

Michigan Business Studies

VOLUME V

NUMBER 1

FINANCIAL POLICIES OF PUBLIC UTILITY HOLDING COMPANIES

BY

MERWIN H. WATERMAN



Gokhale Institute of Politics
and Economics, Poona 4.

UNIVERSITY OF MICHIGAN
SCHOOL OF BUSINESS ADMINISTRATION
BUREAU OF BUSINESS RESEARCH
ANN ARBOR

1932

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Continued on Third Cover

ERRATA

Page 61--Last three sentences should read:

"It is true that there are enormous amounts of American Telephone and Telegraph Company securities outstanding, but relatively there was not as great a proportion of parent financing in that company's capitalization as was evident in the Associated Gas and Electric Company set-up. Table 4 shows the American Telephone and Telegraph Company's financial structure as of December 31, 1929. From these data it is evident that the telephone subsidiaries were furnishing more than one-third of the capital necessary to finance the system's assets, while Associated Gas and Electric showed 25 per cent subsidiary financing on the same date."

Page 106--Paragraph numbered "1" should read:

"1. For the Washington Water Power Company it gave 553,903 shares of \$6 preferred stock which called for annual dividends of \$3,319,428."

Page 107--Paragraph numbered "3" should read:

"3. In the acquisition of control of these two properties, annual semi-fixed charges totaling \$8,180,488 were contracted for."

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AUTHOR'S NOTE

A recent financial editorial takes occasion to remark that "at a time when public utility holding companies have few friends, it may be worth while, in passing, to mention that the well-set-up corporation of this character is by no means the financial ogre that so many critics are now trying to make it out to be." It was more or less in such a spirit that the study resulting in this monograph was undertaken, the object being to determine, as definitely as possible, the requisites of a well-managed public utility holding company. It is believed that mismanagement has been more responsible for the faults found with holding companies than has the form of organization *per se*. If this be true, demonstrated mistakes and successes of the past should point the way to improved management in the future and thus give rise to fewer objections to holding company ownership and control of public utilities.

To many persons are due thanks for efforts and encouragement given freely in the process of this holding company study. Executives in the utility industry were, in most cases, unexpectedly kind in the matter of furnishing information; without their assistance any merits the study may have could not have been attained. Professor I. Leo Sharfman of the Economics Department of the University of Michigan was a constant advisor to the writer, and this occasion is taken to acknowledge the assistance which he gave. Acknowledgment is also given to Tresse Musil, Secretary of the Bureau of Business Research, for her painstaking work on the original manuscript, and to all other members of the Bureau staff who assisted in the routine work of analysis and publication for their helpful co-operation.

MERWIN H. WATERMAN

Ann Arbor, Michigan
August 1, 1932

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APPENDIX A
COMPANY DESCRIPTIONS AND STATISTICAL DATA

American Power and Light Company

The American Power and Light Company was incorporated as a holding company in September, 1909, having been organized by the Electric Bond and Share Company. The company began its existence holding the equities of three Kansas utilities and one Oregon utility, and, as time went on, properties were added in the Kansas and Oregon regions, and new properties were acquired in Texas, Minnesota, Arizona, and Florida. This development was carried on under the direction of Sidney Z. Mitchell and the Electric Bond and Share Company in an attempt to create large operating units and to secure a degree of geographical diversification consistent with the company's policies. In the process of this growth, the American Power and Light Company, through its subsidiaries, came to render utility services including electric, gas, water, heating, ice, and electric railway service. Less than four years after its organization in March, 1913, the company began to pay dividends on its common stock and did so consistently thereafter. Tables 1 and 2, following, provide comparative data regarding size, financial structure, and earnings for the period considered in this study.

