

Southern Indiana Gas and Electric Company

REPORT TO THE STOCKHOLDERS

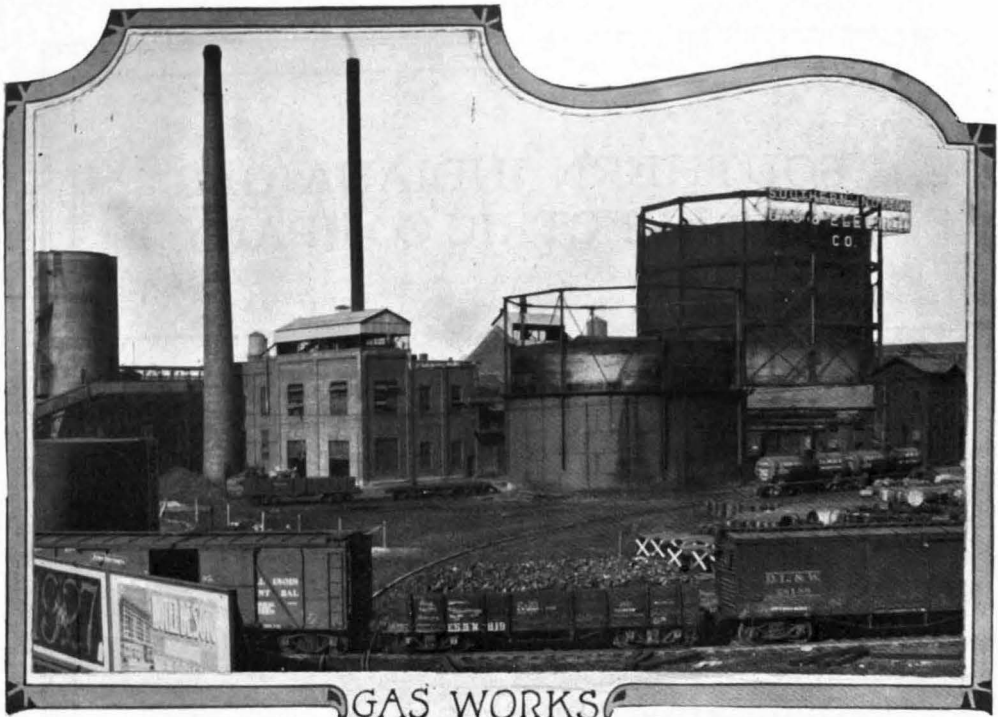


FOR THE YEAR ENDED
DECEMBER 31, 1926

SOUTHERN INDIANA GAS
AND ELECTRIC COMPANY

Report to the Stockholders

FOR THE YEAR ENDED
DECEMBER 31, 1926



GAS WORKS



DIVISION ST. ELECTRIC STATION

DIRECTORS

W. H. BARTHOLD.....New York, N. Y.
B. C. COBB.....New York, N. Y.
C. W. COOK.....Evansville, Ind.
S. W. COOK.....Evansville, Ind.
H. E. DREIER.....Evansville, Ind.
F. J. HAAS.....Evansville, Ind.
H. C. KLEYMEYER.....Evansville, Ind.
W. M. H. MCCURDY.....Evansville, Ind.
D. H. ORTMEYER.....Evansville, Ind.

OFFICERS

B. C. COBB.....*President*
NEW YORK, N. Y.
W. H. BARTHOLD.....*Vice-President*
NEW YORK, N. Y.
F. J. HAAS.....*Vice-Pres. and Gen'l Mgr.*
EVANSVILLE, IND.
H. G. KESSLER.....*Comptroller*
NEW YORK, N. Y.
C. E. OSWALD.....*Secretary*
EVANSVILLE, IND.
C. B. FROELICH.....*Treasurer*
EVANSVILLE, IND.
C. WIGAND.....*Asst. Sec'y and Asst. Treas.*
NEW YORK, N. Y.

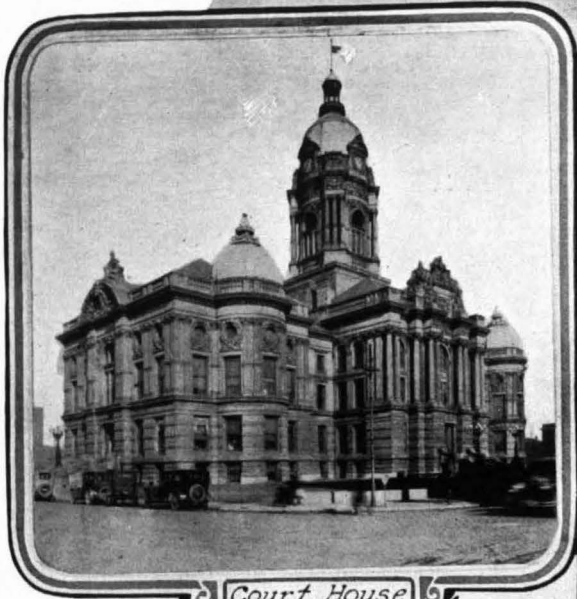
TRANSFER AGENTS

Office of the Company
Evansville, Ind.
Hodenpyl, Hardy & Co., Incorporated
New York, N. Y.

REGISTRARS

National City Bank
Evansville, Ind.
Bankers Trust Company
New York, N. Y.

