

Southern Indiana Gas and Electric Company

REPORT TO THE STOCKHOLDERS

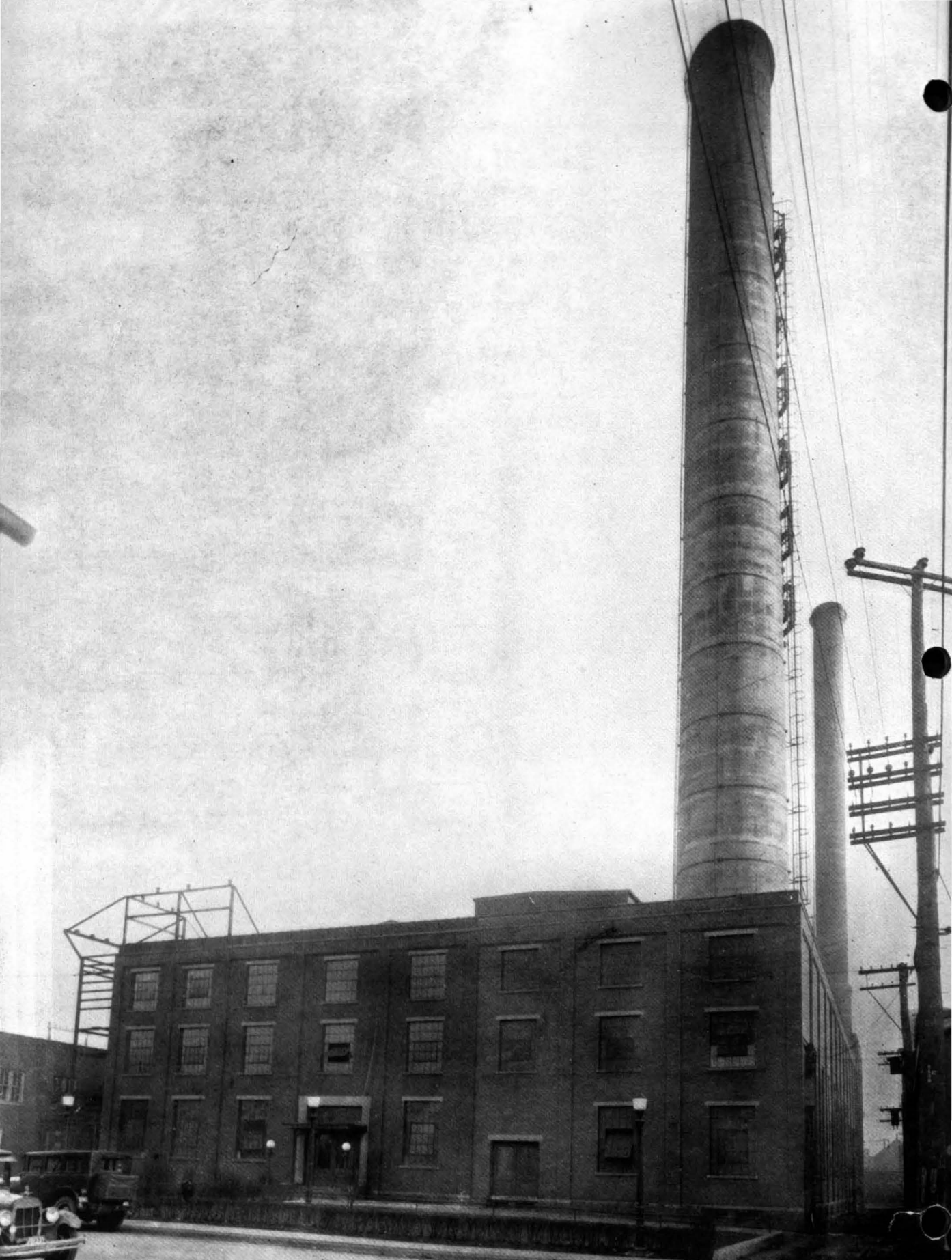


FOR THE YEAR ENDED
DECEMBER 31, 1927

SOUTHERN INDIANA GAS
AND ELECTRIC COMPANY

Report to the Stockholders

FOR THE YEAR ENDED
DECEMBER 31, 1927



*DIVISION STREET
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.
WM. 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.

