

1 EXHIBIT NO. 62.—WORKING CAPITAL, F. P. C. WITNESS
NICHOLS

WRITTEN STATEMENT

I—WORKING CAPITAL REQUIREMENTS

The Federal Power Commission, under date of October 14, 1938, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices or contracts of Hope Natural Gas Company. In accordance therewith, an examination of the accounts and records of Hope Natural Gas Company has been made, and, as a result, this report on the Working Capital requirements of the Company is submitted.

Schedule No. 1 is a summary of the working capital requirements, based on operating expenses as adjusted by the Examiners of Accounts for year 1939, plus an amount for a stock of Materials and Supplies, which results in total Working Capital as follows:

Materials and supplies.....	\$1, 228, 599
Cash working capital, based on operating expenses as adjusted.....	755, 746
Cash working capital, based on exploration and development costs exclusive of abandoned leases.....	56, 897
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Total working capital.....	2, 041, 242

Materials and Supplies.—The allowance for Materials and Supplies in the amount of \$1,228,599 is based on the following:

Materials and supplies total per books as of Dec. 31, 1939.....	\$1, 501, 806. 53
Less materials for resale.....	16, 092. 34
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Balance warehouse materials.....	1, 485, 714. 19
2 Average monthly balance, 1939.....	1, 435, 599.00
Less the following items approximated from Company's Exhibit No. 37:	
Distribution materials and supplies.....	\$75, 000. 00
Oil production materials and supplies.....	95, 000. 00
Value in excess of salvage on nonusable materials.....	37, 000. 00
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	207, 000. 00
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Balance included in working capital.....	1, 228, 599. 00

The gross issues of Materials and Supplies during the year 1939 amounted to \$887,933.67, which indicates that the stock on hand as of December 31, 1939, was sufficient, on the average, to meet the requirements of the Company for a period of approximately 1 year and 8 months, without taking into consideration the materials and supplies that were returned to stock for salvage, etc.

The following table shows the extent to which the Materials and Supplies were issued during 1939 for various purposes:

TABLE NO. 1

Account	Amount	Percent of total
Miscellaneous gas revenues.....	\$5,784.31	.65
Operating expenses:		
Production operation.....	21,658.99	2.44
Production maintenance.....	34,669.91	3.90
Purchased gas expense.....	4,217.46	.48
Transmission operation.....	43,014.68	4.84
Transmission maintenance.....	44,491.50	5.01
Distribution expense.....	11,075.08	1.25
General expense.....	1,462.08	.16
Total operating expense.....	160,589.70	18.08
3 Clearing accounts.....	81,913.81	9.23
Construction work in progress.....	344,206.18	38.76
Retirement work in progress.....	122,579.97	13.81
Other work in progress.....	18,958.81	2.14
Cost of merchandise and jobbing.....	1,527.46	.17
Deferred debits and suspense.....	2,384.33	.27
Accounts receivable:		
Associated companies.....	130,893.90	14.74
Other.....	19,058.79	2.15
Expense of nonutility operations.....	36.41	
Total (gross issues).....	887,933.67	100.00

Of the amount issued to Associated Companies, Hope Construction and Refining Company received \$92,261.88 and Reserve Gas Company received \$33,854.42. River Gas Company received \$4,655.41 and the balance of \$122.19 was issued to miscellaneous companies.

The allocation to Production and Transmission of the amount included in Working Capital for Materials and Supplies as shown in Schedule No. 1, Columns (g) and (h), is based on the ratio of the amount of materials and supplies used during the year 1939 for Production and Transmission expenses to the total materials and supplies charged to operating expenses, exclusive of Distribution expenses. This is illustrated by the following details:

Materials and supplies issued (Table 1)		Percent of total	Working capital allocation (Schedule 1)
Production operation.....	\$21,658.99		
Production maintenance.....	34,669.91		
Purchased gas.....	4,217.46		
Total production.....	60,546.36	40.9	\$502,497
Transmission operation.....	43,014.68		
Transmission maintenance.....	44,491.50		
Total transmission.....	87,506.18	59.1	726,102
Total production and transmission.....	148,052.54	100.00	1,228,599

4 It will be noted by reference to Table No. 1 above, that nearly 15% of the total issues during 1939 represented sales of material to associated companies, which includes the amount of approximately \$92,000 issued to Hope Construction and Refining Company, chiefly for oil operations. Relatively, this would indicate that about 15% of the materials and supplies on hand as of December 31, 1939, or about \$215,000 is held for the benefit of associated companies. However, the only amount deducted for such items is \$95,000, as shown in the footnote of Schedule No. 1, indicated as "Oil Production Materials and Supplies."

5 *Operating Revenue Deductions.* The Operating Revenue Deductions are shown in Schedule No. 1 per Company books exclusive of Depreciation and Depletion. Examiners' adjustments have been applied to the book amounts and the resulting adjusted total is \$13,160,959.35. The adjusted Administrative and General Expenses amounting to \$808,908 have been allocated for the purpose of this report to Production, Transmission and Distribution Expenses in the manner shown by Schedule No. 2. The allocations are on various bases as described in the schedule, the most of which, it will be noted, are on the basis of all direct charges prior to the allocation.

Certain items have been eliminated from the Operating Revenue Deductions, or given special treatment in this report for various reasons, each of which will be separately commented upon in the order in which they appear in Schedule No. 1, as follows:

Taxes.—No allowance of cash working capital has been made to provide for the payment of taxes, because all taxes were paid long after the receipt of revenues. Table 2, which follows, shows the accumulation of tax accruals per books during the year 1939

and the accumulated payments of tax assessments. This table shows a range of accruals in excess of the payments from approximately \$96,000 to over \$761,000. The latter represents the balance at December 31, 1939, and the former at January 31, 1939:

6
TABLE No. 2
[Accumulated to End of Month]

Month	Accruals	Payments	Balance
January.....	\$95,817.83		\$95,817.83
February.....	191,635.66	\$6,004.82	185,630.84
March.....	287,453.49	12,085.92	275,367.57
April.....	383,271.32	124,807.17	258,464.15
May.....	479,089.15	130,862.43	348,226.72
June.....	663,885.51	147,134.61	521,750.90
July.....	783,890.27	228,460.21	555,430.06
August.....	898,895.03	249,372.41	649,522.62
September.....	1,013,899.72	256,327.08	757,572.71
October.....	1,157,890.92	704,569.59	453,321.33
November.....	1,301,882.05	711,560.98	590,321.07
December.....	1,479,703.93	718,524.79	761,179.14

The foregoing table does not take into consideration the accumulation of tax accruals in excess of payments as of January 1, 1939, which amounted to \$476,586.38. The bulk of this balance represented West Virginia property taxes for the last half of the year 1938, which were not paid until April, 1939. Thus, in addition to the amounts shown in the table, the Company had funds during the months of January to March, inclusive, that had been accumulated for tax purposes, amounting to approximately \$475,000.

The difference between the accumulated accruals as of December 31, 1939 (\$1,479,703.93) as shown in Table No. 2, above and the amount of taxes charged to Operating Revenue Deductions, per books (\$1,436,731.75) represents social security taxes charged to Work in Progress, Accounts Receivable, etc.