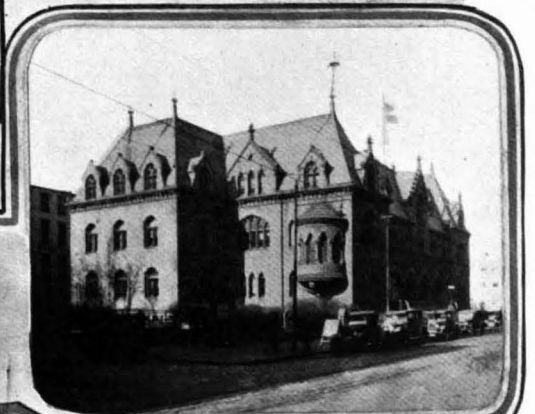
GENERAL OFFICE
EVANSVILLE, INDIANA



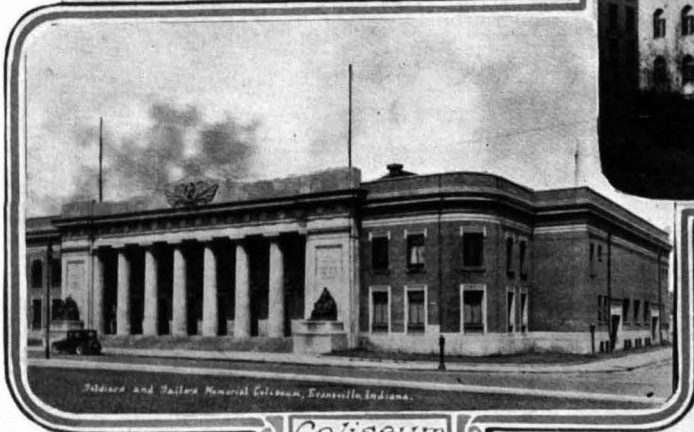
Court House



Air View Riverside Drive



Post Office



Halden and Hallen Memorial Coliseum, Evansville, Indiana.

Coliseum



A General View of Evansville from Center of Business District Looking North-west

VARIOUS VIEWS OF EVANSVILLE—THE PRINCIPAL COMMUNITY SERVED

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

Evansville, Indiana.
March 21, 1927.

To the Stockholders:

THE Board of Directors submits the following report covering the operations of your property for the year ended December 31, 1926, together with comparative statement of earnings, expenses, etc., for the preceding year:

	1926	1925
Gross Earnings:		
Electric	\$1,462,837.20	\$1,327,279.40
Transportation	811,317.32	779,718.84
Gas	536,721.86	502,922.45
Steam Heating	72,375.03	62,075.88
Total.....	2,883,251.41	2,671,996.57
Operating Expenses and Taxes:		
Operating Expenses	1,410,295.95	1,350,125.50
Taxes	285,101.23	262,332.35
Total.....	1,695,397.18	1,612,457.85
Gross Income	1,187,854.23	\$1,059,538.72
Interest	379,325.02	385,324.25
Amortization of Debt Discount and Expense.....	16,228.60	17,139.75
Total.....	395,553.62	402,464.00
Net Income Available for Dividends and Retirement Reserve		
Retirement Reserve	792,300.61	657,074.72
Dividends on Preferred Stock.....	308,262.25	260,791.58
Provision for Retirement Reserve.....	216,181.73	207,000.00
Total.....	524,443.98	467,791.58
Balance.....	\$ 267,856.63	\$ 189,283.14
Ratio of Operating Expenses to Gross Earnings.....	48.91%	50.53%
Ratio of Operating Expenses and Taxes to Gross Earnings	58.80%	60.35%

SERVICE RENDERED

THE Electric Department, which contributed more than 50% of your Company's gross earnings, continued to gain in 1926. Sales of electricity in kilowatt hours amounted to 44,619,940, or nearly double the output at the beginning (December 31, 1921) of the five-year period ending December 31, 1926, and an increase of 4,212,002 kilowatt hours, or 10.42% over 1925. The maximum peak load demand of 16,800 kilowatts also established a new high level as compared with the previous high level of 14,600 kilowatts in 1925.

Sales of gas in 1926 also broke all previous years' records, the increase

over the former high level in 1925 being 29,830,400 cubic feet, or 8.03%. Heating sales totalled 110,116,100 lbs., for the year, an increase of 18.46% over 1925.

In the Transportation Department, the number of revenue passengers showed a decrease of 462,426 over the previous year.

The year 1926 marked the seventy-fifth year in the history of your Company. Organized first as a gas company in 1851 to supply the city of Evansville, then a struggling town with a population of only 8000, your Company later acquired the electric, steam heating and electric railway properties as each in its turn developed. The founders and those who have succeeded them have pursued a progressive yet conservative course which in a measure accounts for the unbroken dividend record on the preferred stock and the prompt payment of its bonds and interest when due.

Gross earnings in 1926 increased 127% over those in 1916 and in this connection, it is of interest that such growth during that ten-year period was more than the growth of the entire sixty-five preceding years.

Comparative figures showing the service rendered during the past five years are as follows:

Calendar Years	Electric Sales in Kilowatt Hours	Gas Sales in Cubic Feet	Steam Sales in Pounds	Revenue Passengers Carried
1922	28,338,294	323,170,800	75,297,200	13,318,196
1923	34,849,560	354,934,400	81,495,200	13,935,605
1924	36,428,606	370,702,400	92,203,400	12,931,255
1925	40,407,938	371,286,800	92,958,200	12,030,431
1926	44,619,940	401,117,200	110,116,100	11,568,005

The increases in electric, gas and heating sales during the year were accompanied by gains in the number of customers. Comparative figures for the last five years are as follows:

Calendar Years	Electric Customers	Gas Customers	Heating Customers
1922	13,085	13,030	258
1923	16,779	13,552	272
1924	18,978	14,029	283
1925	21,070	14,625	313
1926	23,267	14,928	347

The number of revenue passengers carried has decreased during the past five years, due entirely to increased use of automobiles. Gross revenue, however, has not decreased because of slight increases in rates of fare charged from time to time.

NEW BUSINESS ACTIVITIES

THE policy of developing new business in both electric and gas departments was continued by your Company during 1926 with good results. In the Electric Department, a considerable amount of new power and lighting business was taken on. In the Gas Department, steps were taken to broaden the domestic market for gas by extending its use for the heating of houses. Quite a number of installations were made and the generally

favorable results obtained indicate that this method of heating will become increasingly popular with the public.

Another step taken by your Company in its efforts to increase its business was the introduction last fall of a new type, low-cost gas water heater. This heater appeals favorably to the public, and based upon the sales made up to the end of the year, it should become an important source of additional earnings.

To improve further its transportation service in the city of Evansville, your Company placed in operation late in the year, 13 modern light-weight, noiseless street cars attractive in appearance and embodying every practical design for comfort. Individual deep cushioned, upholstered seats, wide aisles, sound deadening devices, modern lighting arrangements and safety features are some of the characteristics of the new type of car. Your Company also placed in operation 10 motor buses of modern type to supplement the city railway service.