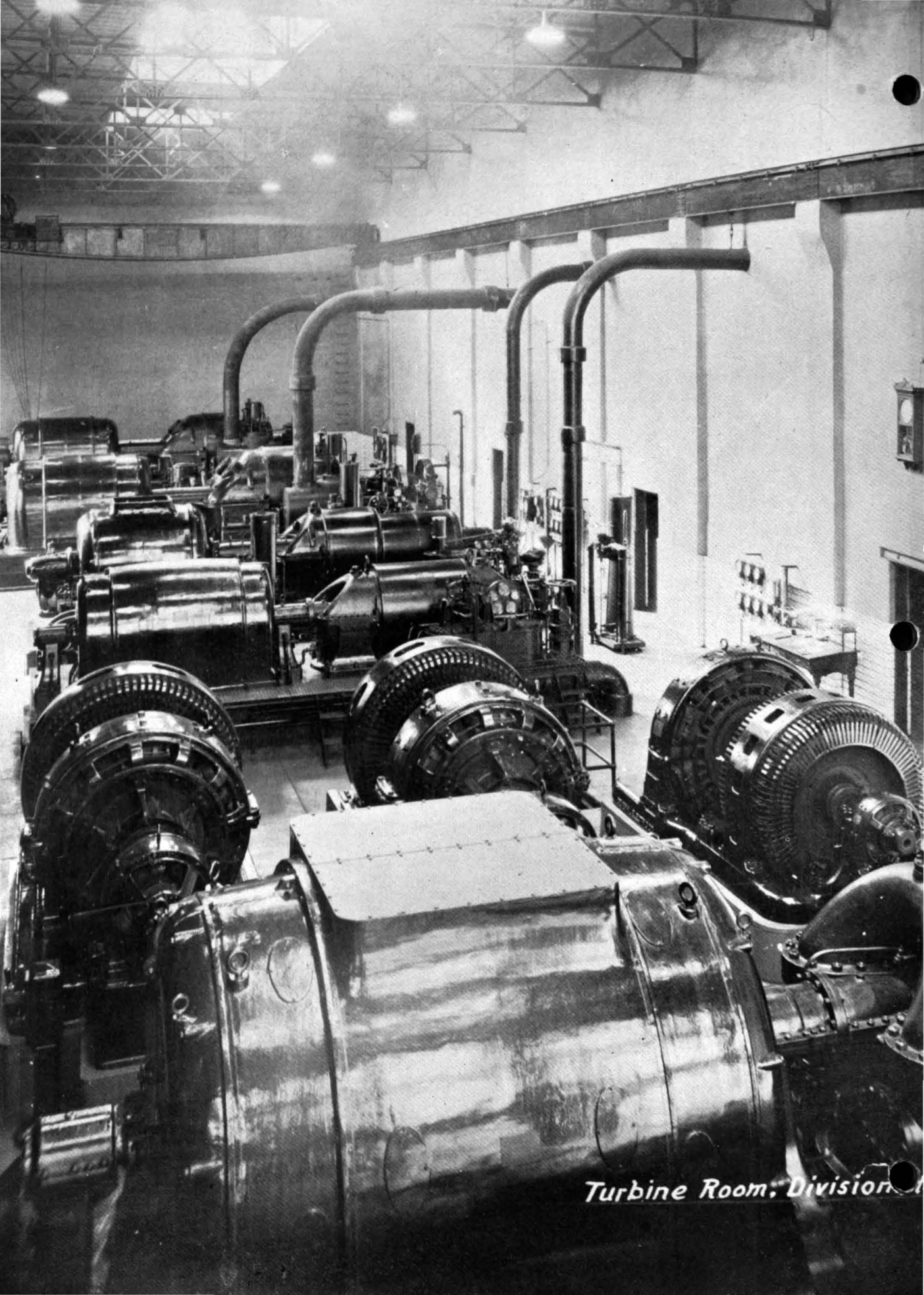
TRANSFER AGENTS

Southern Indiana Gas and Electric Co.
Evansville, Ind.
(For 6%, 6.6% and 7% Preferred Stock)
Hodenpyl, Hardy & Co., Incorporated
New York, N. Y.
(For 6% Preferred Stock)

REGISTRARS

The National City Bank
Evansville, Ind.
(For 6%, 6.6% and 7% Preferred Stock)
Bankers Trust Company
New York, N. Y.
(For 6% Preferred Stock)

GENERAL OFFICE
EVANSVILLE, INDIANA



Turbine Room, Division

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

Evansville, Indiana,
March 19, 1928.

To the Stockholders:

THE Board of Directors submits the following report covering the operations of your property for the year ended December 31, 1927, together with comparative statement of earnings, expenses, etc., for the preceding year:

	1927	1926
Gross Earnings:		
Electric	\$1,601,276.62	\$1,462,837.20
Transportation	810,922.79	811,317.32
Gas	563,941.96	536,721.86
Steam Heating	62,249.64	72,375.03
Total.....	3,038,391.01	2,883,251.41
Operating Expenses and Taxes:		
Operating Expenses	1,407,288.46	1,410,295.95
Taxes	332,477.74	285,101.23
Total.....	1,739,766.20	1,695,397.18
Gross Income	1,298,624.81	1,187,854.23
Interest	336,202.79	379,325.02
Amortization of Debt Discount and Expense.....	10,893.73	16,228.60
Total.....	347,096.52	395,553.62
Net Income Available for Dividends and Retirement Reserve	951,528.29	792,300.61
Dividends on Preferred Stock.....	351,792.39	308,262.25
Provision for Retirement Reserve.....	220,698.32	216,181.73
Total.....	572,490.71	524,443.98
Balance.....	\$ 379,037.58	\$ 267,856.63
Ratio of Operating Expenses to Gross Earnings.....	46.32%	48.91%
Ratio of Operating Expenses and Taxes to Gross Earnings..	57.26%	58.80%

SERVICE RENDERED

SATISFACTORY progress was made by your Company in 1927 despite some unsettlement in local business conditions. The volume of business done by your Company not only was larger than in any previous year but due to economies effected and greater operating efficiency, it was handled at a lower cost.

Due principally to the acquisition of new industrial customers which previously had supplied their own power requirements, and to the development of power and commercial business, sales of electricity and gas during 1927 showed increases of 9.52% and 6.51% respectively, over the previous year. The Transportation Department carried less revenue passengers, which caused a slight decrease in gross earnings but this unfavorable factor was more than offset by a reduction in operating expenses largely through the greater use of one-man operated cars. Steam sales (which vary with climatic conditions) declined some on account of the mild weather which prevailed during the latter part of 1927.

Comparative figures showing 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
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
1927	48,866,925	427,246,400	93,282,600	11,151,361

Further gains were made during the year in the number of electric, gas and steam heating customers, comparative figures for the last five years being as follows:

Calendar Years	Electric Customers	Gas Customers	Heating Customers
1923	16,779	13,552	272
1924	18,978	14,029	283
1925	21,070	14,625	313
1926	23,267	14,928	347
1927	24,875	15,254	358

NEW BUSINESS ACTIVITIES

THE steps taken by your Company to develop new business bore gratifying results during 1927 with respect to the greater industrial and commercial uses of electricity and gas by regular customers. Substantial increases also were made in residential and domestic consumption due to a more general use of electric and gas appliances in the home. Many electric

and some gas operated refrigerators were installed and proved to be satisfactory load builders. The new type, low-cost gas water heater, to which reference was made in the 1926 annual report, has given favorable results wherever installed and the volume of sales has been very satisfactory.

ADDITIONS AND IMPROVEMENTS

IN addition to maintaining its property in good operating condition, your Company expended \$536,934.00 for additions and improvements. Approximately 39% of this amount was used for the account of the Electric Department, 26% for the Gas Department, 25% for the Transportation Department and 10% for the Heating Department and general purposes.

The more important expenditures were for the following described additions and improvements:

Electric Department

Partial construction of an underground cable system to feed the distribution system supplied from the Division Street station in Evansville.

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

Gas Department

Erection of a new 550,000 cubic foot capacity gas holder and extension of gas mains and the installation of meters.

Transportation Department

Renewal of track on various streets with new and heavier steel rails and the purchase and installation of safety equipment for the remodelling of 23 double truck street cars for one-man operation.

FINANCIAL

NO public financing was done by your Company during 1927 except through the sale of preferred stock on the Customer Ownership Plan. In this connection, \$814,700.00 in par value of preferred stock was sold by company employees in conjunction with their regular duties.

The sale of 6.6% preferred stock at \$100 per share (which price was established on June 1, 1926) was continued during the first six months of 1927. Due to improvements in general investment conditions, the sale of 6.6% preferred stock was withdrawn and in lieu thereof an issue of 6% preferred was offered at \$95 per share beginning July 1, 1927. On November 15, the price of this 6% issue was advanced to \$100 per share. No change was made in the two selling plans in effect, namely, cash in full payment at the time of purchase, or on a monthly payment plan which provides for a down payment of \$10 per share and \$10 per share payment each month thereafter until the balance due is paid. Interest at the dividend rate paid on the preferred stock is allowed on the amount of part payments made.

At the close of 1927, your Company had 3,133 stockholders, a gain of approximately 11% over 1926, practically all of whom live in the territory served.