Gas Well Royalties.—The Gas Well Royalties are given special treatment for the purpose of this report, inasmuch as they are practically all paid in advance for periods varying from three months to one year.

7 The Royalty account was examined for the purpose of segregating the amounts thereof that were paid monthly, quarterly, semi-annually and annually. Following is Table No. 3 which shows the amounts so segregated, and while it does not purport to be accurately distributed to the last dollar, it is considered

by the Examiners of Accounts to be sufficiently accurate for the purpose intended:

TABLE NO. 3

[Periods Paid]

	Monthly not in advance	In advance		
		Quarterly	Semi-annually	Annually
Gas well royalties, paid as gas well rental.....		\$513,865.82	\$3,587.50	\$224,589.80
Royalties paid on the basis of production.....	11,794.56			
Sundry cash payments.....		14,749.28		
Checks returned.....		(12,759.61)		
Sundry transfers and credits.....		(6,250.52)		
Sundry charges.....	118.90	509.31		
Rentals due in 1939, but payment deferred.....		3,120.72		
Payments in lieu of drilling:				
Unoperated acreage.....		52,742.60		4,227.50
Operated acreage.....		4,362.00	250.00	13,943.76
Total.....	11,913.46	570,339.60	3,837.50	242,761.06

Included in the "Sundry Charges" are certain items of gas in lieu of royalties. Although such expense items do not represent an expenditure of cash, the amount is negligible for the purpose of this report. It will also be noted that certain payments have been deferred, which fact was disregarded for the purpose of this report.

8 The provisions for cash working capital based on the above enumerated expenditures is as follows:

Period	Amount	Working capital	Proportion of working capital to total
Monthly, not in advance.....	\$11,913.46	\$992.79	8.33%
Quarterly, in advance.....	570,339.60	142,584.90	25.00%
Semiannually in advance.....	3,837.50	1,918.75	50.00%
Annually in advance.....	242,761.06	242,761.06	100.00%
Total.....	828,851.62	388,257.50	

Gas Used in Company Operations.—The entire amount charged and credited to Operating Expenses for gas used in Company operations is eliminated because the cost of producing and transporting said gas is reflected in the various operating expenses. The credit slightly exceeds the charges for this item, the difference being rep-

resented by charges for gas to accounts other than operating expenses. Some such charges were made to clearing accounts, a part of which would, in the ordinary course of the Company's accounting procedure, be transferred to the operating expenses. However, the necessary mechanics of determining the exact amount is not commensurate with the value of the results.

Depreciation on transportation equipment, well tools, etc., charged to operating expenses through clearing accounts.—The amount determined by the Examiners of Accounts for this elimination is on an overall average basis, and was obtained after analyses of all clearing accounts. The percentage of the charges for depreciation to the total charges in each clearing account was applied to the various amounts that were cleared to operating expenses from said accounts. The result was the amount used to represent the charges for depreciation included in operating expenses. The amount eliminated (\$23,344.27) represents a proportionate part of the following charges as developed in Table No. 4.

9	Depreciation on transportation equipment, charged direct to Account 903.1 Transportation, Expense, Clearing----	\$23, 773.51
	Depreciation on shop equipment, charged direct to Account 903.2, Clarksburg Garage Shop, Clearing-----	1, 529. 16
	Depreciation on drilling and cleaning equipment, charged direct to Account 908, Drilling and Cleaning Equipment, Clearing-----	18, 374. 78
	Total -----	43, 677. 45

Following is Table No. 4, which is a summary of the amounts charged to operating expenses from each clearing account, and the approximate amount of depreciation included therein:

TABLE No. 4

Clearing account	Charges to operating exp.	Less use of hired autos	Balance	Depreciation included	
				Percent	Amount
902.....	\$8, 012. 37		\$8, 012. 37	1. 19	\$95. 34
903.1.....	119, 466. 23	\$32, 016. 95	87, 449. 28	11. 75	10, 275. 29
903.2.....	44. 48		44. 48	6. 80	3. 02
905.1.....	75, 592. 45		75, 592. 45		
905.2.....	22, 885. 99		22, 885. 99	0. 11	25. 17
907.1.....	29, 093. 09		29, 093. 09		
907.2.....	14, 674. 23		14, 674. 23		
908.....	4, 767. 80		4, 767. 80	43. 28	2, 063. 60
909.....	148, 663. 89		148, 663. 89	0. 66	981. 18
910.....	237, 427. 32		237, 427. 32	4. 17	9, 900. 77
Total.....	660, 627. 85	32, 016. 95	628, 610. 90		23, 344. 27

The depreciation charged to clearing accounts other than 903.1, 903.2 and 908 are represented by amounts transferred to other clearing accounts from those to which the depreciation charges were originally made.

Purchased Gas.—No allowance for working capital has been made to provide for the purchase of gas because large sums are collected from associated utilities to which gas is sold, in advance of the date on which payments are made for the gas purchased. Payment for a comparatively small portion of gas purchased is due on the 10th of the month following the purchase and the balance is due on the 20th.

Two schedules are presented herein, being Schedules Nos. 3 and 4, to show respectively, the average lag in cash receipts from associated utilities for gas sales, and the average lag in payments for gas purchased. The lag is calculated, in each case from the 15th of the month during which gas was sold and purchased. These schedules show that there was, on the average, a period of 4 days between the receipt of an aggregate sum of \$13,930,353.97 for gas sales to associated gas utilities, during 1939, and the payment of an aggregate amount of \$7,632,030.69 (unadjusted) for gas purchased, during that year.

The Examiners of Accounts have no intention, by this elimination, to intimate that dollars are "tagged" for specific purposes. But a month to month study of the cash receipts from sales of gas to the associated utilities, as compared with the payments for gas purchased, shows that enough revenues were received from these sources alone to pay for gas purchased in advance of the date such payments were due, with substantial amounts in excess of the cash requirements therefor.

For the purpose of illustrating the foregoing facts, details are shown in Table No. 5 which follows. It will be noted that each month is shown independently with no balances carried over to the next month. The table shows the recorded dates the various cash items were received, the dates on which payments were made for gas purchased, and the excess of cash receipts over the cash disbursements during the month as of each date shown.