NEW PROPERTY

THE property of the Electric Light Company of Fort Branch was purchased by your Company in January, 1926. Fort Branch, the only additional community added to your system last year, is a thriving town with a population of about 1400, located in a rich farming and mining section about 20 miles north of Evansville, and is served from your Company's 33,000 volt transmission line which extends from Evansville to Princeton.

ADDITIONS AND IMPROVEMENTS

THE sum of \$754,379.86 was expended during the year for additions and improvements to your property. Approximately 25% of this amount was used in the Electric Department, 15% in the Gas Department, 50% in the Transportation Department, and 10% for the Heating Department and for general purposes.

The more important expenditures were for the purposes as hereunder listed:

Electric Department

Construction of additional pole and wire lines and installation of transformers, meters, etc.

Purchase of the property of Electric Light Company of Fort Branch.

Gas Department

Installation of 10' water gas set together with condensing and scrubbing apparatus.

Extension of gas mains and installation of service lines and meters.

Transportation Department

Purchase of 13 light-weight double truck modern type cars for service on city lines in Evansville.

Purchase of 4 additional motor buses for service in Evansville.

Purchase of 4 light-weight, three compartment one-man operated interurban cars for service between Princeton and Patoka to replace old equipment which it was necessary to retire from service.

Construction of double-track on various city lines in Evansville to replace old track.

The capital expenditures made by your Company during the five-year period ended December 31, 1926 amounted to \$3,600,164.76 with the result that your property is in better physical and operating condition than ever before.

FINANCIAL

DURING the year your Company's funded indebtedness was reduced by the redemption at 104% on October 1 of First Lien and Refunding Mortgage Gold Bonds, Series A 7½%, of which there were \$853,300.00 outstanding. These bonds were due on April 1, 1941 but on account of their high interest rate, it was deemed advisable to retire them and in due course to issue bonds bearing a lower interest rate.

The 1926 capital requirements of your Company were provided for partly through the sale of preferred stock on the Customer Ownership Plan. A total of \$578,400.00 of its preferred stock was sold in this manner by employees of your Company to 667 individuals. The offering price of \$100 per share, which became effective on May 15, 1925 was continued until June 1, 1926 when sale of this issue was withdrawn. In lieu thereof, 6.6% preferred stock, which corresponds to the 7% preferred issue in every respect except the rate of dividends paid, was offered at \$100 per share. No change was made in the two selling plans in effect, namely, cash in full payment, or on a monthly payment plan which provides for a down payment of \$10 per share and \$10 per share each month thereafter until the balance of the purchase price is paid, with interest allowed on such payments at the rate of 6.6% per annum.

At the end of 1926, your Company had 2812 stockholders, an increase of 228 over the previous year. In this connection, it is of interest that approximately one person in every seven homes served by your Company with either electricity, or gas, or both, is a stockholder.

GENERAL

EVANSVILLE, the principal city served by your Company, continued to grow during 1926, the estimated population at the end of the year being 104,000, or an increase of 22%, over the Government's census of 1920. It is a city that has never been marked by business booms but has developed along normal lines which make for permanent growth. A number of new industries located in the city last year and there are indications of further industrial growth during 1927. Plans for a bridge across the Ohio River connecting Evansville with Kentucky, have taken more definite form and the prospects for this new development now are more favorable

than they have been for some time. As the construction of such a bridge would join one of the most important highways between the North and the South, the completion of the project should be of considerable benefit to Evansville.

Based upon present conditions, manufacturing and building activities in the territory served should be on a larger scale in 1927 than they were in 1926. With its properties in excellent physical condition, and its relations with the public favorable, there are sound reasons for expecting your Company to show a reasonable gain in earnings in 1927.

The Commonwealth Power Corporation continues to render engineering and supervision services (under the direction and control of your Board of Directors) in connection with the construction, operation and expansion of the property of your Company. The Commonwealth Power Corporation, supervising the operation of large electric and other utility properties in several states, brings to your Company advantages which are reflected in its development and earnings.

The books of accounts, securities, cash, etc., of your Company have been examined and verified by Arthur Anderson & Company, certified public accountants, and their certificate of audit is included in this report, together with statement of income for 1926 and a balance sheet as of December 31, 1926.

On behalf of the Directors, it is a pleasure to commend the officers and employees for their accomplishments during the year.

By order of the Board of Directors.

B. C. Cobb,
President.

BALANCE SHEET—DECEMBER 31, 1926

ASSETS

PROPERTY, PLANT AND EQUIPMENT—	
GENERAL ACCOUNT.....	\$16,158,549.52
SUNDRY INVESTMENTS.....	902.00
SPECIAL FUNDS AND DEPOSITS:	
General Reserve Fund—represented by First and Refunding Mortgage 6% Bonds at Cost.....	\$ 82,199.60
Sinking Fund and Other Special Deposits..	46,475.15
	<u>128,674.75</u>
BOND DISCOUNT AND EXPENSE IN PROCESS OF AMORTIZATION	200,053.21
DEFERRED CHARGES AND PREPAID ACCOUNTS.....	29,802.90
CURRENT ASSETS:	
Cash and Working Funds.....	\$146,455.13
Accounts Receivable	218,923.42
Due on Subscriptions to Preferred Stock....	85,648.14
Materials and Supplies.....	163,486.11
	<u>614,512.80</u>
<hr/>	
Total	<u><u>\$17,132,495.18</u></u>