On July 1, 1927, your Company called for redemption at 102% and interest, its Ten-Year Sinking Fund 7% Gold Debenture Bonds of which \$635,900 in principal amount was outstanding. These bonds did not mature until January 1, 1934 but it was deemed advisable to retire them to effect savings in interest charges.

GENERAL

NOTWITHSTANDING the fact that general business conditions in the territory served were not as good in 1927 as they were in 1926, your Company had a successful year because of the reasons given in this report and because of the diversified character of its business. Further progress is anticipated in 1928 as local conditions indicate that an improvement in the industrial situation will take place. If this expectation is realized, your Company is in an excellent position to benefit.

The books of accounts, securities, cash, etc., of your Company have been examined and verified by Arthur Andersen & Co., certified public accountants, and their certificate of audit is included in this report, together with statement of Income for the year 1927 and a balance sheet as of December 31, 1927.

On behalf of the Directors, it is again a pleasure to express appreciation for the fine spirit of loyalty which characterized the Company's organization through the year and which contributed in no small way to the favorable results obtained.

By order of the Board of Directors.

B. C. Cobb,
President.

BALANCE SHEET—DECEMBER 31, 1927

ASSETS

PROPERTY, PLANT AND EQUIPMENT—		
GENERAL ACCOUNT.....		\$16,525,118.54
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..	6,841.61	89,041.21
<hr/>		
BOND DISCOUNT AND EXPENSE IN PROCESS OF		
AMORTIZATION.....		177,189.97
DEFERRED CHARGES AND PREPAID ACCOUNTS.....		18,483.39
CURRENT ASSETS:		
Cash and Working Funds.....	\$151,283.20	
Accounts Receivable.....	197,259.63	
Due on Subscriptions to Preferred Stock....	61,758.42	
Materials and Supplies.....	215,225.07	625,526.32
<hr/>		
Total		<u>\$17,436,261.43</u>

BALANCE SHEET—DECEMBER 31, 1927

LIABILITIES

CAPITAL STOCK:

Preferred, par value of shares \$100.00—

6% Cumulative—

Outstanding\$2,405,200.00

Subscribed but Unis-

sued 33,100.00 \$2,438,300.00

6.6% Cumulative—

Outstanding\$ 800,300.00

Subscribed but Unis-

sued 43,800.00 844,100.00

7% Cumulative—

Outstanding\$2,561,600.00

Subscribed but Unis-

sued 36,200.00 2,597,800.00

Common, No Par Value,

300,000 Shares Out-

standing 3,000,000.00 \$ 8,880,200.00

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..... 2,751,200.00

Evansville Gas and Electric Light Com-

pany—First Mortgage and Refund-

ing 5% Bonds, due June 1, 1932..... 1,075,000.00 5,123,300.00

DEFERRED LIABILITIES—CUSTOMERS' DEPOSITS

91,315.79

DUE TO COMMONWEALTH POWER CORPORATION

488,944.66

CURRENT LIABILITIES:

Accounts Payable\$ 71,090.04

Due to Affiliated Companies..... 8,610.78

Dividends Payable 108,983.70

Accrued Taxes (Federal Income Taxes

Subject to Review by Treasury De-

partment) 429,688.94

Accrued Interest 23,935.66

Unredeemed Tickets 14,612.78 656,921.90

RESERVES:

Retirement Reserve\$1,460,502.87

Other Operating Reserves..... 105,328.13 1,565,831.00

PREMIUM ON PREFERRED STOCK..... 32,890.00

CONTRIBUTIONS FOR EXTENSIONS..... 22,990.19

SURPLUS 573,867.89

Total.....\$17,436,261.43

INCOME ACCOUNT AND SUMMARY OF SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1927

INCOME ACCOUNT

GROSS EARNINGS:		
Electric	\$1,601,276.62	
Transportation	810,922.79	
Gas	563,941.96	
Steam Heating	62,249.64	
Total Gross Earnings.....		\$3,038,391.01
OPERATING EXPENSES AND TAXES:		
Operating Expenses	\$1,407,288.46	
Taxes	332,477.74	1,739,766.20
Net Earnings		\$1,298,624.81
DEDUCT:		
Interest Charges—Net	\$ 336,202.79	
Amortization of Debt Discount and Ex- pense, etc.	10,893.73	347,096.52
Net Income Available for Retirement Reserve and Dividends.....		\$ 951,528.29

SUMMARY OF SURPLUS ACCOUNT

SURPLUS BALANCE JANUARY 1, 1927.....		\$ 522,579.45
Net Income Available for Retirement Re- serve and Dividends, Year Ended December 31, 1927, as above.....	\$ 951,528.29	
Less—Provision for Retirement Reserve..	220,698.32	730,829.97
Total.....		\$1,253,409.42
DEDUCT—SURPLUS CHARGES:		
Premium and Expense on Bonds Retired..	\$ 14,074.63	
Unexpired Discount and Expense on Bonds Retired	12,969.51	
Sundry Direct Surplus Items—Net.....	705.00	27,749.14
Balance.....		\$1,225,660.28
DEDUCT—DIVIDENDS:		
On 6% Cumulative Preferred Stock.....	\$ 134,610.51	
On 6.6% Cumulative Preferred Stock.....	37,290.51	
On 7% Cumulative Preferred Stock.....	179,891.37	
On Common Stock.....	300,000.00	651,792.39
SURPLUS BALANCE DECEMBER 31, 1927		\$ 573,867.89