Associated Gas and Electric Company

It is necessary to emphasize the fact that the analytical and historical material in this study deals only with the Associated Gas and Electric Company and its subsidiaries, and is not concerned with the so-called Associated Gas and Electric System. Throughout the published information referring to the Associated company, there is constant confusion, if not misrepresentation, about the facts regarding the "Company" and the facts about the "System." The Associated Gas and Electric System includes both controlled subsidiaries and "affiliated"

companies, these affiliates being either companies in which the Associated Gas and Electric Company owns some stock interest¹ or those whose controlling stocks are held by individuals controlling and managing the Associated Gas and Electric Company.² Every attempt has been made to segregate the facts, so that the picture presented will be that of the Associated Gas and Electric Company only, and, unless otherwise stated, all references to the Associated company pertain solely to the parent company and the subsidiaries which it controls directly.

The following historical note, contained in the foreword of the Associated Gas and Electric Company's annual report for the year 1927, describes the early development of the properties which comprised the company's holdings at the time of its reorganization and incorporation in 1908:

"The Associated Gas and Electric System had its inception with the establishment of the Ithaca Gas Light Company in Ithaca, New York, in 1852. This was an isolated company for over fifty years, when its owners became interested in and secured control of several other electric and gas properties in the south central part of New York State. The group of properties thus united in a common ownership came to be known as 'The Associated Gas and Electric Companies,' and these properties formed the nucleus around which the Associated Gas and Electric System has grown. The original Associated Companies are still part of the Associated System. In 1906 the owners of these properties organized the Associated Gas and Electric Company under the laws of New York State. The Associated Companies were thus among the earliest public utility companies in the country to adopt centralized management."

While the company developed somewhat in the years immediately subsequent to its organization, its real expansion began

¹I.e., General Gas and Electric Company prior to 1929, at which time the Associated Gas and Electric Company secured majority control.

²I.e., New England Gas and Electric Associated, Eastern Utilities Investing Corporation, Railway and Bus Associates, etc.

in 1922, and by January 1, 1925, it had operating subsidiaries in New York, Ohio, Kentucky, and Tennessee. Tables 3 and 4 present comparative data regarding size, financial structure, and earnings for the five years 1925 to 1929.

North American Company

The North American Company began its corporate existence on June 14, 1890, when it was organized to acquire the properties and assets of the Oregon and Transcontinental Company. The latter company had been a pioneer holding company, and one whose chief interests had been in steam railways. Between 1890 and 1924, the North American Company added to and changed its holdings so that on January 1, 1925, it owned and controlled subsidiaries rendering utility services in three sections of the north central part of the United States. One group of properties served St. Louis, Missouri, and vicinity; a second served Cleveland, Ohio, and vicinity; and a third group operated in Wisconsin, serving Milwaukee, Racine, and points on the western shore of Lake Michigan into the upper peninsula of Michigan. The operations of these subsidiaries included classes of business with relative revenues as follows: 65.19 per cent from electric and heating, 17.84 per cent from electric railway, 4.12 per cent from gas, and 12.85 per cent from coal and miscellaneous.¹ Tables 5 and 6 present the data regarding size, financial structure, and earnings for the years 1925 to 1929.

Standard Gas and Electric Company

The Standard Gas and Electric Company was incorporated as a holding company in 1910, thus being one of the newer parent organizations in the public utility field. It was organized by the late H. M. Byllesby and associates, and the properties under Standard control came to be known as the "Byllesby Group." Under the control of the H. M. Byllesby Company, investment bankers, and under the management of the Byllesby Engineering and Management Corporation, the

¹North American Company, *Thirty-fifth Annual Report, 1924.*

Standard Gas and Electric Company had become a holding company of considerable size by January 1, 1926. The properties on that date were quite diversified, but were, except for certain Wisconsin subsidiaries, quite generally scattered over the region from Kentucky and Tennessee to the Pacific Ocean. The company's holdings included chiefly gas and electric properties, although some ice and electric railway properties were controlled as well as one large and complete oil-producing and distributing organization, the Shaffer Oil and Refining Company. Tables 7 and 8 present comparative data regarding size, financial structure, and earnings for the years 1926 to 1929.