BALANCE SHEET—DECEMBER 31, 1926

LIABILITIES		
CAPITAL STOCK:		
Preferred, par value of shares \$100.00—		
6% Cumulative, Outstanding.....	\$2,192,100.00	
6.6% Cumulative—		
Outstanding	\$ 168,600.00	
Subscribed but Unis-		
sued	32,700.00	201,300.00
7% Cumulative—		
Outstanding	\$2,566,700.00	
Subscribed but Unis-		
sued	105,400.00	2,672,100.00
Common, No Par Value		
300,000 Shares Out-		
standing	3,000,000.00	\$ 8,065,500.00
FUNDED DEBT:		
First Lien and Refunding Mortgage 6%		
Gold Bonds, Series B, Due October 1,		
1947	\$1,297,100.00	
First and Refunding Mortgage 6% Gold		
Bonds, due January 1, 1929.....	2,753,200.00	
Evansville Gas and Electric Light Com-		
pany—First Mortgage and Refund-		
ing 5% Bonds, due June 1, 1932.....	1,090,000.00	
Ten Year Sinking Fund 7% Gold Deben-		
ture Bonds, due January 1, 1934....	635,900.00	5,776,200.00
DEFERRED LIABILITIES—CUSTOMERS' DEPOSITS		81,544.68
DUE TO COMMONWEALTH POWER CORPORATION		520,977.91
CURRENT LIABILITIES:		
Accounts Payable	\$ 135,845.20	
Due to Affiliated Companies.....	11,555.66	
Dividends Payable	97,914.50	
Accrued Taxes (Federal Income Taxes		
Subject to Review by Treasury De-		
partment)	358,741.99	
Accrued Interest.....	23,998.17	
Unredeemed Tickets.....	14,175.49	642,231.01
RESERVES:		
Retirement Reserve	\$1,379,127.92	
Other Operating Reserves.....	97,511.18	1,476,639.10
PREMIUM ON PREFERRED STOCK.....		32,890.00
CONTRIBUTIONS FOR EXTENSIONS.....		13,933.03
SURPLUS.....		522,579.45
Total.....		<u>\$17,132,495.18</u>

INCOME ACCOUNT AND SUMMARY OF SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1926

INCOME ACCOUNT

GROSS EARNINGS:

Electric		\$1,462,837.20
Railway		811,317.32
Gas		536,721.86
Steam Heating.....		72,375.03

Total Gross Earnings.....\$2,883,251.41

OPERATING EXPENSES AND TAXES:

Operating Expenses.....	\$1,410,295.95	
Taxes	285,101.23	1,695,397.18

Net Earnings\$1,187,854.23

DEDUCT:

Interest Charges—Net.....	\$ 379,325.02	
Amortization of Debt Discount and Ex- pense, etc.	16,228.60	395,553.62

Net Income available for Retirement
Reserve and Dividends.....\$ 792,300.61

SUMMARY OF SURPLUS ACCOUNT

SURPLUS BALANCE JANUARY 1, 1926.....\$ 523,175.86

Net Income available for Retirement Re- serve and Dividends, year ended December 31, 1926 as above.....	\$ 792,300.61	
Less—Provision for Retirement Reserve	216,181.73	576,118.88

Total.....\$1,099,294.74

Deduct—Surplus Charges—

Premium Paid on Retirement of Bonds (Net)	\$ 32,332.98	
Unexpired Discount and Expense on Bonds Retired.....	84,579.25	118,453.04
Sundry Direct Surplus Items (Net).....	1,540.81	

Balance.....\$ 980,841.70

Deduct—Dividends—

On 6% Cumulative Preferred Stock.....	\$ 131,526.00	
On 6.6% Cumulative Preferred Stock.....	3,267.51	
On 7% Cumulative Preferred Stock.....	173,468.74	
On Common Stock.....	150,000.00	458,262.25

SURPLUS BALANCE DECEMBER 31, 1926.....\$ 522,579.45

TELEPHONE RANDOLPH 5386

ARTHUR ANDERSEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

CHICAGO
NEW YORK
MILWAUKEE
WASHINGTON
KANSAS CITY
LOS ANGELES

HARRIS TRUST BUILDING
111 WEST MONROE STREET
CHICAGO

February 14, 1927.

To the Stockholders of

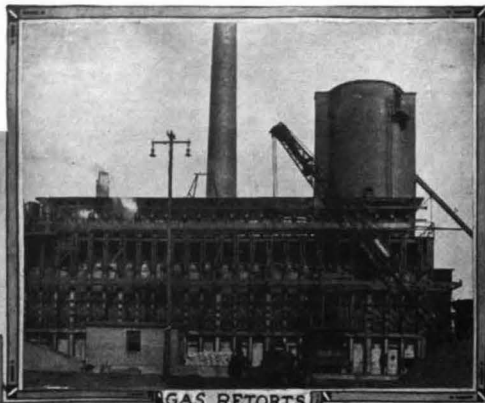
Southern Indiana Gas and Electric Company:

We have examined the books and accounts of the SOUTHERN INDIANA GAS AND ELECTRIC COMPANY for the year ended December 31, 1926, and certify that, in our opinion, the accompanying Balance Sheet, and Income and Surplus Accounts correctly present the financial position of the company at December 31, 1926, and the results from operations for the year ended that date.

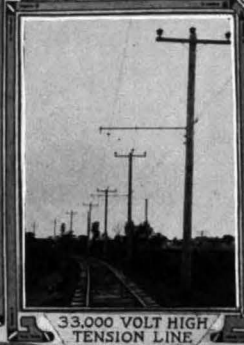
(Signed) ARTHUR ANDERSEN & CO.