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

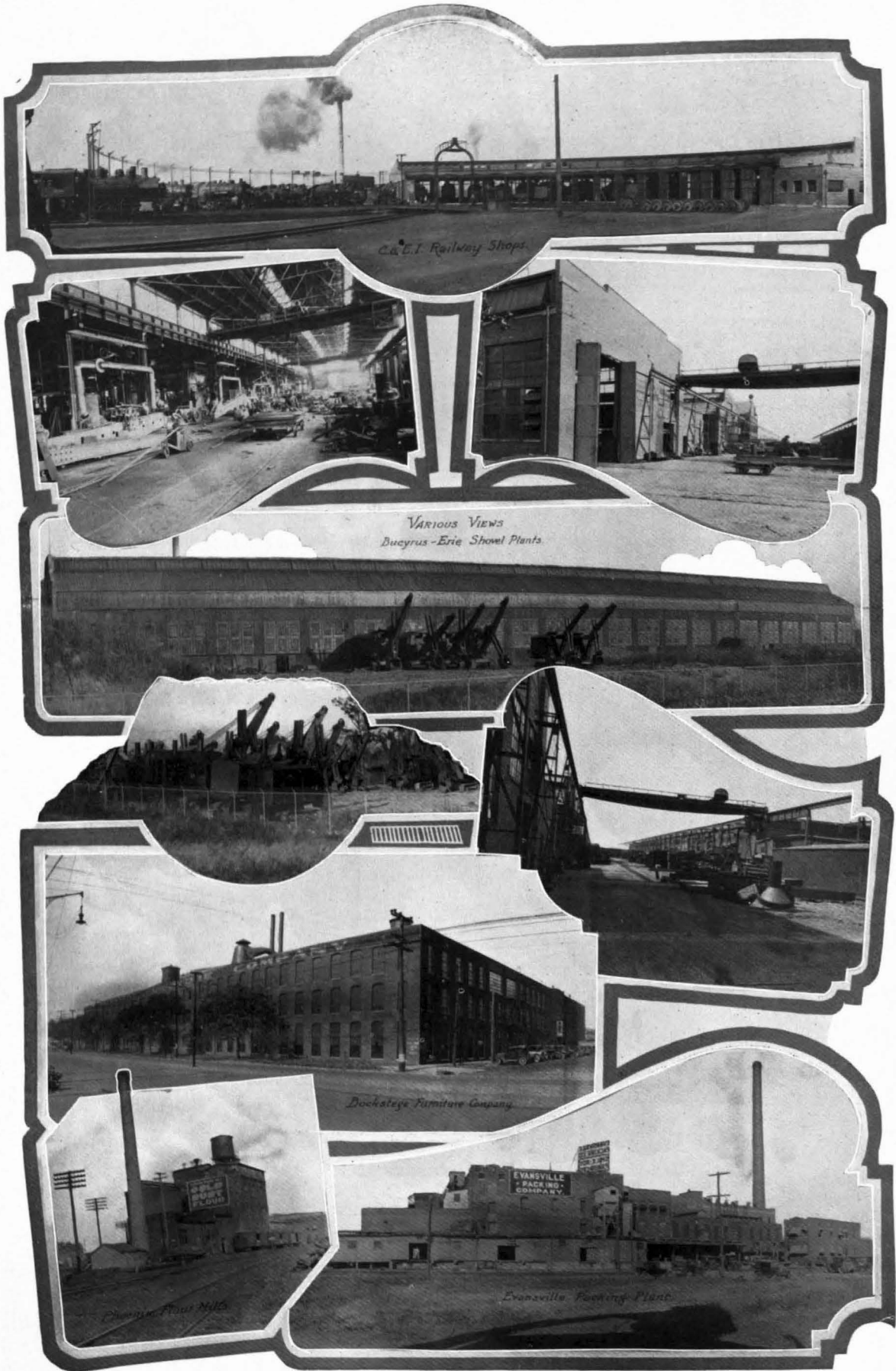
February 16, 1928.

To the Stockholders of

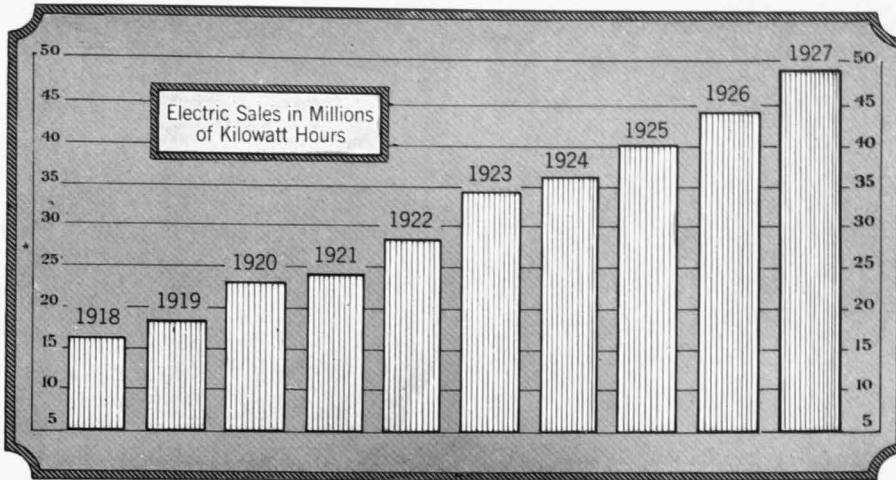
Southern Indiana Gas and Electric Company:

We have examined the books and accounts of the SOUTHERN INDIANA GAS AND ELECTRIC COMPANY for the year ended December 31, 1927, 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, 1927, and the results from operations for the year ended that date.

(Signed) ARTHUR ANDERSEN & CO.

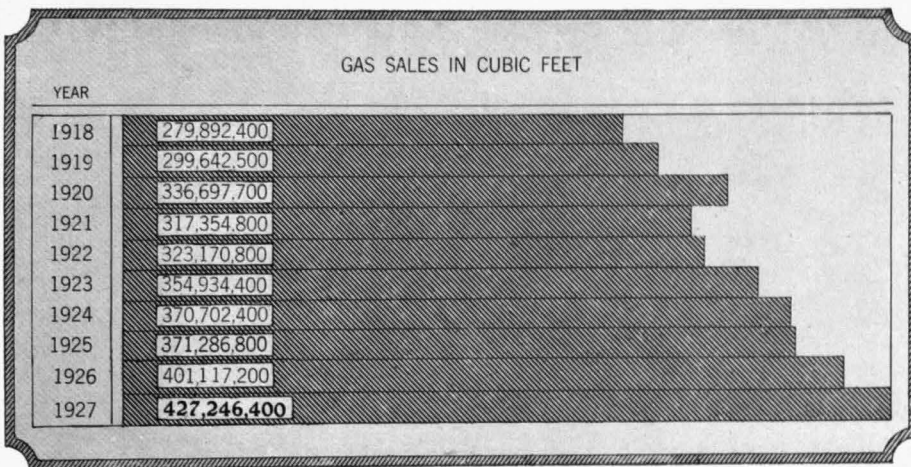


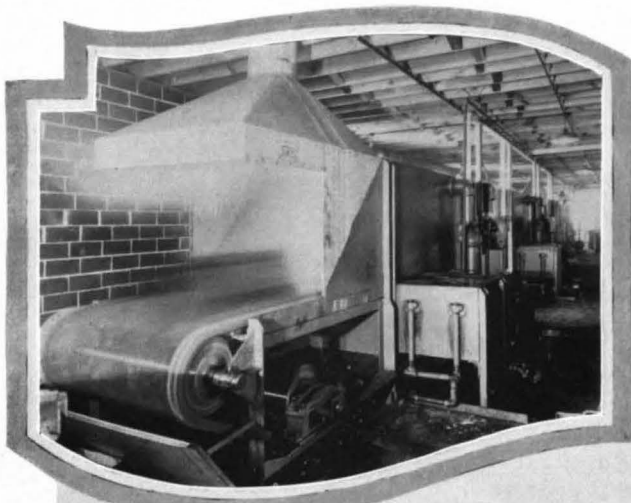
SOME NEW POWER CUSTOMERS TAKEN ON DURING 1927.