United Light and Power Company

The United Light and Power Company, being incorporated in 1923, was the youngest of the holding company groups examined for the purposes of this study. However, its 1923 incorporation was only a technical move, as the organization of this new company was effected to take over the holdings of an older and well-established company known as the United Light and Railways Company (Maine). For many years the latter company had owned and managed, with the assistance of the J. S. White Management Company, a large number of gas, electric, and electric railway properties scattered throughout the central states. Prior to 1924 the expansion of the United company and its corporate predecessor had been gradual, and nothing more startling than the change in corporate name had occurred. Late in 1924 the United Light and Power Company acquired control of the Continental Gas and Electric Company, and although this acquisition took place about one month prior to the official opening date for this study, it was considered as having become effective on January 1, 1925. Tables 9 and 10 present the data regarding size, financial structure, and earnings for the years 1925 to 1929.

TABLE 1—FINANCIAL STRUCTURE: AMERICAN POWER AND LIGHT COMPANY*
(1926-1929)

Type of Financing	December 31, 1925		Increase 1926 to 1929		December 31, 1929	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary mortgage bonds.....	\$139,186,900	37.4	\$ 95,288,900	28.7	\$234,475,800	33.3
Subsidiary debenture bonds.....	13,500,000	3.6	13,900,000	4.2	27,400,000	3.9
Subsidiary capital stock.....	116,002,487‡	31.2	3,314,112	1.0	119,316,599	17.0
Subsidiary reserves.....	2,649,954	0.7	2,475,449	0.7	5,125,403	0.7
Subsidiary surplus.....	14,563,619	3.9	20,009,472	6.0	34,573,091¶	4.9
Parent debenture bonds.....	35,922,100	9.7	9,888,200	3.0	45,810,300	6.5
Parent capital stock.....	40,008,689§	10.8	168,552,469	50.8	208,561,158**	29.6
Parent reserves.....	636,534	0.2	299,127	-0.1	337,407	0.1
Parent surplus.....	3,678,230	1.0	5,051,842	1.5	8,730,072¶	1.2
Balance†.....	5,387,497	1.5	13,062,231	4.2	18,450,728	2.8
Total book assets.....	\$371,536,010	100.0	\$331,244,548	100.0	\$702,780,558	100.0

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual reports to stockholders.

†Miscellaneous liabilities and accruals.

‡Preferred stock (\$100 par), 558,349 shares; no-par common, 15,058 shares.

§No-par preferred, 235,775 shares; no-par common, 1,647,511 shares.

||Preferred stock (\$100 par), 532,505 shares; no-par preferred, 401,075 shares; no-par common, 101,570 shares.

¶Earned surplus is \$32,725,357.

**Preferred stock (\$6), 792,894 shares; \$5 preferred, 978,368 shares; no-par common, 2,529,713 shares.

TABLE 2—STATEMENT OF INCOME DISTRIBUTION: AMERICAN POWER AND LIGHT COMPANY*
(1926--1929)

Distribution of Income	1926	1927	1928	1929	Four-Year Total
Subsidiary earnings†	\$26,012,656	\$28,325,841	\$39,624,434	\$43,640,772	\$137,603,703
Interest on subsidiary debt	9,323,979	10,849,066	16,298,826	16,139,403	52,611,274
Dividends on subsidiary preferred stocks	3,966,427	4,607,953	5,371,628	5,885,557	19,831,565
Minority interest	128,793	155,366	226,867	178,919	689,945
Balance accrued to parent	\$12,593,457	\$12,713,456	\$17,727,113	\$21,436,893	\$64,470,919
Parent other income	‡	784,064	887,527	1,001,781	2,673,372
Total accrued to parent	\$12,593,457	\$13,497,520	\$18,614,640	\$22,438,674	\$67,144,291
Parent expenses and taxes	364,433	349,332	370,124	293,383	1,377,272
Parent distributable income	\$12,229,024	\$13,148,188	\$18,244,516	\$22,145,291	\$65,767,019
Interest on parent debt	2,796,020	2,991,118	2,821,196	2,873,807	11,482,141
Balance to parent stockholders	\$ 9,433,004	\$10,157,070	\$15,423,320	\$19,271,484	\$54,284,878
Dividends on parent preferred stock	1,436,407	1,430,879	5,699,962	7,683,738	16,250,986
Balance to parent common stockholders	\$ 7,996,597	\$ 8,726,191	\$ 9,723,358	\$11,587,746	\$38,033,892
Cash dividends on parent common stock	1,664,352	1,792,060	1,930,090	2,225,327	7,611,829
Balance left in the business	\$ 6,332,245	\$ 6,934,131	\$ 7,793,268	\$ 9,362,419	\$30,422,063
Regular stock dividends on parent common stock	668,526	726,348	879,271	1,112,901	3,387,046
Extra stock dividends on parent common stock			2,459,561	2,810,052	5,269,613
Balance uncapitalized	\$ 5,663,719	\$ 6,207,783	\$ 4,454,436	\$ 5,439,466	\$21,765,404