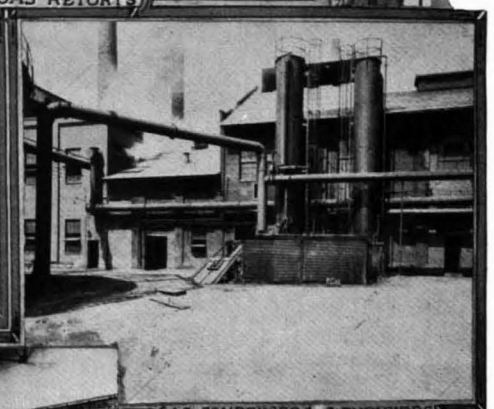
BOILER ROOM- DIVISION STREET STATION



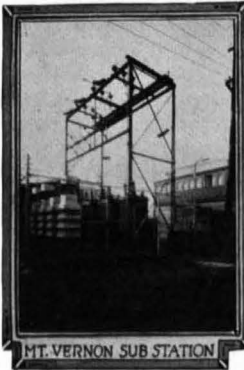
GAS RETORTS



33,000 VOLT HIGH TENSION LINE



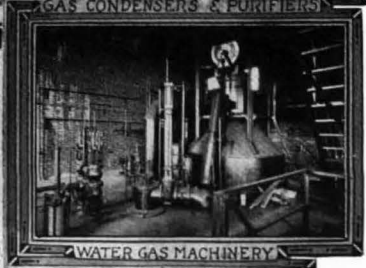
GAS CONDENSERS & PURIFIERS



MT. VERNON SUB STATION



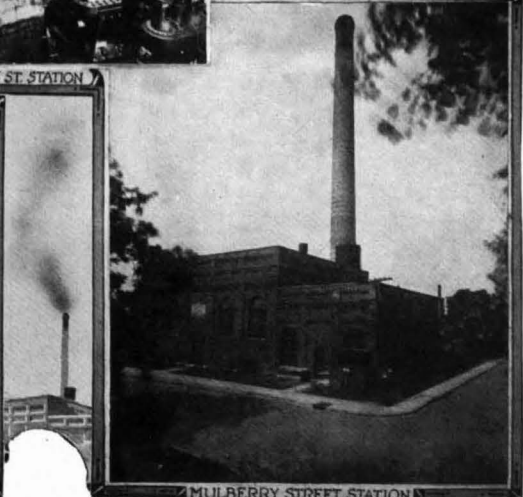
TURBINE ROOM - DIVISION ST. STATION



WATER GAS MACHINERY

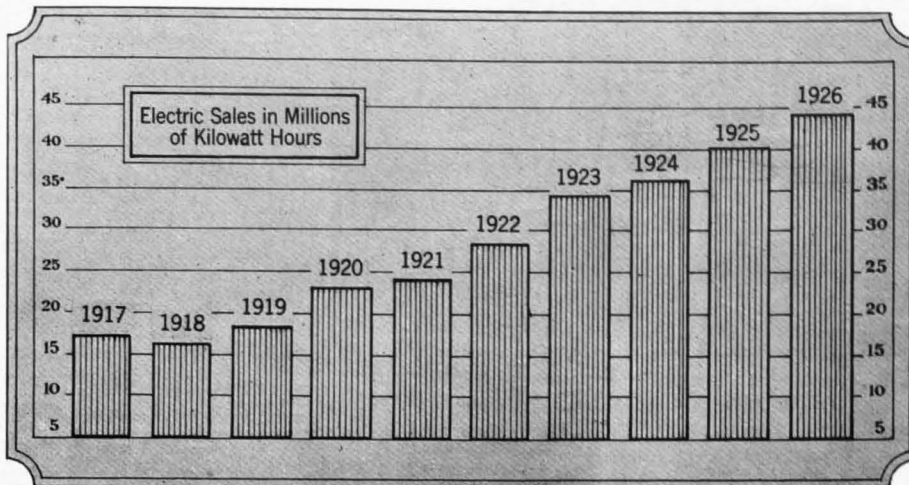


SWITCHBOARD - DIVISION ST. STATION



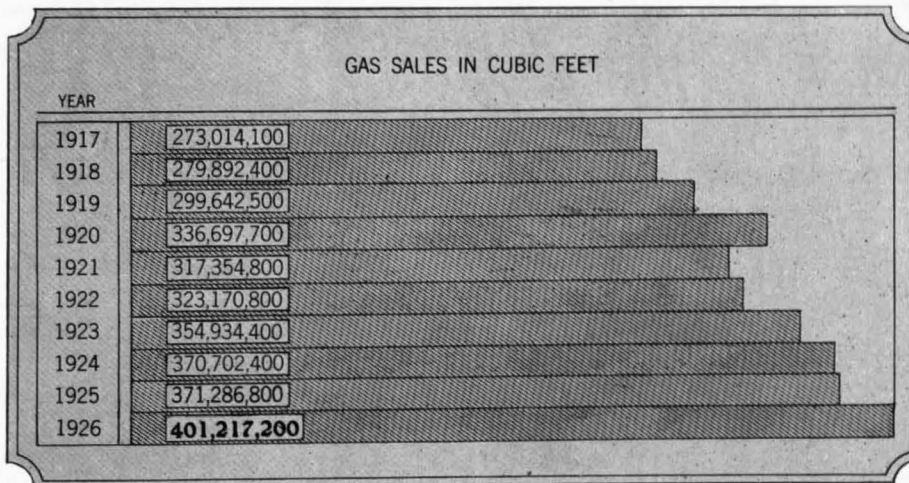
MULBERRY STREET STATION

OTHER VIEWS OF THE GAS AND ELECTRIC PROPERTIES



TEN YEAR RECORD OF BUSINESS PROGRESS

Electric Sales in Kilowatt Hours		Gas Sales in Cubic Feet	
1917	17,102,854	1917	273,014,100
1918	16,926,879	1918	279,892,400
1919	18,618,530	1919	299,642,500
1920	23,224,529	1920	336,697,700
1921	24,157,888	1921	317,354,800
1922	28,388,294	1922	323,170,800
1923	34,849,560	1923	354,934,400
1924	36,428,606	1924	370,702,400
1925	40,407,938	1925	371,286,800
1926	44,619,940	1926	401,117,200