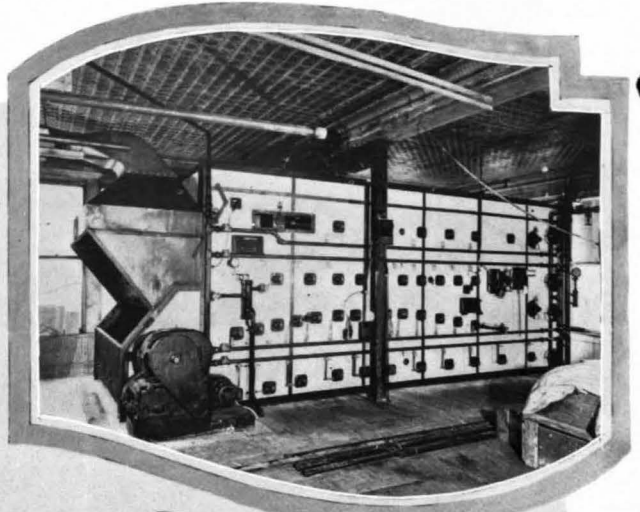
TEN YEAR RECORD OF BUSINESS PROGRESS

Electric Sales in Kilowatt Hours		Gas Sales in Cubic Feet	
1918	16,926,879	1918	279,892,400
1919	18,619,530	1919	299,642,500
1920	23,224,529	1920	336,697,700
1921	24,157,888	1921	317,354,800
1922	28,338,294	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
1927	48,866,925	1927	427,246,400





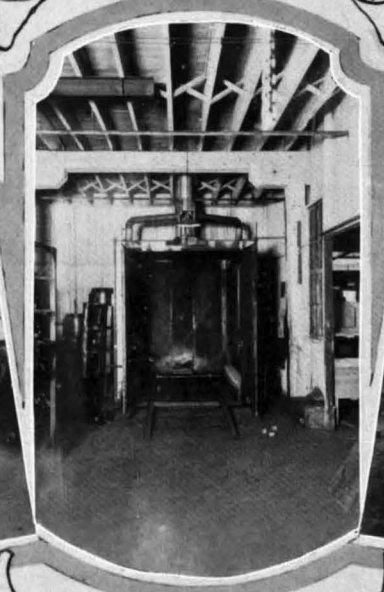
Graham Truck Plant.



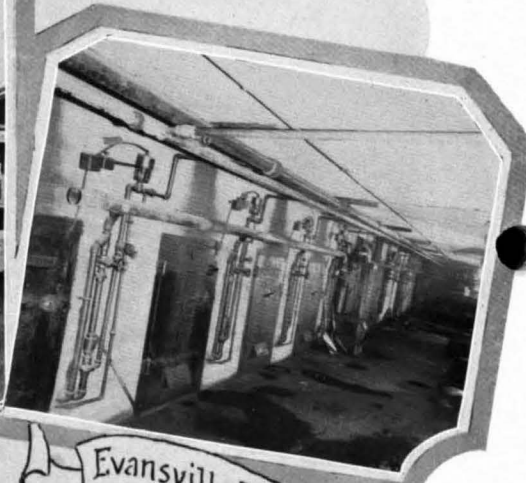
Walsh Bakery.



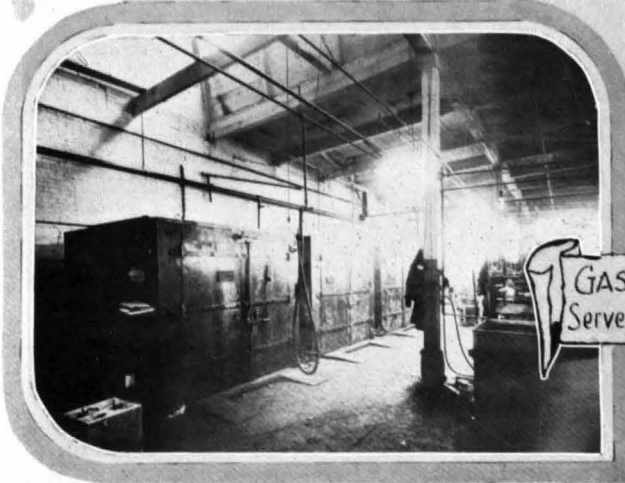
Feldman Bakery.



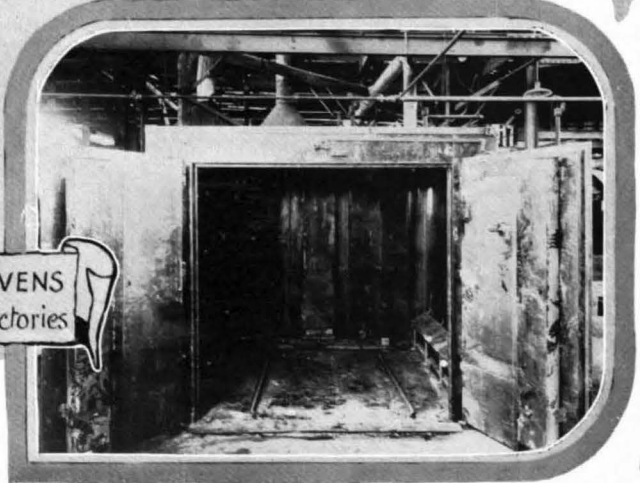
Sunbeam Electric Co.



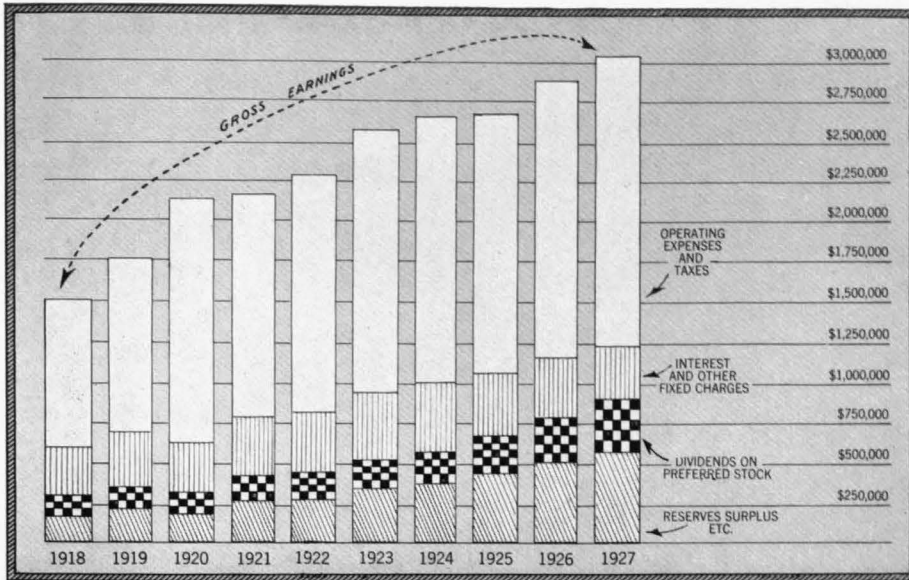
Evansville Packing Plant.