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and New York Stock Exchange Listing Application Number A9383.

†Gross operating and other revenues minus all expenses including taxes and depreciation.

‡Included in "subsidiary earnings."

TABLE 3—FINANCIAL STRUCTURE: ASSOCIATED GAS AND ELECTRIC COMPANY*
(1925—1929)

Type of Financing	December 31, 1924		December 31, 1925		December 31, 1926		December 31, 1927	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary funded debt _____	\$16,452,900	28.9	\$ 70,862,150	35.9	\$109,768,600	45.6	\$ 99,852,500	33.3
Subsidiary preferred stocks _____	2,608,500	4.6	15,875,420	8.1	6,415,200	2.7	4,504,970	1.5
Subsidiary reserves _____	1,145,267	2.0	1,836,944	0.9	1,205,665	0.5	1,486,097	0.5
Subsidiary minority interest _____	3,797,782	6.7	6,303,081	3.2	8,207	0.0	42,424	0.0
Parent funded debt _____	4,000,000	7.0	14,172,700	7.2	8,527,600	3.5	43,936,500	14.6
Parent funded debt (convertible) _____	230,600	0.4	26,519,158	13.4	16,407,900	6.8	17,396,168	5.8
Parent preferred stock _____	5,151,450	9.0	14,116,550	7.2	42,974,060	17.8	56,653,350	19.0
Parent Class A stock _____	—	—	9,551,010	4.8	11,788,805	4.9	17,500,000	5.8
Parent Class B stock _____	—	—	10,500,000	5.3	10,500,000	4.3	10,500,000	3.5
Parent common stock and surplus _____	8,658,783	15.2	508,402	0.3	13,933,070	5.8	15,311,641	5.1
Parent reserves _____	167,659	0.3	1,468,366	0.7	1,370,480	0.6	1,512,041	0.5
Balance† _____	14,741,575	25.9	25,567,889	13.0	17,982,323	7.5	31,303,959	10.4
Total book assets _____	\$56,954,516	100.0	\$197,281,670	100.0	\$240,881,910	100.0	\$299,999,650	100.0

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TABLE 3—Continued

Type of Financing	December 31, 1928		December 31, 1929		Net Change Five Years 1925-1929	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary funded debt	\$ 44,635,050	15.1	\$162,388,989	18.7	\$145,936,089	18.0
Subsidiary preferred stocks	145,015	0.1	52,151,139	6.0	49,542,639	6.1
Subsidiary reserves	1,523,228	0.5	1,249,103	0.2	103,836	0.0
Subsidiary minority interest	3,400	0.0	921,776	0.1	-2,876,006	-0.4
Parent funded debt	106,869,541	36.0	214,644,422	24.7	210,644,422	25.9
Parent funded debt (convertible)	16,332,548	5.5	92,582,359	10.6	92,351,759	11.4
Parent preferred stocks	39,373,539	13.3	24,778,297	2.8	19,626,847	2.4
Parent Class A stock	36,622,845	12.3	203,607,985	23.4	203,607,985	25.0
Parent Class B stock	10,500,000	3.5	17,500,000	2.0	17,500,000	2.2
Parent common stock and surplus	13,710,219	4.6	40,158,039	4.6	31,499,256	3.9
Parent reserves	7,761	0.0	788,077	0.1	620,418	0.1
Balance†	27,055,493	9.1	59,016,480	6.8	44,274,905	5.4
Total book assets	\$296,778,639	100.0	\$869,786,666	100.0	\$812,832,150	100.0