*New Type
Street Car*



*New Type
Yellow Bus*



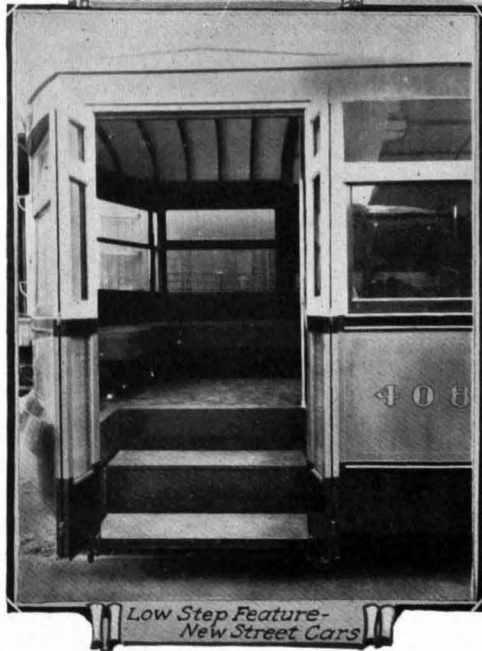
Interior New Buses



Graham Buses



Interior New Street Cars

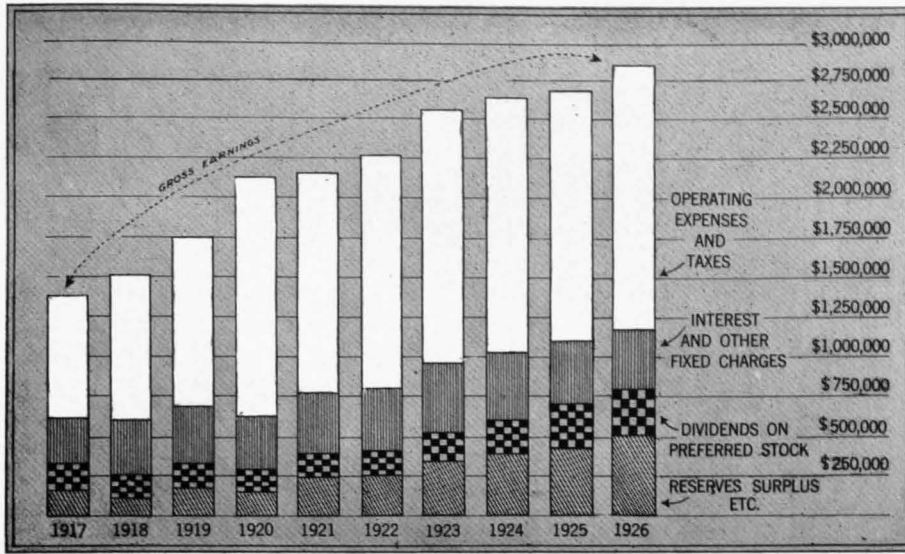


*Low Step Feature-
New Street Cars*



Yellow Coach Buses

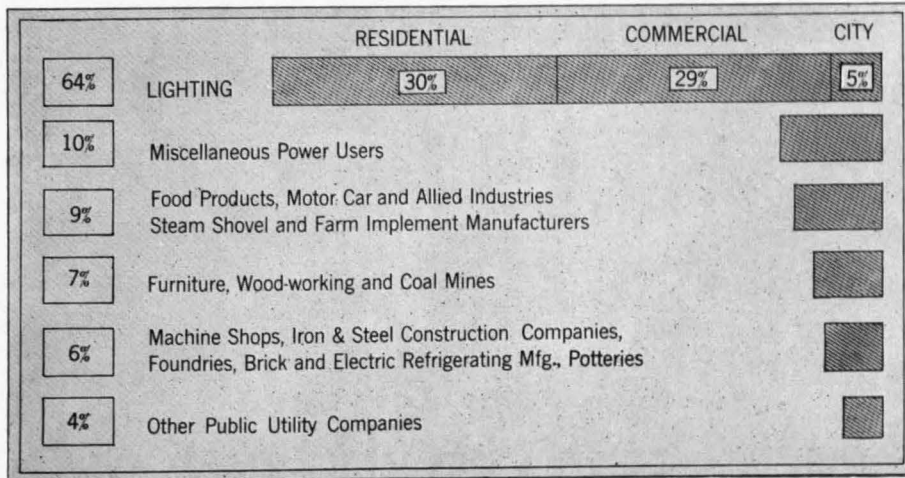
SOME OF THE NEW EQUIPMENT RECENTLY ADDED TO TRANSPORTATION DEPARTMENT

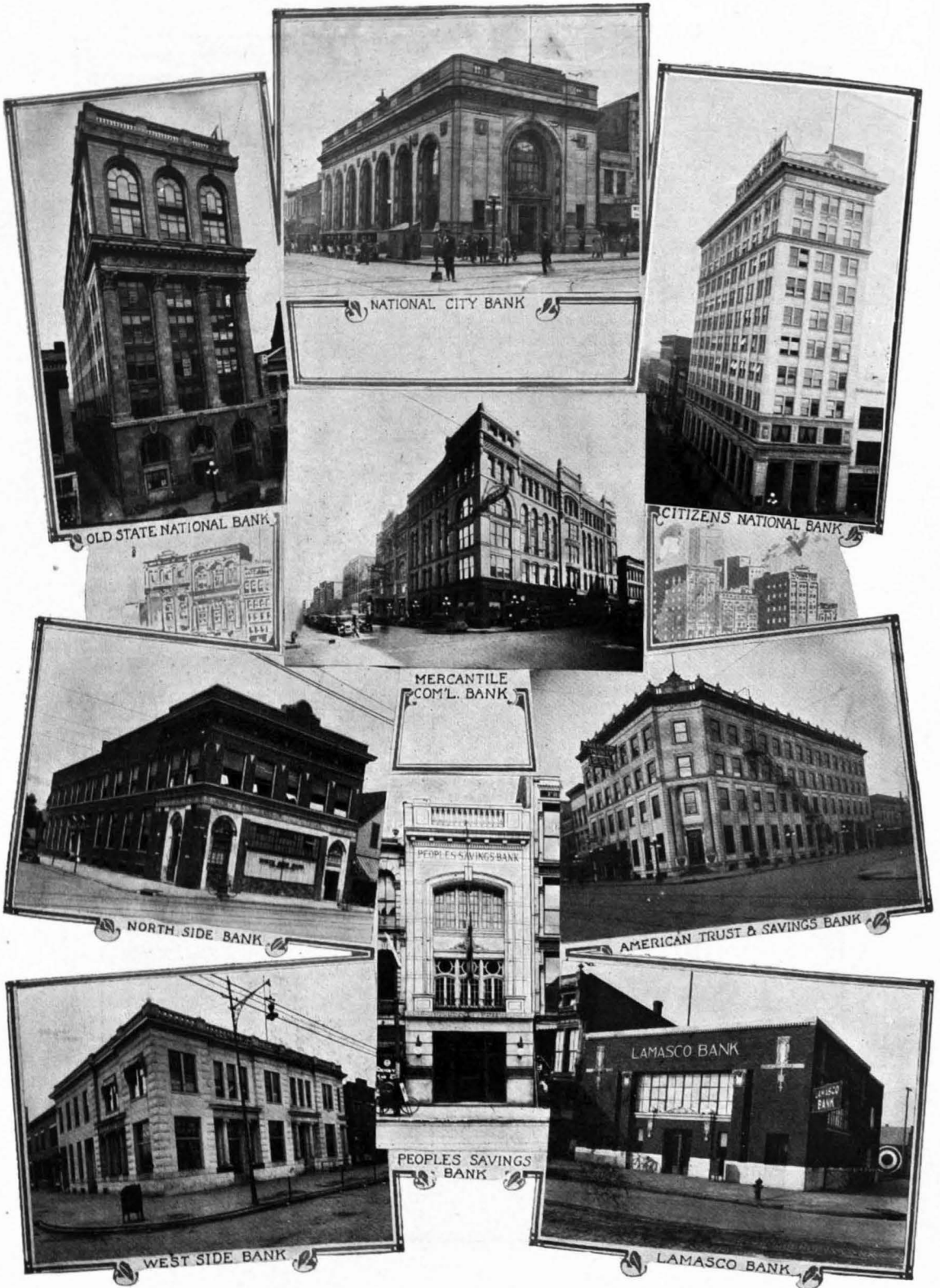


TEN YEAR RECORD OF EARNINGS AND DISTRIBUTION THEREOF

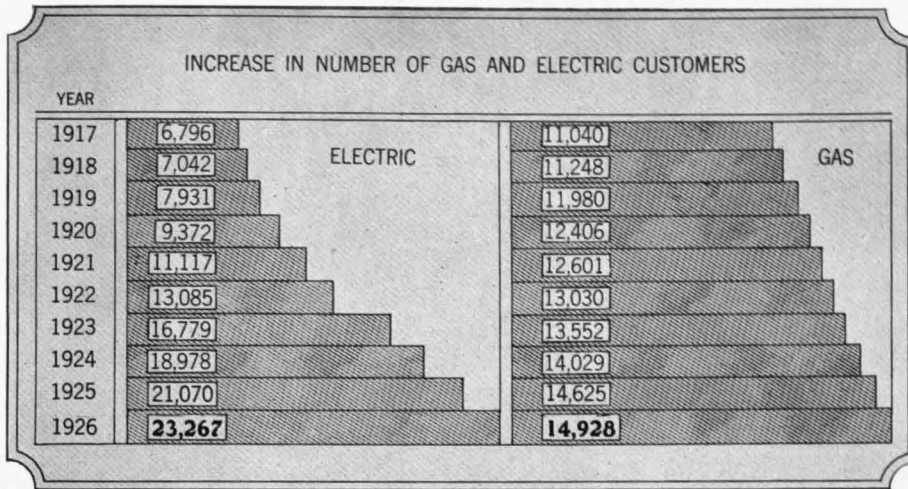
Year	Gross Earnings	Operating Expenses and Taxes	Gross Income	Interest and Other Fixed Charges	Net Income	Dividends on Preferred Stock
1917	1,390,658.84	764,486.92	626,171.92	312,487.30	313,684.62	151,200.00
1918	1,509,711.15	918,426.47	591,284.68	351,259.76	240,024.92	151,371.62
1919	1,753,505.26	1,084,692.83	668,812.43	353,492.56	315,319.87	151,638.00
1920	2,129,749.81	1,508,239.00	621,510.81	336,129.40	285,381.41	151,638.00
1921	2,157,051.88	1,384,058.15	772,993.73	377,095.51	395,898.22	153,796.39