GAS OVENS
Servel Factories



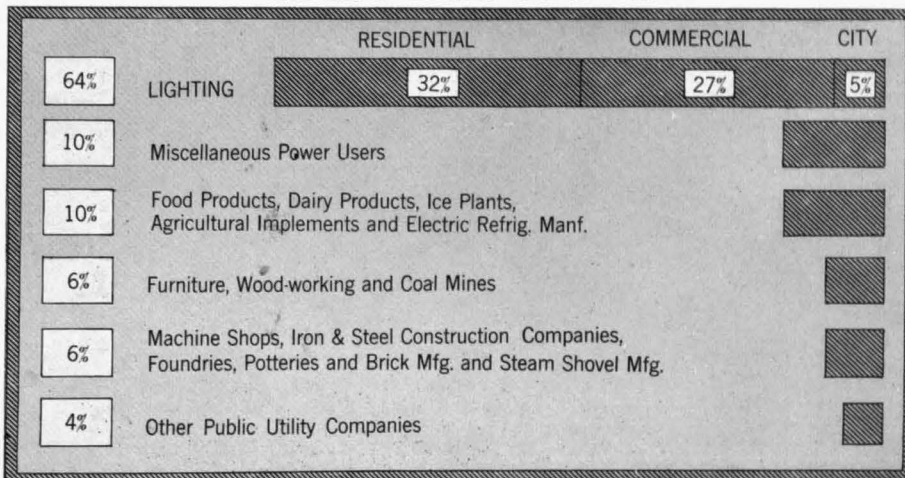
SOME RECENT INDUSTRIAL GAS INSTALLATIONS.

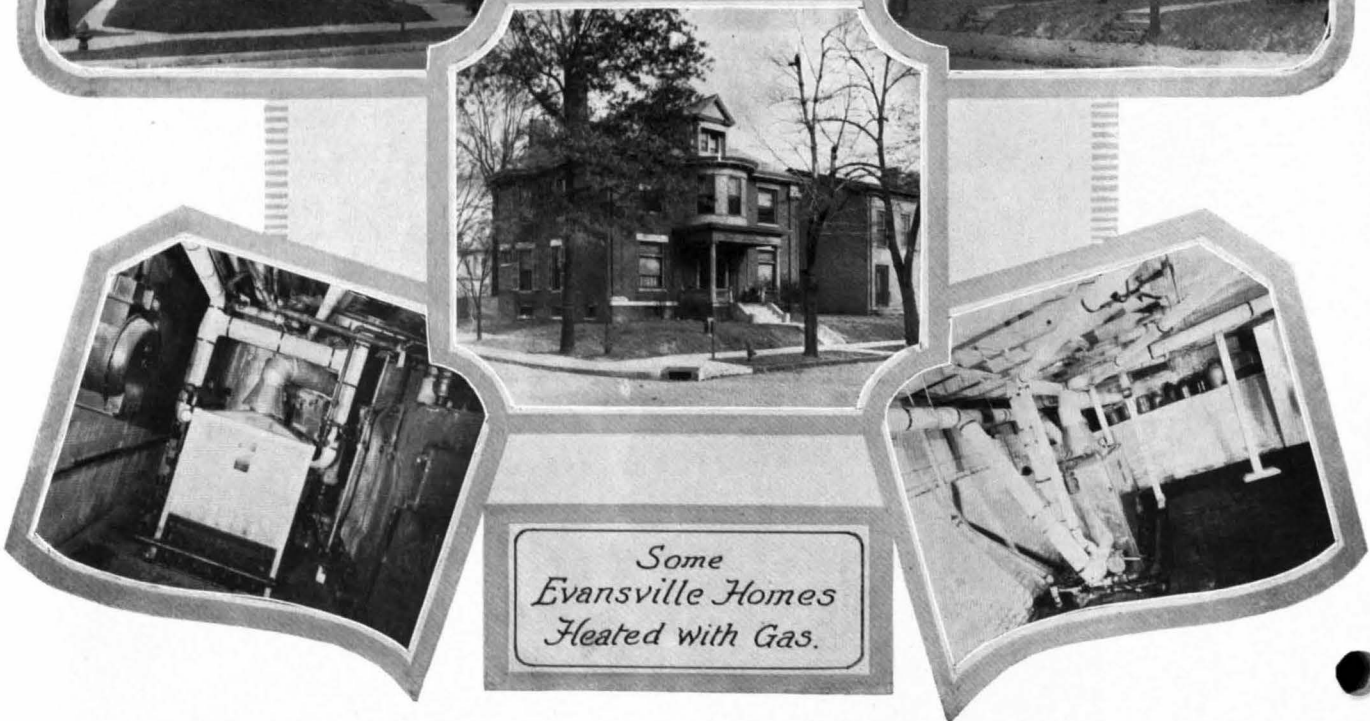


TEN YEAR RECORD OF EARNINGS AND DISTRIBUTION THEREOF

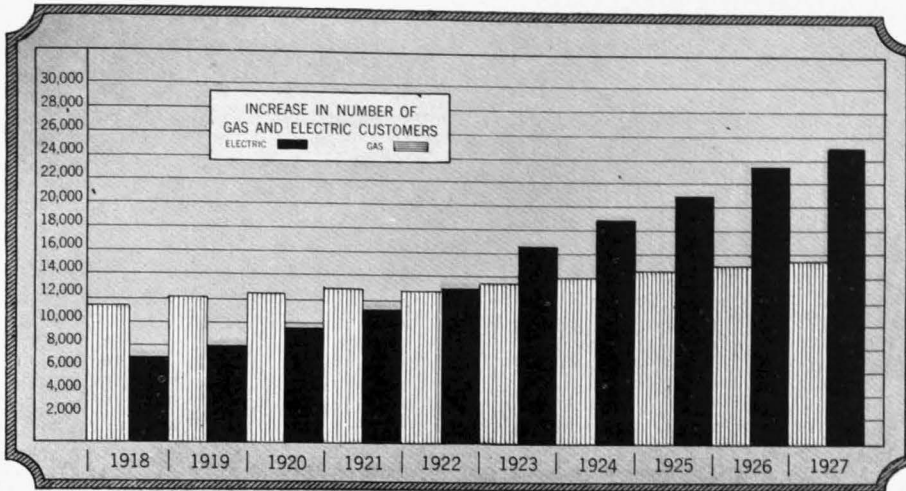
Year	Gross Earnings	Operating Expenses and Taxes	Gross Income	Interest and Other Fixed Charges	Net Income	Dividends on Preferred Stock
1918	1,509,711.15	918,426.47	591,284.68	351,259.76	240,024.92	151,371.62
1919	1,753,505.26	1,084,692.83	668,812.43	353,492.56	315,319.87	151,638.00
1920	2,129,749.81	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
1927	3,038,391.01	1,739,766.20	1,298,624.81	347,096.52	951,528.29	351,792.39