11

TABLE No. 5

Date 1939	Cash receipts			Cash disbursements	Balance
	East Ohio Gas Co.	The Peoples Gas Co.	River Gas Co.		
Feb. 10				\$12,779.38	\$12,779.38
14	\$800,000.00				787,220.62
16	400,000.00				1,187,220.62
20		\$122,046.54		741,742.86	567,524.80
21	109,060.47				676,584.77
24			\$17,359.30		693,944.07
Mar. 10				13,102.60	13,102.60
13	800,000.00				786,897.40
20	200,000.00	163,397.85		695,953.19	454,342.06
23			16,175.60		470,517.66
24	287,947.38				758,465.04
Apr. 10	400,000.00			14,694.00	385,306.00
17	800,000.00				1,185,306.00
20		163,720.10		735,760.86	613,265.24
21	90,867.82				704,133.06
25			10,409.70		714,542.76
May 1	200,000.00				200,000.00
10				13,066.40	186,933.60
11	400,000.00				586,933.60
15	400,000.00				986,933.60
19		99,350.02			1,086,283.62
20				715,893.60	370,390.02
22	189,746.76				560,136.78
24			7,937.65		568,074.43
June 5	200,000.00				200,000.00
10				13,388.55	186,611.45
15	700,000.00				886,611.45
20		115,573.54		531,384.66	470,800.33
21	157,940.19				628,740.52
23	1,590.40				630,330.92
July 10				9,084.36	9,084.36
11	200,000.00				190,915.64
17	500,000.00				690,915.64
20	61,396.66	83,968.50		463,057.84	373,222.96
24			96.25		373,319.21
Aug. 10				9,474.30	9,474.30
14	500,000.00				490,525.70
18	156,429.39				645,955.09
19				447,688.44	198,266.65
21		72,338.81			270,605.46
23			389.55		270,995.01
12 Sept. 9				\$6,513.15	\$6,513.15
11	\$200,000.00				193,486.85
18	300,000.00				493,486.85
20		77,750.37		447,090.76	124,146.46
21	192,935.64				317,082.10
26			442.05		317,524.15
Oct. 9	200,000.00				200,000.00
10				4,348.57	195,651.43
16	400,000.00				595,651.43
19	128,184.85				723,836.28
20		104,687.28	593.95	446,969.80	382,147.71
Nov. 6	200,000.00				200,000.00
10				8,276.61	191,723.39
13	300,000.00				491,723.39
20	421,469.85	94,942.16		517,606.80	490,528.60
22			3,206.35		493,734.95

TABLE No. 5—Continued

Date 1939	Cash receipts			Cash disbursements	Balance
	East Ohio Gas Co.	The Peoples Gas Co.	River Gas Co.		
Dec. 4	\$300,000.00				\$300,000.00
9				\$14,427.64	285,572.36
18	400,000.00				685,572.36
20		\$157,286.36		769,702.68	73,156.04
21			\$8,773.80		81,929.84
28	450,630.52				532,560.36

Italic figures denote deficit.

The gas sales contracts with the three companies shown in the foregoing table provide for payment as follows:

The East Ohio Gas Company, 75% on or before the 15th of the month following the purchase; balance on the 27th.

The Peoples Natural Gas Co., On or before the 30th of the month following the purchases.

River Gas Company, 30th of the month following purchases.

Cash receipts as of the 20th of each month from sales to the three companies shown in the foregoing table are in excess of the payments on the 20th of each month for gas purchased in amounts varying from \$73,100 in December to \$613,200 in April, with a monthly average of \$375,500.

Distribution Expenses.—All direct Distribution Expenses plus an amount allocated from Administrative and General Expenses have been eliminated for the purpose of this report. It will be noted that the adjusted Distribution Expenses amount to \$629,332.07 and that the amount eliminated under the caption "Distribution Expenses" is \$625,722.52. The difference of \$3,609.55 is included in the deductions under the two captions "Gas Used in Company Operations" and "Depreciation on Transportation Equipment, etc." Nothing has been eliminated to cover the cost of producing gas that was sold in West Virginia.

Balance of Operating Expenses.—The balance of Operating Expenses for the year 1939 after elimination of the various items for special treatment as noted is \$2,939,902.26. This is shown in Schedule No. 1.

The sum of \$367,488 has been included in the working capital to provide for this balance of operating expenses, which represents 12½ percent thereof, or the average amount required for a period of 45 days. This, in the opinion of the Examiners of Accounts, represents a liberal allowance to cover expenses, as

adjusted, which are to be paid in cash prior to the receipt of revenues.

Provision for Exploration and Development Costs.—The Exploration and Development Costs as adjusted by the
14 Examiners of Accounts amounted to \$500,343.58 during the year 1939, as follows:

<i>Item</i>	<i>Amount</i>
Delay rentals.....	\$407, 284. 24
Nonproductive well drilling.....	47, 895. 17
Cancelled and surrendered leases.....	45, 164. 17
Total	500, 343. 58

Working Capital has been provided on the basis of 12½% (or an average of 45 days' operations) on the charges for Delay Rentals and Nonproductive Well Drilling, which amounted to an aggregate sum of \$455,179.41 during the year 1939. The amount included for working capital is \$56,897.

Total Working Capital.—The total working capital as shown by Schedule No. 1 is \$2,041,242, which, in the opinion of the Examiners of Accounts, is a liberal amount to be allowed for the Company's requirements in its export business. In proposing this allowance for Working Capital, the Examiners of Accounts have taken into consideration the fact that the Company accumulates substantial cash funds through its Depreciation, Depletion and Tax accruals. It appears that these accruals would provide the Company with funds far in excess of any possible requirements for minimum bank balances.

The general cash funds of the Company, exclusive of its local collection depositories at the end of each month during the years 1939 and 1940, were as follows:

Month	1939	1940
January.....	\$170, 892. 74	\$621, 084. 17
February.....	470, 283. 37	321, 951. 87
March.....	186, 685. 57	287, 048. 49
April.....	134, 093. 52	506, 468. 60
May.....	137, 618. 31	209, 954. 17
June.....	63, 659. 24	180, 226. 95
15 July.....	325, 670. 74	129, 026. 72
August.....	365, 980. 55	203, 938. 80
September.....	1, 737, 766. 85	515, 115. 10
October.....	1, 666, 603. 79	212, 555. 33
November.....	116, 474. 37	417, 724. 59
December.....	493, 911. 81	386, 113. 88

Average Lag in Cash Receipts and Disbursements.—Schedules Nos. 3 and 4 show the average lag in cash receipts from sales of gas to associated companies and the average lag in the payments for gas purchased. These schedules, which have previously been referred to, indicate that the average date on which the revenues were received is the 16th of the month (31 days' lag), following the rendition of services and the average payment date for gas purchases was the 20th of the month (35 days' lag).

Further studies were made for average dates of cash receipts and disbursements, which show the following statistics:

<i>Item</i>	<i>Average date</i> ¹
Receipts from nonassociated gas companies.....	21st
Receipts for gas sales in West Virginia.....	15th
General cash disbursements for miscellaneous charges to operating expenses.....	10th
Payrolls.....	1st

The average date as shown for general cash disbursements was determined by a study of several vouchers charged to operating expenses with an effort on the part of the Examiners of Accounts to examine a representative cross-section of vouchers paid during the year 1939.

16 II—WORKING CAPITAL PER COMPANY BOOKS

The working capital according to the Company's books at December 31, 1937, 1938, and 1939, is shown in Schedule No. 5, which is summarized as follows:

Date	Excess current assets over cur- rent liabilities	Temporary cash in- vestments	Balance of available work- ing capital
Dec. 31, 1937.....	\$15,747,240.60	\$14,511,245.26	\$1,235,995.34
Dec. 31, 1938.....	13,489,336.53	11,555,577.21	1,933,759.32
Dec. 31, 1939.....	13,404,772.74	11,909,891.95	1,494,880.79
Average.....	14,213,783.00	12,658,904.00	1,554,879.00

The temporary cash investments as shown in the above table are presented in detail in Schedule No. 5 and are represented chiefly by investments in United States Government Securities. It will be noted that the only change in the Company's holdings of such securities during 1938 was the disposal of \$900,000 of 2½% Notes due in 1939 and practically the same amount (\$921,796.88) in-

¹ Date of month following rendition or receipt of services.

vested in 2½% Bonds due in 1950-52. During 1939 the Company disposed of Government securities of a book value of \$6,484,296.88 and invested \$5,399,702.00 in additional Government securities. This resulted in a decrease of \$1,084,594.88 in book value of investments of this class.