*Source: "Public Utility Securities," *Moody's Manual of Investments*, annual reports to stockholders, and correspondence.

†Miscellaneous liabilities and accruals.

TABLE 4—STATEMENT OF INCOME DISTRIBUTION: ASSOCIATED GAS AND ELECTRIC COMPANY*
(1925-1929)

Distribution of Income	1925	1926	1927	1928	1929	Five-Year Total
Consolidated earnings†	\$7,334,650	\$12,134,117	\$15,333,355	\$16,171,139	\$39,869,879	\$90,843,140
Subsidiary capital charges‡	3,101,883	5,615,965	5,650,613	3,389,809	10,207,317	27,965,587
Balance accrued to parent	\$4,232,767	\$ 6,518,152	\$ 9,682,742	\$12,781,330	\$29,662,562	\$62,877,553
Interest on parent debt§	1,477,247	2,318,507	3,424,089	6,095,896	13,478,617	26,794,356
Balance accrued to parent stockholders	\$2,755,520	\$ 4,199,645	\$ 6,258,653	\$ 6,685,434	\$16,183,945	\$36,083,197
Dividends on parent preferred stock	852,996	1,662,154	3,453,507	3,512,637	3,007,107	12,488,401
Balance to parent residual stockholders	\$1,902,524	\$ 2,537,491	\$ 2,805,146	\$ 3,172,797	\$13,176,838	\$23,594,796
Dividends on parent A stock (priority)	456,496	607,760	975,714	1,473,119	7,224,029	10,737,118
Dividends on parent A stock (participating)	66,248	—	125,000	265,568	2,327,275	2,784,091
Dividends on parent B stock (priority)	523,758	594,955	600,000	600,000	666,667	2,985,380
Dividends on parent B stock (participating)	—	—	—	—	200,000	200,000
Dividends on parent common stock	190,000	—	—	—	—	190,000
Balance uncanceled	\$ 666,022	\$ 1,334,776	\$ 1,104,432	\$ 834,110	\$ 2,758,867	\$ 6,698,207

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual reports to stockholders.

†Including net earnings from parent company activities.

‡Including bond discount for years 1925 and 1926 only.

§Excluding bond discount; all charged to surplus.

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TABLE 5—FINANCIAL STRUCTURE: NORTH AMERICAN COMPANY*
(1925-1929)

Type of Financing	December 31, 1924		Increase 1925 to 1929		December 31, 1929	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary funded debt.....	\$184,464,217	57.9	\$183,644,191	38.6	\$368,108,408	46.3
Subsidiary preferred stocks.....	43,421,252	13.6	126,162,033	26.5	169,583,285	21.3
Subsidiary reserves	1,519,396	0.4	13,451,475	2.8	14,970,871	1.9
Subsidiary earned surplus.....	15,795,532	5.0	44,704,286	9.4	60,499,818	7.6
Parent preferred stock.....	29,085,750	9.1	1,248,150	0.3	30,333,900	3.8
Parent common stock.....	29,226,509‡	9.2	26,811,881‡	5.6	56,038,390‡	7.0
Parent undivided profits.....	7,021,610	2.2	28,866,029	6.1	35,887,639	4.5
Parent reserves	1,161,477	0.4	-874,002	-0.2	287,475	0.1
Parent capital surplus.....	-----	-----	31,084,077	6.5	31,084,077	3.9
Balance†	7,044,870	2.2	21,214,767	4.4	28,259,637	3.6
Total book assets.....	\$318,740,613	100.0	\$476,312,887	100.0	\$795,053,500	100.0

*Source: "Public Utility Securities," *Moody's Manual of Investments*, annual reports to stockholders, and correspon-

†Miscellaneous liabilities and accruals, and minority interests.