SOURCES OF ELECTRIC REVENUE—1927



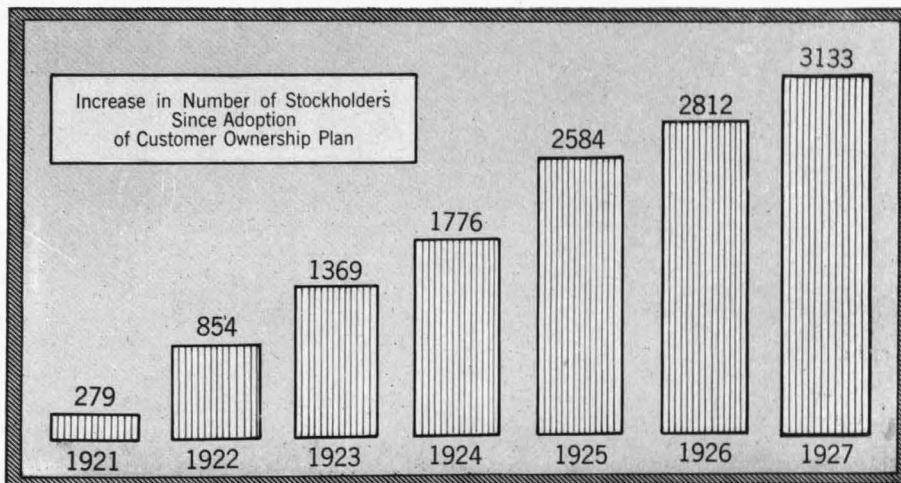


*Some
Evansville Homes
Heated with Gas.*



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

Electric		Gas		INCREASE IN NUMBER OF STOCKHOLDERS	
1918	7,042	1918	11,248		
1919	7,931	1919	11,980		
1920	9,372	1920	12,406		
1921	11,117	1921	12,601	1921	279
1922	13,085	1922	13,030	1922	854
1923	16,779	1923	13,552	1923	1,369
1924	18,978	1924	14,029	1924	1,776
1925	21,070	1925	14,625	1925	2,584
1926	23,267	1926	14,928	1926	2,812
1927	24,875	1927	15,254	1927	3,133



SEVEN YEAR RECORD OF GROWTH IN NUMBER OF STOCKHOLDERS

BUSINESS AND PROPERTIES

SOUTHERN Indiana Gas and Electric Company supplies electric light and power, steam heating, transportation and gas service in Evansville. Electricity is also supplied to nine other communities, and interurban transportation service is supplied between Evansville and communities to the north as far as Princeton and Patoka, a distance of about 33 miles. The population of the territory served by the Company is estimated to be in excess of 120,000.

At the close of the year 1927, a total of 24,875 electric customers, 15,254 gas customers and 358 steam heating customers were directly supplied from the lines and mains of the company. More than 20,000 homes are supplied with gas or electricity or both, and the greater part of the industries in the Company's territory use the Company's services. Steam heating service is extended to the downtown or business section of Evansville, supplying a large number of stores and commercial buildings.

Electricity is generated and distributed from the company's two central steam generating stations in Evansville, with an aggregate installed capacity of 32,800 horsepower, over 93% of which is installed in the Division Street Station. The Mulberry Street Station is operated principally for supplying steam heating service. Steam is distributed from this station through 2½ miles of mains. Electricity is distributed to the customers of the Company through a transmission and distribution system aggregating 1,398 miles of wire lines.

Gas service is supplied from the Evansville station, which has a daily generating capacity of 4,750,000 cubic feet, both coal and water gas generating equipment being in operation. The total gas storage capacity is 1,650,000 cubic feet. The gas distribution system aggregates 152 miles of mains.

The transportation property includes on a single track basis, 73 miles of line, 41 miles of which are in the city of Evansville. Motor buses supplement city and interurban electric railway service.

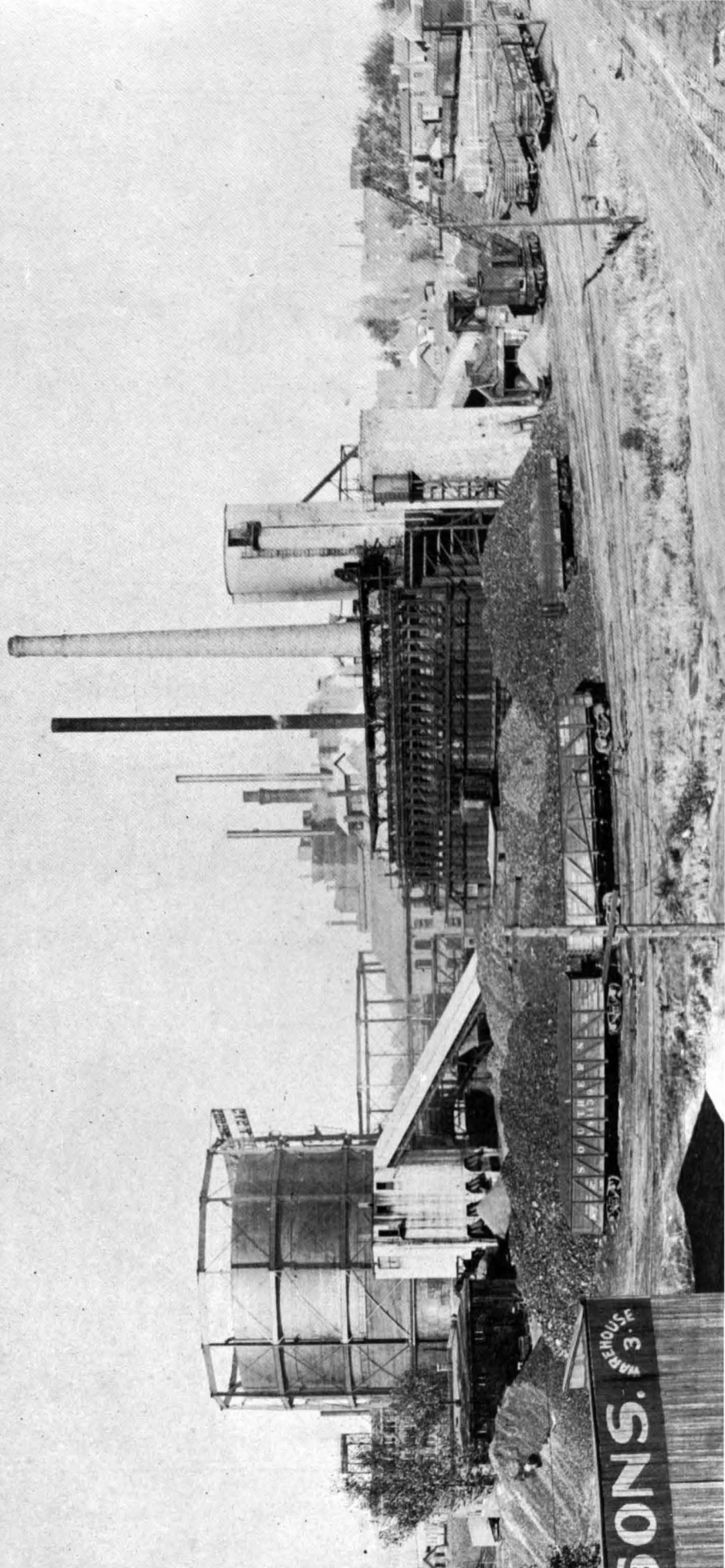
The Company's business is well diversified in widely distributed lines of activity. Over 52% of the gross earnings, as indicated by 1927 operations, are derived from the sale of electricity; 27% from transportation service, 2% from the heating service and 19% from the sale of gas. The electric revenue is derived from diversified sources, the greater part—63%—being derived from the sale of electricity for residential, commercial and municipal lighting purposes. This source of business is substantial and generally uniform under varying conditions. The balance is derived from the sale of power for industrial purposes. In this connection and as indicated by the chart on Page 17, the sale of power is not confined to nor dependent upon any one class of industry.