In addition to the investments in Government securities, the Company advanced various sums from time to time to Standard Oil Company of N. J., and the balance at the close of each of the three years above mentioned was as follows:

Dec. 31, 1937.....	\$3, 506, 479. 63
Dec. 31, 1938.....	521, 983. 45
Dec. 31, 1939.....	1, 960, 893. 07

17 Interest was paid by Standard Oil Company of N. J. at the rate of ½% per annum on these advances during the year 1939. Interest rates for prior years were not investigated.

The advances during the year 1939 ranged in amounts from \$200,000 to \$1,500,000 with an aggregate total of \$9,350,000. Withdrawals ranged from \$100,000 to \$650,000 during the year, plus \$1,800,000 withdrawn on December 20, 1939. The total withdrawals during the year amounted to \$7,925,224.79, which resulted in an increase in the amount of the advances as of December 31, 1939, over the amount at December 31, 1938, of \$1,424,775.21, as compared with the decrease in investments in Government securities of \$1,084,594.88. The average end-of-the-month balance of the advances was \$2,879,875.08 during the year 1939.

The balance of the working capital per Company's books at December 31, 1939, exclusive of the investments in Government securities and the advances to Standard Oil Company of N. J. is \$1,494,880.79 as shown above, which is represented, chiefly, by the following items:

Cash and working funds.....	\$548, 043. 19
Accounts receivable.....	2, 276, 214. 51
Materials and supplies.....	1, 501, 806. 53
Total	<u>4, 326, 064. 23</u>
Accounts payable.....	2, 024, 630. 90
Taxes accrued.....	750, 830. 19
Customers' deposits.....	95, 423. 21
Total.....	<u>2, 870, 884. 30</u>
Balance	\$1, 455, 179. 93

18 *Source and Disposition of Funds.*—Schedules Nos. 6 and 7 are presented to show respectively the various changes in the assets and liabilities during the year 1939 and the sources from which cash funds were received and the disposition thereof during that year. Schedule No. 6 shows the current assets and current liabilities in detail as of December 31, 1938, and 1939, prior to the merger of Reserve Gas Company and the increase or decrease in each account during the year 1939. It also shows comparable balance sheet data as of the latter date after the merger.

Schedule No. 7 shows that net cash funds received from all sources amounted to \$3,817,582.33 plus a reduction of working capital of \$84,563.79 or a total of funds provided amounting to \$3,902,146.02.

These funds were used chiefly for:

Plant additions (gross)-----	\$945,980.05
Dividends on Common Stock-----	2,796,930.00
Total -----	3,742,910.05

Clarksburg, West Virginia. *March 13, 1941.*

SAMUEL I. NICHOLS,
Samuel I. Nichols,

Senior Examiner of Accounts.

EDWARD L. DUNN,
Edward L. Dunn,

Examiner in Charge of Field Assignment.

Approved:

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Chas. W. Smith,

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[Pages 19 to 26 omitted.]

1 **EXHIBIT NO. 67.—COMPARATIVE INCOME STATEMENTS
FOR THE YEARS 1937, 1938, AND 1939, VOLUME I, F. P. C.
WITNESSES NICHOLS AND REINHARD**

WRITTEN STATEMENT

The Federal Power Commission, under date of October 14, 1938, issued an order of investigation into and concerning all rates, charges, classifications, rules, regulations, practices, or contracts of the Hope Natural Gas Company. In accordance therewith, an examination of the accounts and records of Hope Natural Gas Company has been made, and as a result, this report on the determination of income is submitted.

General.

This exhibit presents a comparative income statement for the years 1937, 1938, and 1939 as adjusted by the examiners.

The report is in two parts. Volume I sets forth the income statement per books, reclassified, and as adjusted, with supporting and detailed schedules. Volume II contains the adjusting entries, and summaries, prepared by several Examiners of Accounts.

The schedules and adjustments concerning the revenues and taxes have been prepared by Mr. Nichols. The schedules and adjustments concerning operating expenses have been prepared by Mr. Reinhard. In order to present, in this exhibit, a complete reference to all adjustments necessary in the determination of income, adjustments prepared by other examiners are included. In each such instance, the explanation of the adjustment indicates the source; therefore, the details and testimony will be set forth under the other exhibits referred to.

Reclassification.

During the year 1939 Hope Natural Gas Company used an accounting classification in accord with the present Uniform
2 System of Accounts. To present a comparison for the three years by the detail accounts and amounts, the examiners have reclassified 1937 and 1938 substantially in accordance with the 1939 accounts, without, in any manner, changing the net

operating income comparable to the 1939 classification or net income transferred to surplus. The result of the reclassification is shown in Schedule 1, columns (c) and (g), entitled "Per Books, Reclassified." The reclassification is shown in account detail by Examiners' Entries No. 251 covering Gas Service Revenues, No. 252 covering Other Gas Revenues, No. 253 covering Operating Expenses, No. 254 and 256 covering Other Income and No. 255 covering Gross Income Deductions. The manner in which the reclassification entries are prepared and referenced to the book accounts, obviates the necessity for setting up a detailed income statement for the years 1937 and 1938, by the old account descriptions and amounts.

Description of Schedules.

Schedule No. 1 is a Comparative Income Statement, Reclassified for the years 1937 and 1938, showing adjustments made thereto for the years 1937, 1938, and 1939. This schedule sets forth, in condensed form, the amounts as recorded on the books of the Company, reclassified to conform to the 1939 Classification of Accounts as prescribed by the Federal Power Commission, the examiners' adjustments made thereto and the resulting amounts after application of the adjustments.

Attention is directed to the Net Utility Income per books, (columns (c), (g), and (k)) and as adjusted (columns (f), (j), and (n)) for the respective years covered in this report.

It will be noted that an increase develops in each year, which is accounted for and described as follows:

Particulars	Net utility income		
	1937	1938	1939
As adjusted.....	\$3,565,310.34	\$1,469,759.00	\$3,304,956.09
Per books.....	2,364,424.40	884,341.41	2,283,368.05
Increase.....	1,200,885.94	585,417.59	1,021,588.04

These increases are accounted for by a decrease in Operating Revenues, Operating Revenue Deductions, setting up Nonrecurring Expenses and Decrease in Exploration and Development Costs for years 1937 and 1938 and an increase in the year 1939. These groups of accounts are treated separately in the schedules dealing with detailed revenues, expenses and exploration and development costs that follow in this report, and are summarized below:

Particulars	Examiners' adjustments—Increase or (decrease)*		
	1937	1938	1939
Operating revenues.....	\$1,479,959.52	\$750,618.43	\$488,122.88
Operating revenue deductions.....	2,608,409.31	1,306,773.37	1,624,132.62
Nonrecurring expenses.....	45,285.56	51,120.43	69,256.90
Exploration and development costs.....	117,721.71	60,333.13	45,164.20
Increase in net utility income.....	1,200,885.94	585,417.59	1,021,588.64

* Italic figures denote decrease.