1922	2,280,038.13	1,494,182.58	785,855.55	378,992.42	406,863.13	164,297.02
1923	2,578,764.13	1,626,932.40	951,831.73	433,418.04	518,413.69	188,802.91
1924	2,654,614.73	1,630,064.30	1,024,550.43	438,530.24	586,020.19	217,536.57
1925	2,671,996.57	1,612,457.85	1,059,538.72	402,464.00	657,074.72	260,791.58
1926	2,883,251.41	1,695,397.18	1,187,854.23	395,553.62	792,300.61	308,262.25

SOURCES OF ELECTRIC REVENUE—1926



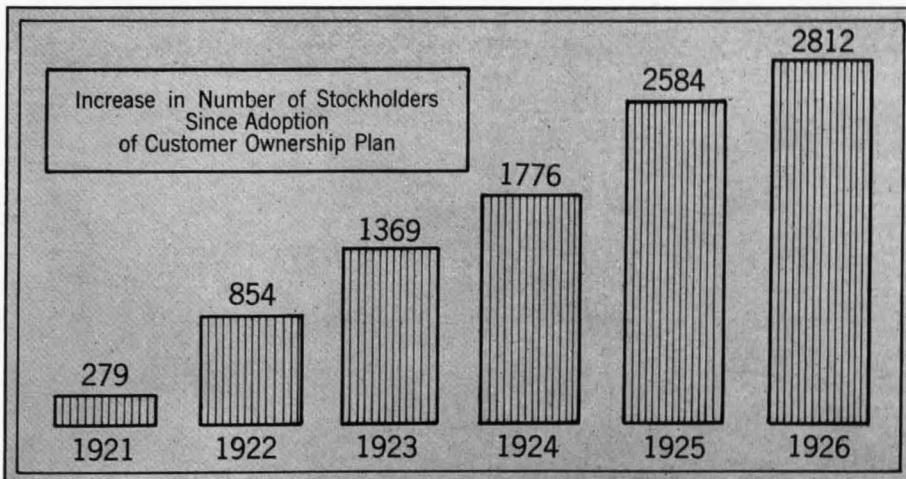


EVANSVILLE RANKS AMONG FIRST CITIES OF U. S. IN BANK SAVINGS PER CAPITA



TEN YEAR RECORD OF GROWTH IN NUMBER OF GAS AND ELECTRIC CUSTOMERS

Electric		Gas		INCREASE IN NUMBER OF STOCKHOLDERS	
1917	6,796	1917	11,040	1921	279
1918	7,042	1918	11,248	1922	854
1919	7,931	1919	11,980	1923	1,369
1920	9,372	1920	12,406	1924	1,776
1921	11,117	1921	12,601	1925	2,584
1922	13,085	1922	13,030	1926	2,812
1923	16,779	1923	13,552		
1924	18,978	1924	14,029		
1925	21,070	1925	14,625		
1926	23,267	1926	14,928		