‡Number of shares outstanding: December 31, 1924 — 2,922,651 — \$10 par.

December 31, 1929 — 5,603,839 — No-par (\$10 stated value).

Increase 2,681,188

TABLE 6—STATEMENT OF INCOME DISTRIBUTION: NORTH AMERICAN COMPANY*
(1925-1929)

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Distribution of Income	1925	1926	1927	1928	1929	Five-Year Total
Consolidated earnings†	\$32,821,450	\$44,210,149	\$47,978,422	\$55,072,216	\$60,991,866	\$241,074,103
Interest on subsidiary debt	12,727,134	16,180,898	17,468,594	17,141,448	17,367,261	80,885,335
Dividends on subsidiary preferred stocks	4,624,595	8,355,435	8,966,740	9,961,983	10,463,963	42,372,716
Minority interest‡	1,266,130	1,369,363	1,401,795	1,807,179	2,360,813	8,205,280
Total accrued to parent	\$14,203,591	\$18,304,453	\$20,141,293	\$26,161,606	\$30,799,829	\$109,610,772
Parent expenses and taxes	632,684	507,213	579,426	656,692	729,512	3,105,527
Parent net accruals	\$13,570,907	\$17,797,240	\$19,561,867	\$25,504,914	\$30,070,317	\$106,505,245
Interest on parent debt§	274,796	233,732	307,218	1,102,161	1,263,493	3,181,400
Balance to parent stockholders	\$13,296,111	\$17,563,508	\$19,254,649	\$24,402,753	\$28,806,824	\$103,323,845
Dividends on parent preferred stock	1,763,620	1,820,108	1,820,022	1,820,032	1,820,034	9,043,816
Balance left in the business	\$11,532,491	\$15,743,000	\$17,434,627	\$22,582,721	\$27,086,790	\$ 94,280,029
Stock dividends on parent common stock	3,223,819	3,932,525	4,341,772	4,806,549	5,353,019	21,657,684
Balance uncanceled	\$ 8,308,672	\$11,810,875	\$13,092,855	\$17,776,172	\$21,633,771	\$ 72,622,345

*Source: "Public Utility Securities," *Moody's Manual of Investments*, annual reports to stockholders, and correspondence.

†Including profit from investments in non-subidiaries and revenues from parent company activities.

‡Dividends and proportion of undivided profits.

§All short-term debt.

||No cash dividends paid on common stock.

TABLE 7—FINANCIAL STRUCTURE: STANDARD GAS AND ELECTRIC COMPANY*
(1926-1929)

Type of Financing	December 31, 1925		Increase 1926 to 1929		December 31, 1929	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary debt	\$267,592,358	49.1	\$166,984,914	38.6	\$434,577,272	44.4
Subsidiary preferred stocks	104,855,630	19.3	127,869,080	29.5	232,724,710	23.8
Subsidiary reserves	7,305,922	1.3	11,240,683	2.6	18,546,605	1.9
Subsidiary surplus	9,804,475‡	1.8	4,241,295	1.0	14,045,770	1.4
Minority interest	15,623,956	2.9	70,172,731	16.2	85,796,687	8.8
Parent debt	15,000,000	2.8	22,683,730	5.2	37,683,730	3.9
Parent preferred stock	35,500,000	6.5	24,349,457	5.6	59,849,457	6.1
Parent common stock	21,971,764§	4.0	46,837,958	10.8	68,809,722¶	7.0
Parent reserves	100,086	0.0	1,404,459	0.3	1,504,545	0.2
Parent surplus	8,843,019	1.6	7,588,182	1.8	16,431,201	1.7
Balance†	58,208,292	10.7	-50,440,330	-11.6	7,767,962	0.8
Total book assets	\$544,805,502 	100.0	\$432,932,159	100.0	\$977,737,661	100.0

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual reports to stockholders.