The increases arising from examiners' adjustments in net Income Transferred to Surplus, amounting to \$861,294.20 in 1937, \$300,929.98 in 1938, and \$734,354.92 in 1939 are summarized in Schedule No. 1A.

4 Gas Service Revenues.

Schedule No. 4 (sheets 1, 2, and 3) shows the gas service revenues per books and as adjusted by the Examiners of Accounts for the years 1939, 1938, and 1937, respectively.

In order that the years 1937 and 1938 may be reasonably comparable with the year 1939, the book figures have been reclassified as shown in columns (c), (d), (e), and (f) of Schedule No. 4, sheets 2 and 3.

In addition to the dollar amount of the gas sales, the schedule shows the number of accounts at December 31 of each of the three years, the volume on the sales contract basis and the average rate per Mcf. These data were taken from the Company's Analysis of Gas Earnings.

A summary of the total gas service revenues, as adjusted, showing the amount of sales in the State of West Virginia and those outside the state is shown in the following table:

Year	Total adjusted gas service revenues	Sales in West Virginia	Sales outside West Virginia
1937.....	\$19,238,569.64	\$3,427,958.68	\$15,810,610.96
1938.....	16,513,210.81	2,736,147.17	13,777,063.64
1939.....	17,898,970.74	3,032,076.63	18,466,894.11

The above data expressed in percentages to total sales are as follows:

Year	Total adjusted gas service revenues	Sales in West Virginia	Sales outside West Virginia
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1937.....	100	17.8	82.2
1938.....	100	16.6	83.4
1939.....	100	16.8	83.1

- 5 The sales outside the State of West Virginia were to the following companies as shown in Schedule No. 4:
- Fayette County Gas Company.
 - The Manufacturers Light & Heat Company.
 - The East Ohio Gas Company.
 - The Peoples Natural Gas Company.
 - The River Gas Company.

The first two companies in the above list are not associated with Hope Natural Gas Company; the remaining three companies are affiliated.

The examiners' adjustments to Gas Service Revenues comprise the following:

1939: Elimination of gas sales to Northwestern Ohio Natural Gas Company on December 30 and 31, 1939.

All years: (a) Elimination of refund to The Peoples Natural Gas Company for compressing gas from revenues and from compressor station expense.

(b) Elimination of the value of exchange gas delivered to Hope Construction and Refining Company.

(c) Elimination of transaction with Hope Construction and Refining Company for operation of gasoline plants as set forth in a separate study. For the purpose of this report, certain operations of Hope Construction and Refining Company have been consolidated with those of Hope Natural Gas Company and reflected as Residuals Credit instead of sales of gas, royalty income, etc.

1937 and 1938: (a) Transfer of customers' forfeited discounts and penalties to Other Gas Revenues.

6 (b) Elimination of the value of exchange gas delivered to United Fuel Gas Company. This has been credited to Gas Purchased to offset the amount of gas revenues from The Manufacturers Light & Heat Company. There was no exchange gas of this nature recorded as sales and purchases in 1939.

Following Schedule No. 4, is Sub-schedule No. 4-A, sheets 1 to 8, inclusive, which show further details with reference to the Gas Service Revenues for the year 1939. These sheets show the various towns and districts in which the domestic, commercial and industrial sales were made, and the various companies to which gas was sold for resale.

Other Gas Revenues and Other Income.

Details of Other Gas Revenues and Other Income for the years 1937, 1938 and 1939, per books, and as adjusted by the examiners of accounts are shown in Schedules Nos. 2 and 1, respectively.

The adjustments to the classes of income as shown in these Schedules are as follows:

1937 and 1938: Transfer of Customers' Forfeited Discounts and Penalties from Gas Service Revenues to Other Gas Revenues.

All years: (a) Elimination of revenue from processing natural gas. This has been adjusted through the Residuals Credit account as above described in connection with the operations of Hope Construction and Refining Company.

7 (b) Management fees have been transferred from Miscellaneous Gas Revenues to the various operating expense accounts to offset the costs of the services rendered.

(c) Transfer of tax adjustments to the credit of Taxes. These tax adjustments represent a share of West Virginia gross sales and income taxes that are imposed by the Company on its customers in conformity with the provisions of certain sales contracts.

(d) Elimination of book profit on property retired, sold, or abandoned, recorded on the books as Miscellaneous Nonoperating Revenues. The examiners of accounts have transferred these credits to the Reserve for Depreciation.

Schedule No. 5 is presented for the purpose of showing the various classes of nonoperating revenues as reflected by the Company's books for the years 1937 and 1938, and the manner in which the examiners of accounts have reclassified the items to bring them into comparable form with those as recorded for the year 1939.

Operating Expenses.

Schedule No. 3 is a detailed statement by accounts of Operating Expenses, Reclassified for the years 1937 and 1938, showing adjustments made thereto for the years 1937, 1938, and 1939. This schedule shows the totals in each group of accounts and may be summarized accordingly to give the effect of the adjustments made to them:

8 Particulars	Net adjustments—Increase or decrease*		
	1937	1938	1939
Production.....	\$30,057.99	\$174,191.68	\$304,107.18
Other production.....	1,190,748.61	498,418.24	115,982.70
Transmission.....	718,808.28	535,747.99	474,157.29
Distribution.....	245,086.93	221,229.83	233,057.84
Customers' accounting and collection.....	65.04	1,240.87	2,012.63
Sales promotion.....			
Administrative and general.....	256,356.49	293,068.71	784,905.98
Total operating expenses.....	1,828,851.60	933,049.30	1,448,087.94

* Italic figures denote decrease.

By reference to Schedule No. 1 it will be noted that under the heading of Operating Revenue Deductions are included Accounts 503.1, Depreciation, 503.2, Amortization and Depletion of Natural Gas Lands and Land Rights, 504, Amortization of Other Limited-Term Gas Investments, and 507, Taxes. The net adjustments by the examiners in these accounts are as follows:

Account	Net adjustments—Increase or decrease*		
	1937	1938	1939
503.1.....	\$496,800.96	\$224,064.08	\$14,640.95
503.2.....	17,761.53	685.96	18,372.47
504.....		6,611.56	
507.....	265,015.32	145,734.12	209,058.10
	779,577.81	373,724.07	176,044.68

* Italic figures denote decrease.

Taxes.

Sheets 1, 2 and 3 of Schedule No. 8 show details with respect to the taxes accrued and/or paid by the Company during the years 1939, 1938 and 1937, respectively.

Columns (b), (c), and (d) show the total amount of taxes paid or accrued during each year, separating the amounts applicable to the current year from those applicable to other years. Column (e) shows the amount of social security taxes that were charged to accounts other than Taxes, such as Work in Progress, Accounts Receivable, etc. The balance charged to Taxes per books is shown in column (f).