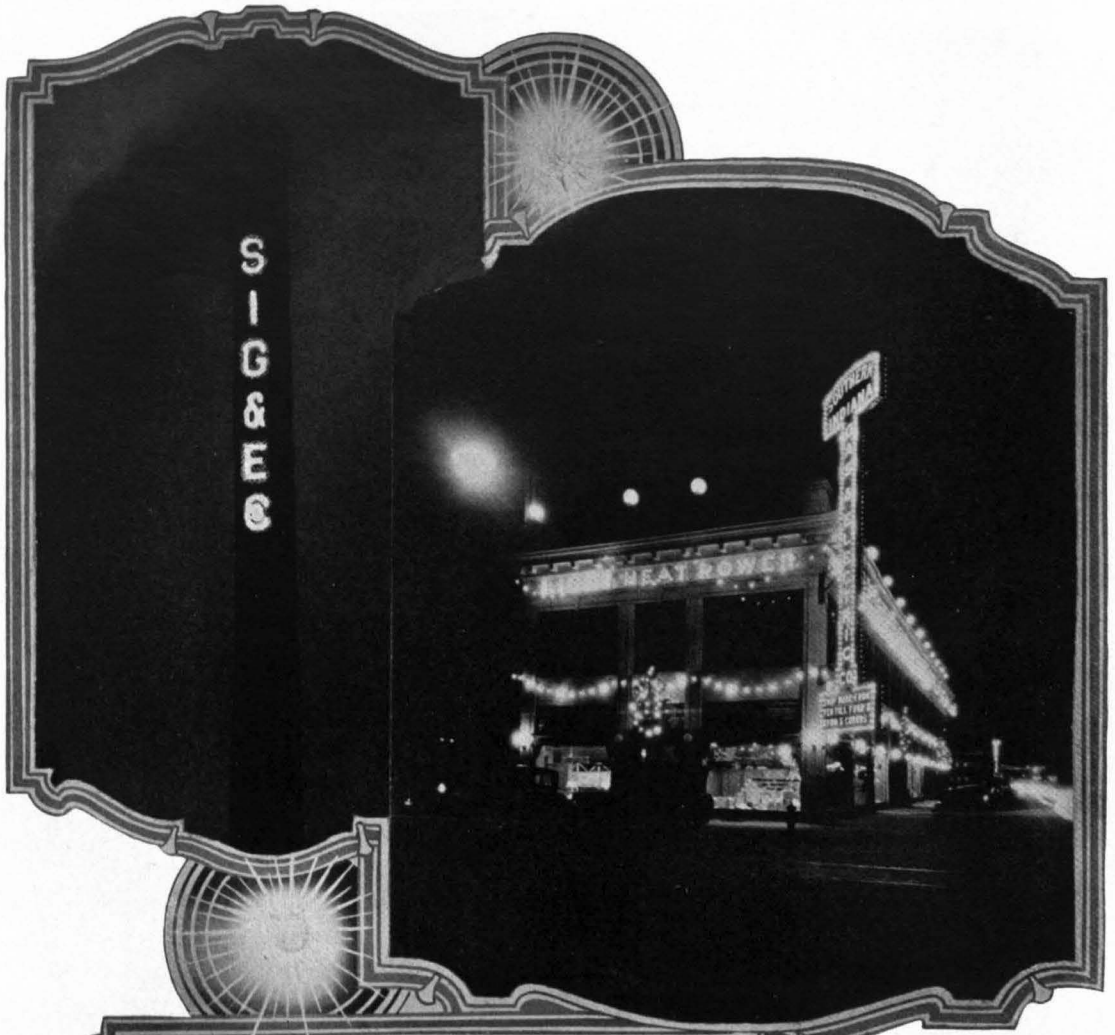
SIX YEAR RECORD OF GROWTH IN NUMBER OF STOCKHOLDERS



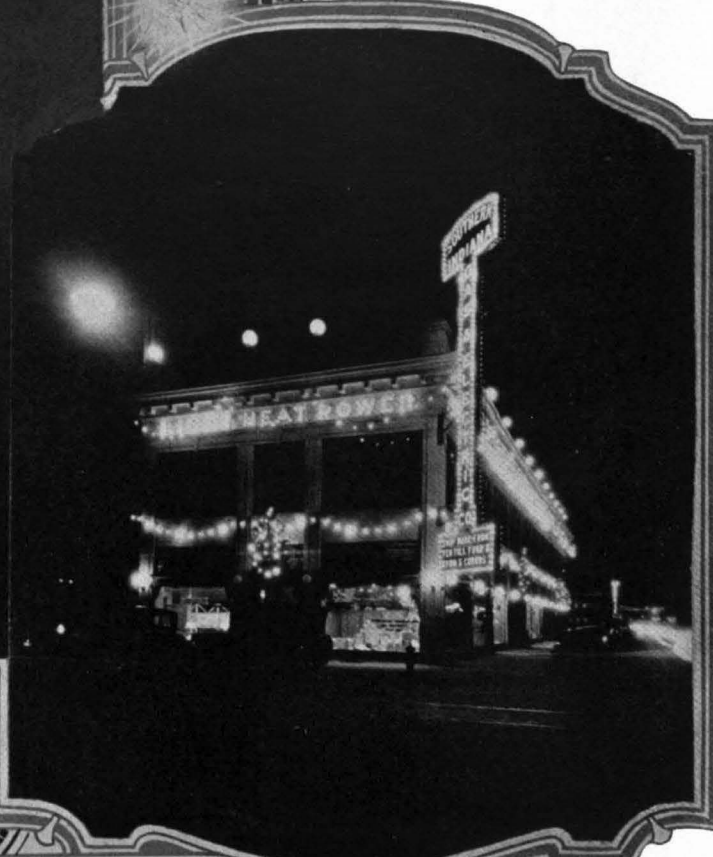
BETTER STORE LIGHTING—A SOURCE OF INCREASED REVENUE



WELL LIGHTED INTERIORS—SOME OF EVANSVILLE'S RETAIL STORES



S
I
G
&
E



SOUTHERN INDIANA
GAS & ELECTRIC
C O.

The Company's Office
Building at Night
and The New Electric
Signs on Division
Street Station and the
Gas Works.

THE COMPANY BACKS ELECTRICAL ADVERTISING WITH ITS OWN DISPLAY

SOUTHERN INDIANA GAS & ELECTRIC COMPANY SYSTEM

- LEGEND**
- TRANSMISSION LINES
 - INTERURBAN LINE
 - OTHER COMPANY'S LINES TO WHICH POWER IS FURNISHED
 - POWER STATION
 - SUB STATIONS
 - GAS PLANT
 - ELECTRIC SERVICE
 - STEAM HEATING PLANT
 - STREET RAILWAY SERVICE

EVANSVILLE

Scale in Miles
0 5 10

