating capacity—steam</td>
<td>72,500</td>
<td>72,500</td>
</tr>
<tr>
<td>kw. generating capacity—hydro</td>
<td>24,630</td>
<td>24,705</td>
</tr>
</tbody>
</table>

Gas Department:

<table>
<thead>
<tr>
<th></th>
<th>1935</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas sold—cubic feet:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>208,063,900</td>
<td>194,194,400</td>
</tr>
<tr>
<td>Other</td>
<td>61,713,800</td>
<td>54,263,100</td>
</tr>
<tr>
<td>Number of customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>6,697</td>
<td>6,227</td>
</tr>
<tr>
<td>Other</td>
<td>653</td>
<td>566</td>
</tr>
<tr>
<td>Miles of gas mains</td>
<td>147</td>
<td>141</td>
</tr>
<tr>
<td>Daily manufacturing capacity—cubic feet</td>
<td>1,896,000</td>
<td>1,896,000</td>
</tr>
</tbody>
</table>