It will be noted that the examiners' adjustments are shown in four columns. These are shown in this manner in order to separate the various adjustments to certain categories for ready reference. It will also be noted that the adjustments in three of the columns, namely, (g), (h), and (i) have been applied to the book amounts and an extension has been made to column (j), prior to the deduction of certain additional adjustments shown in column (k).

The taxes have been extended in the above described manner for a specific purpose. The amounts shown in column (j), (the first extension) are the actual taxes applicable to the operations for each of the years shown. The amounts shown in column (1), (Adjusted Taxes) represent the amounts of the corrected taxes after eliminating certain items shown in column (k), applicable to the following:

Specific distribution taxes.

Taxes not applicable to gas operations.

Nonrecurring taxes.

Estimated amount of state taxes applicable to property devoted to the transportation of coke oven gas.

The specific distribution taxes and taxes not applicable to gas operations are the same as those designated as such by the Company in its Exhibit No. 37 (see pages 25, 32, and 39 of that Exhibit for the years 1937, 1938, and 1939, respectively). The nonrecurring taxes are certain taxes imposed by the State of Pennsylvania prior to the removal of the Company's offices from Pittsburgh, Pennsylvania, to Clarksburg, West Virginia. The social security taxes imposed by the State of Pennsylvania have not been eliminated because it is the opinion of the examiners of accounts that additional taxes will be assessed in the State of West Virginia which will be about equal to those paid to the State of Pennsylvania on account of the employees who were transferred.

The taxes on property devoted to the transportation of coke oven gas have been estimated on an overall percentage basis of the totals of property and applicable taxes.

Subschedule No. 8-A (sheets 1, 2, and 3) is presented for the purpose of reconciling the taxes per books for the years 1939, 1938, and 1937, respectively, with the amount per Company's Exhibit No. 37, and an additional reconciliation with the total taxes applicable to operations as per final tax settlements.

It will be noted that the Company has adjusted the Federal Income Taxes for the purpose of its Exhibit No. 37 so as to reflect a rate of 18% in each of the years 1937, 1938, and 1939, instead of the actual rates paid (see note L at page 43 of Exhibit No. 37). This adjustment has not been made by the examiners of accounts. The Federal Income Taxes shown in the final columns of Schedules Nos. 8 and 8-A are the actual amounts assessed for the respective years, based on the entire net income of the Company, and, incidentally, include the tax on net income resulting from operations in West Virginia. The examiners of accounts have made no attempt to separate the amounts of Federal Income Taxes that are applicable to net income from West Virginia sales from the amount based on interstate net income.

The amounts appearing as Nonrecurring Expenses are normal recognized operating expenses of the Company, and include such items as rent, taxes, and other miscellaneous amounts. They have been removed from the operating expenses as they principally represent costs incurred when the main office of the Company was

located at Pittsburgh, Pennsylvania, and are not expected to occur in the future.

Exploration and Development Costs appearing in Schedule No. 1 is the last group of accounts taken into consideration before arriving at the Net Utility Income. The net change in this group of accounts is as follows:

Account	Net adjustments—increase or decrease *		
	1937	1938	1939
510.....	<i>\$81,166.45</i>	<i>\$78,937.04</i>	-----
511.....	-----	-----	-----
512.....	<i>36,555.26</i>	18,553.91	<i>\$45,164.20</i>
Total.....	<i>117,721.71</i>	<i>90,535.13</i>	45,164.20

* Italic figures denote decrease.

The adjustments made to these accounts are discussed in a separate study that is entitled, Exploration and Development Costs.

Other Income appearing in Schedule No. 1 contains certain adjustments that include rearrangement of book profit on property retired, sold or abandoned, and taxes not applicable to natural gas operations.

12 Income Deductions appearing in Schedule No. 1 include adjustments made to revenue and operating expense accounts and the increase represents the net results of these accounting adjustments.

Volume II of this report, as stated hereinbefore, deals with adjustments made by the Examiners and includes a summary of all adjustments, together with adjusting entries and a detailed explanation of each.

Clarksburg, West Virginia, March 24, 1941.

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Samuel I. Nichols,

Senior Examiner of Accounts.

WALTER C. REINHARD,

Walter C. Reinhard,

Examiner of Accounts.

EDWARD L. DUNN,

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Examiner in Charge of Field Assignment.

Approved:

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W. E. Baker,

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CHAS. W. SMITH,

Chas. W. Smith,

Chief, Bureau of Accounts, Finance and Rates.

13 Docket G-113

HOPE NATURAL

Comparative Income Statement, Reclassified for the Years 1937

Account No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>I—Utility income</i>					
501	Gas operating income:					
	Operating revenues.....	\$20,803,789.10	\$1,501,518.87	\$21,559.35	\$19,323,829.58	\$17,306,474.74
	Operating revenue deductions:					
502	Operating expenses.....	14,335,231.21	1,356,925.46	3,185,756.96	12,506,399.71	13,079,483.31
503.1	Depreciation.....	1,843,745.62		496,800.96	1,346,944.66	1,486,455.43
503.2	Amort. and depl. of P. N. G. L. & L. R.	58,465.39		17,761.53	40,703.86	30,722.15
504	Amort. of other limited term G. I.					7,425.00
507	Taxes.....	1,583,124.94		265,015.32	1,318,109.62	1,145,422.31
	Total operating revenue deductions.	17,820,567.16	1,356,925.46	3,965,334.77	15,212,157.85	15,749,508.20
	Net operating revenues.	2,983,221.94	2,858,444.33	3,986,894.12	4,111,671.73	1,556,966.54
	Nonrecurring expenses.		45,285.56		45,285.56	
	Utility income.....	2,983,221.94	2,903,729.89	3,986,894.12	4,066,386.17	1,556,966.54
	<i>II—Exploration and development costs</i>					
510	Delay rentals.....	550,370.78		81,166.45	469,204.33	545,484.59
511	Nonproductive well drilling.	27,743.54			27,743.54	86,461.77
512	Abandoned leases.....	40,683.22		36,555.26	4,127.96	40,678.77
	Total exploration and develop. costs.	618,797.54		117,721.71	501,075.83	672,625.13
	Net utility income.....	2,364,424.40	2,903,729.89	4,104,615.83	3,565,310.34	884,341.41
	<i>III—Other income</i>					
520	Income from misc. job., and cont. work.	8,139.56			8,139.56	2,514.24
521	Income from nonutility operations.					
522	Revenues from lease of other phys. prop.					
523	Dividend revenues.....	80,076.00			80,076.00	200,072.00
524	Interest revenues.....	314,613.52			314,613.52	316,369.51