†Includes miscellaneous current liabilities, accruals, etc.

‡Unknown amount applicable to minority interest.

§No-par stock, 765,635 shares.

¶Includes St. Paul Gas and Light Company and California-Oregon Power Company acquired in 1926.

||No-par stock, 1,562,607 shares.

TABLE 8—STATEMENT OF INCOME DISTRIBUTION: STANDARD GAS AND ELECTRIC COMPANY*
(1926-1929)

Distribution of Income	1926	1927	1928	1929	Four-Year Total
Subsidiary earnings†	\$52,441,354	\$50,863,878	\$55,726,582	\$59,383,277	\$218,415,091
Subsidiary interest	21,997,041	21,285,414	22,544,749	23,005,876	88,833,080
Subsidiary rental payments‡	2,535,928	2,495,105	2,514,728	2,468,297	10,014,058
Subsidiary miscellaneous charges	371,297	504,809	2,088,982	1,289,920	4,255,008
Subsidiary preferred dividends	11,563,108	12,478,451	13,120,774	13,849,006	51,011,339
Minority interest	5,106,375	6,152,275	6,872,744	9,389,720	27,521,114
Balance accrued to parent	\$10,867,605	\$ 7,947,824	\$ 8,584,605	\$ 9,380,458	\$ 36,780,492
Other income§	4,450,172	7,524,136	7,153,196	7,607,865	26,735,369
Total accruals to parent	\$15,317,777	\$15,471,960	\$15,737,801	\$16,988,323	\$ 63,515,861
Parent expenses and taxes	120,294	243,123	142,237	188,721	694,375
Net accruals to parent	\$15,197,483	\$15,228,837	\$15,595,564	\$16,799,602	\$ 62,821,486
Parent interest	2,319,004	2,605,998	2,441,306	2,411,767	9,778,075
Balance to parent stockholders	\$12,878,479	\$12,622,839	\$13,154,258	\$14,387,835	\$53,043,411
Parent preferred dividends	3,180,018	3,629,858	3,825,562	4,089,781	14,725,219
Balance to parent common stockholders	\$ 9,698,461	\$ 8,992,981	\$ 9,328,696	\$10,298,054	\$38,318,192
Parent cash dividends on common stock	2,993,669	4,386,561	4,959,747	5,132,623	17,472,600
Balance left in the business	\$ 6,704,792	\$ 4,606,420	\$ 4,368,949	\$ 5,165,431	\$ 20,845,592
Parent stock dividends on common stock	905,450	309,700			1,215,150
Balance uncapitalized	\$ 5,799,342	\$ 4,296,720	\$ 4,368,949	\$ 5,165,431	\$19,630,442

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual reports to stockholders.

†Includes profits of Shaffer Oil and Refining Company.

‡Rent of leased properties.

§Including fees, trading profits, return on investments, etc.

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TABLE 9—FINANCIAL STRUCTURE: UNITED LIGHT AND POWER COMPANY*
(1925-1929)

Type of Financing	December 31, 1924		Increase 1925 to 1929		December 31, 1929	
	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets	Amount	Per Cent of Book Assets
Subsidiary bonds	\$ 33,340,300	39.2	\$190,319,397	46.0	\$223,659,697	44.8
Subsidiary preferred stock	10,594,146	12.5	54,040,225	13.1	64,634,371	13.0
Subsidiary common	164,758	0.2	31,648,943	7.6	31,813,701	6.4
Parent debt	10,500,000	12.3	39,920,100	9.6	50,420,100	10.1
Parent preferred stock	14,555,000	17.1	45,445,000	11.0	60,000,000	12.0
Parent common A stock	2,925,500	3.4	5,958,540	1.4	8,884,040	1.8
Parent common B stock	1,800,000	2.1	2,440,000	0.6	4,240,000	0.8
Consolidated surplus attributable to parent company	1,135,442	1.3	24,379,440	5.9	25,514,882	5.1
Parent reserves	390,682	0.5	7,549,639	1.8	7,940,321	1.6
Balance†	9,677,841	11.4	12,172,475	3.0	21,850,316	4.4
Total book assets	\$ 85,083,669‡	100.0	\$413,873,759	100.0	\$498,957,428	100.0

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual report to stockholders.