TERRITORY SERVED

The territory served by Southern Indiana Gas and Electric Company is a favorable one for carrying on a growing public utility business. The regions surrounding the communities served by the Company constitute actively farmed sections. This feature contributes in a substantial measure to the progress of the communities which are the shopping and business centers for their respective districts. Industrial activities cover a broad field and include production of furniture, food products, motor cars and automotive accessories, farm implements, electric and gas refrigerators, iron and steel products, brick and coal.

Evansville is well situated with respect to rail and water transportation and enjoys direct transportation facilities extending to Chicago, St. Louis, Louisville, Indianapolis and to the south. With its property maintained at a high standard and with adequate facilities made available, the Company should play an important part in the industrial development of southern Indiana as a part of the general progress of the mid-west, referred to as the "Nation's Workshop."

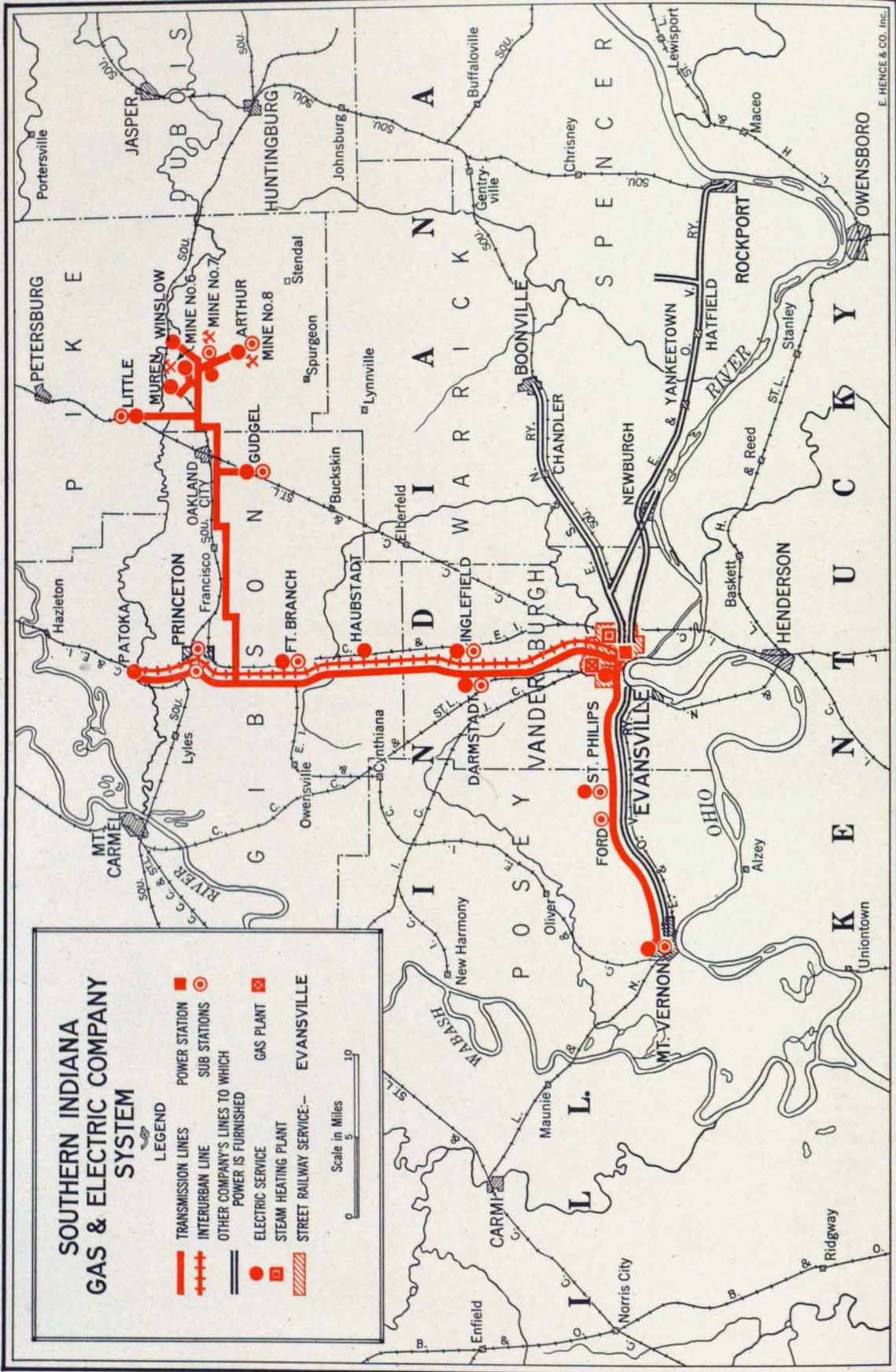
General View of
Gas Works



SOUTHERN INDIANA GAS & ELECTRIC COMPANY SYSTEM

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

Scale in Miles
0 5 10



*General View of
GAS WORKS.*