GAS COMPANY

and 1938, Showing Adjustments for the Years 1937, 1938, and 1939

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
\$751,929.06	\$21,310.58	\$16,575,856.26	\$18,455,789.07	\$488,157.92	\$35.04	\$17,967,666.19
1,189,778.59	2,122,827.89	12,146,434.01	13,055,740.39	844,712.30	2,292,800.24	11,607,652.45
	224,064.08	1,262,391.35	1,200,000.00	14,640.95		1,214,640.95
685.69		31,407.84	18,400.00	18,372.47		36,772.47
	6,611.56	813.44	6,369.47			6,369.47
	143,734.12	1,001,688.19	1,436,731.75		209,058.10	1,227,673.65
1,190,464.28	2,497,237.65	14,442,734.83	15,717,241.61	877,725.72	2,501,858.34	14,093,108.99
1,942,393.34	2,518,548.23	2,133,121.43	2,738,547.46	1,365,883.64	2,501,893.38	3,874,557.20
51,120.43		51,120.43		69,256.90		69,256.90
1,993,513.77	2,518,548.23	2,082,001.00	2,738,547.46	1,435,140.54	2,501,893.38	3,805,300.30
	78,937.04	466,547.55	407,284.24			407,284.24
		86,461.77	47,895.17			47,895.17
18,553.91		59,232.68		45,164.20		45,164.20
18,553.91	78,937.04	612,242.00	455,179.41	45,164.20		500,343.61
2,012,067.68	2,597,485.27	1,469,759.00	2,283,368.05	1,480,304.74	2,501,893.38	3,304,956.69
		2,514.24	1,383.58			1,383.58
			728.90			728.90
			747.00			747.00
		200,072.00	72.00			72.00
		316,369.51	256,774.03			256,774.03

Comparative Income Statement, Reclassified for the Years 1937

Account No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>III—Other income—</i>					
526	Miscellaneous nonoperating revenues.	\$67,283.68	\$16,463.51		\$50,820.17	\$28,360.51
527	Nonoperating revenue deductions.		2,313.63		2,313.63	
	Total other income.....	470,112.76	18,777.14		451,335.62	547,316.26
	Gross income.....	2,834,537.16	2,922,507.03	\$4,104,615.83	4,016,645.96	1,431,657.67
	<i>IV—Income deductions</i>					
535	Other interest charges.....	7,306.51			7,306.51	9,091.75
536	Interest charged to construction—credit.					
537	Miscellaneous amortization.	4,740.72			4,740.72	4,740.72
538	Miscellaneous income deductions.	19,057.99	320,814.60		339,872.59	19,169.71
	Total income deductions.	31,105.22	320,814.60		351,919.82	33,002.18
	Net income transferred to surplus.	2,803,431.94	3,243,321.63	4,104,615.83	3,664,726.14	1,398,655.49

NOTE.—Expenditures made in connection with company's reclassification of property accounts and river rate investigation are not included in this statement.

and 1938, Showing Adjustments for the Years 1937, 1938, 1939

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
\$910.26		\$27,450.25	\$296.02			\$296.02
2,971.77		2,971.77	87.99	\$2,741.31		2,829.30
3,882.03		543,434.23	258,455.74	2,741.31		255,714.43
2,015,949.71	\$2,597,485.27	2,013,193.23	2,541,823.79	1,483,046.05	\$2,500,893.38	3,560,671.12
		9,091.75	7,792.92			7,792.92
			7,355.85			7,355.85
		4,740.72	4,740.72			4,740.72
280,605.58		299,775.29	7,662.36	284,492.41		292,154.77
280,605.58		313,607.76	12,840.15	284,492.41		297,332.56
2,296,555.29	2,597,485.27	1,699,585.47	2,528,983.64	1,767,538.46	2,501,893.38	3,263,338.56

Italic figures denote decrease.

HOPE NATURAL GAS COMPANY

Summary of Examiners' Adjusting Entries for the Years 1937, 1938, and 1939

Account No.	Income accounts	Sched. ref.	1937	1938	1939
(a)	(b)	(c)	(d)	(e)	(f)
600-608	Gas service revenues.....	2	\$1,127,903.55	\$428,619.51	\$198,174.37
610-619	Other gas revenues.....	2	352,055.97	301,998.97	289,948.51
733-749	Natural gas production.....	3	30,057.99	174,191.68	304,107.18
754-757	Other production expenses.....	3	<i>1,130,748.61</i>	<i>498,413.24</i>	<i>115,982.70</i>
758-764	Transmission expenses.....	3	<i>716,806.28</i>	<i>535,747.99</i>	<i>474,137.29</i>
765-777	Distribution expenses.....	3	245,086.93	221,229.83	223,057.84
779-784	Customers' accounting and collecting expense.....	3	<i>65.04</i>	<i>1,240.87</i>	<i>2,012.63</i>
790-809	Administrative & genl. exp.....	3	<i>256,356.49</i>	<i>293,068.71</i>	<i>784,905.98</i>
503-506	Depreciation & depletion.....	1	<i>514,562.49</i>	<i>229,989.95</i>	33,013.42
507	Taxes.....	1	<i>265,015.32</i>	<i>143,734.12</i>	<i>209,058.10</i>
510-513	Exploration & develop. costs.....	1	<i>117,721.71</i>	<i>60,383.13</i>	45,164.20
	Nonrecurring expenses.....	1	45,285.56	51,120.43	69,256.90
520-527	Other income.....	1	18,777.14	3,882.02	2,741.21
530-538	Income deductions.....	1	320,814.60	280,605.58	284,492.41
	Net adjustments to income accts.....		<i>861,294.20</i>	<i>300,929.98</i>	<i>734,554.92</i>
	<i>Balance sheet accounts</i>				
100.4	Gas plant held for future use.....				<i>22,096.89</i>
126.2	Receivables from assoc. cos.....		400,514.39	212,620.57	316,466.31
132	Prepayments.....				14,500.00
146	Other deferred debits.....		1,648.91	53,683.57	543,245.89
228	Taxes accrued.....		11,685.80	<i>50,863.62</i>	2,431.39
242	Other deferred credits.....				<i>5,460.00</i>
250.1	Reserve for depreciation of gas plant.....		421,122.04	68,292.30	<i>101,308.26</i>
250.2	Reserve for depletion of producing natural gas lands and land rights.....		<i>40,703.86</i>	<i>31,407.84</i>	<i>36,772.47</i>
250.3	Reserve for abandoned leases.....		832.15	2,595.33	
271	Surplus as of Jan. 1, 1937.....		66,194.77		
271	Surplus as of Jan. 1, 1938.....			25,999.67	
271	Surplus as of Jan. 1, 1939.....				23,348.95
	Net adjustments to balance sheet accounts.....		<i>861,294.20</i>	<i>300,929.98</i>	<i>734,354.92</i>

Italic figures denote decrease.

Operating revenues reclassified for the years 1937 and 1938.