†Including purchase money obligations, payables, accruals, and minority interest in surplus.

‡Excluding book assets of Continental Gas and Electric Company acquired in November, 1924.

TABLE 10—STATEMENT OF INCOME DISTRIBUTION: UNITED LIGHT AND POWER COMPANY*
(1925-1929)

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Distribution of Income	1925	1926	1927	1928	1929	Five-Year Total
Subsidiary earnings	\$14,183,331	\$14,579,663	\$17,148,962	\$24,907,157	\$34,776,250	\$105,595,363
Interest on subsidiary debt	5,064,883	5,464,604	5,999,061	10,087,444	12,386,611	39,002,603
Dividends on subsidiary preferred stocks and minority interests.....	2,938,721	3,444,155	3,945,374	5,934,702	9,208,339	25,471,291
Balance accrued to parent.....	\$ 6,179,727	\$ 5,670,904	\$ 7,204,527	\$ 8,885,011	\$13,181,300	\$ 41,121,469
Parent company other income†.....	2,263,605	1,451,067	2,442,636	219,421	182,682	6,559,411
Total accrued to parent.....	\$ 8,443,332	\$ 7,121,971	\$ 9,647,163	\$ 9,104,432	\$13,363,982	\$ 47,680,880
Interest on parent debt.....	2,861,894	3,546,816	3,589,499	3,251,271	3,026,977	16,276,457
Balance to parent stockholders.....	\$ 5,581,438	\$ 3,575,155	\$ 6,057,664	\$ 5,853,161	\$10,337,005	\$ 31,404,423
Dividends on parent preferred stock	1,211,660	1,329,531	1,348,365	1,350,739	2,469,505	7,709,800
Balance to parent common stockholders	\$ 4,369,778	\$ 2,245,624	\$ 4,709,299	\$ 4,502,422	\$ 7,867,500	\$ 23,694,623
Cash dividends on parent common stock (A and B)	1,085,996	1,441,534	1,430,339	1,466,505	1,841,937	7,266,311
Balance left in the business.....	\$ 3,283,782	\$ 804,090	\$ 3,278,960	\$ 3,035,917	\$ 6,025,563	\$ 16,428,312
Stock dividends paid on parent common stock	739,985	299,170				1,039,155
Balance uncanceled	\$ 2,543,797	\$ 504,920	\$ 3,278,960	\$ 3,035,917	\$ 6,025,563	\$ 15,389,157

*Source: "Public Utility Securities," *Moody's Manual of Investments*, and annual reports to stockholders.

†Net.

APPENDIX B

SOURCES OF STATISTICAL DATA APPEARING IN TEXT TABLES

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<p>1. Relative Proportions of Parent and Subsidiary Company Financing (December 31, 1924)_____</p> <p style="padding-left: 40px;">Source: Charts 7 to 11, inclusive.</p>	53
<p>2. Relative Proportions of Parent and Subsidiary Company Financing Accompanying Five Years of Expansion (1925-1929)_____</p> <p style="padding-left: 40px;">Source: Charts 7 to 11, inclusive.</p>	54
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<p>4. Relation of Parent and Subsidiary Financing to Book Assets of the American Telephone and Telegraph Company (December 31, 1929)_____</p> <p style="padding-left: 40px;">Source: Derived from Condensed Balance Sheets in <i>Bell Telephone Securities, 1930</i> (American Telephone and Telegraph Company), pages 15 to 21.</p>	62
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