Account No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	
			Dr.	Cr.		Per books reclassified
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Gas service revenues</i>					
600	Residential sales.....					
602.1	Commercial sales.....	\$1,782,135.67	\$20,825.01		\$1,761,310.66	\$1,684,169.76
602.2	Industrial sales.....	1,586,552.14	520.58		1,586,031.56	1,008,699.55
603	Public street and highway lighting.....	469.80	6.84		462.96	452.35
604	Other sales to public authorities.....	8,307.16	16.85		8,290.31	7,815.55
605.1	Sales to affiliated utilities.....	14,223,210.61	105,180.39		14,118,030.22	12,340,612.00
605.2	Sales to nonaffiliated utilities.....	2,622,620.27	920,095.47		1,703,524.80	1,775,780.81
608	Other sales.....	142,177.54	81,258.41		60,919.13	124,300.30
	Total gas service revenues.....	20,366,473.19	1,127,903.55		19,238,569.64	16,941,830.32
	<i>Other gas revenues</i>					
610	Rent from gas property.....	28,455.91			28,455.91	29,326.60
612	Customers' forfeited discounts and penalties.....			\$21,559.35	21,559.35	
617.1	Revenue from processing natural gas—Cont. gas.....	82,076.76	82,076.76			58,593.34
617.2	Revenue from processing natural gas—butane gas.....	23,559.07	23,559.07			16,990.54
618	Revenue from incidental oil sales.....	6,051.48			6,051.48	2,836.00
619.1	Warehouse sales.....	11,011.26			11,011.26	6,882.16
619.2	Unclaimed security deposits.....	120.51			120.51	53.31
619.3	Management fees and expenses.....	248,368.17	240,382.25		7,985.92	229,434.42
619.4	Unclaimed checks.....	438.90			438.90	372.31
619.5	Shop labor—field.....	2,256.30			2,256.30	1,831.00
619.6	Gas sales contract adjustments.....	27,597.24	27,597.24			22,274.17
619.9	Other miscellaneous gas revenues.....	7,380.31			7,380.31	9,184.89
	Total other gas revenues.....	437,315.91	373,615.32	21,559.35	85,259.04	364,644.42
	Total operating revenues.....	20,803,789.10	1,501,518.87	21,559.35	19,323,829.58	17,306,474.74

Italic figures denote decrease.

GAS COMPANY

showing adjustments for the years 1937, 1938, and 1939

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
\$20,531.21	-----	\$1,663,638.55	{ 1,500,980.56 }	\$35.04	{ ----- }	\$1,500,945.52
625.84	-----	1,008,073.71	{ 245,939.68 }			\$34.78
			1,236,209.93		.26	1,236,210.19
		452.35	308.51			308.51
19.39	-----	7,796.16	259.39			259.39
86,116.35	-----	12,254,495.65	13,930,353.97	115,923.12	-----	13,814,430.85
244,603.80	-----	1,531,177.01	1,066,668.85	5,460.00	-----	1,061,208.85
76,722.92	-----	47,577.38	116,424.22	76,791.25	-----	39,632.97
428,619.51	-----	16,513,210.81	18,097,145.11	198,209.41	35.04	17,898,970.74
		29,326.60	23,426.64			23,426.64
	\$21,310.58	21,310.58	21,564.78			21,564.78
58,593.34	-----		60,848.62	60,848.62	-----	
16,990.54	-----		25,915.65	25,915.65	-----	
		2,836.00	6,847.58			6,847.58
		6,282.16	1,258.66			1,258.66
		83.31	25.11			25.11
225,451.50	-----	3,982.92	195,229.92	192,415.89	-----	2,814.03
		372.31	10.95			10.95
		1,831.00	315.81			315.81
22,274.17	-----		10,768.35	10,768.35	-----	
		9,184.89	12,453.79			12,453.79
323,309.55	21,310.58	62,645.45	358,643.96	289,948.51	-----	68,695.45
751,929.06	21,310.58	16,575,856.26	18,455,789.07	488,157.92	35.04	17,967,666.19

Operating expenses reclassified for the years 1937 and 1938.

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Natural gas production</i>					
	Operation:					
733	Operation supervision and engineering.....	\$88,640.65	-----	\$10,926.21	\$77,714.44	\$89,476.70
734	Operation labor:					
734.1	Gas well labor.....	176,642.98	-----		176,642.98	167,444.20
734.2	Field line labor.....	88,321.52	-----	394.62	87,926.90	83,722.09
734.3	Field meas. and reg. station labor.....	13,646.14	-----	1,769.75	11,876.39	14,828.39
734.4	Other production labor.....	267,527.77	-----	15,607.85	251,919.92	296,836.48
	Total operation labor.....	546,138.41	-----	17,772.22	528,366.19	562,831.16
735	Operation supplies and expenses:					
735.1	Gas well supplies and expenses.....	12,971.05	-----		12,971.05	13,255.64
735.2	Field line supplies and expenses.....	6,485.49	-----	28.98	6,456.51	6,627.83
735.3	Field meas. and reg. station supplies and expenses.....	2,422.67	-----	157.62	2,265.05	1,831.01
735.4	Other supplies and expenses.....	73,910.78	-----	183.11	73,727.67	84,229.49
	Total operation supplies and exp.....	95,789.99	-----	369.71	95,420.28	105,943.97
736	Purification supplies and expenses.....					
737	Production maps and records.....					
738	Miscellaneous production expenses.....					
	Total production operation.....	730,569.05	-----	29,068.14	701,500.91	758,251.83
	Maintenance:					
739	Maintenance super. and engineering.....					
740	Maintenance of struct. and improve.:					
740.1	Mtce. of gas well structures.....					
740.2	Mtce. of field meas. & reg. sta. struct.....	4,080.52	-----		4,080.52	5,951.78
740.3	Mtce. of other prod. system struct.....					

GAS COMPANY

showing adjustments for the years 1937, 1938, and 1939

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(b)	(i)	(j)	(k)	(l)	(m)	(n)
	\$12,506.75	\$76,969.95	\$91,308.65		\$11,953.66	\$79,354.99
		167,444.20	330,338.52			330,338.52
	374.07	83,348.02	115,199.83		514.71	114,685.12
	2,074.87	12,753.52	12,523.85		1,314.03	11,209.82
	18,014.49	278,821.99	114,907.29		3,608.87	111,298.42
	20,463.43	542,367.73	572,969.49		5,437.61	567,531.88
		13,255.64	130,999.56			130,999.56
	29.61	6,598.22	18,292.54		81.73	18,210.81
	100.17	1,730.84	2,881.05		157.62	2,723.43
	213.86	84,015.63	33,814.96			33,814.96
	343.64	105,600.33	185,988.11		239.35	185,748.76
			2,846.82		244.08	2,602.74
			3,467.73			3,467.73
	33,313.82	724,938.01	856,580.80		17,874.70	838,706.10
			18,267.01		126.11	18,140.90
		5,951.78	117.73			117.73
			3,487.47			3,487.47

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Natural gas production—Con.</i>					
741	Maintenance—Con. Maintenance of prod. gas well equipt.....	\$387,760.81			\$387,760.81	\$414,805.91
742	Maintenance of field lines and equipt:					
742.1	Maintenance of field lines.....	171,968.04			171,968.04	161,199.40
742.2	Mtce. of field meas. & reg. sta. equipt.....	500.26			500.26	843.83
743	Maintenance of drilling & cleaning equipt.....					
744	Mtce. of other natural gas property.....	3,342.16			3,342.16	4,325.17
	Total production maintenance.....	567,651.79			567,651.79	587,126.09
	Miscellaneous:					
745	Gas well royalties.....	777,971.44	\$81,166.45		859,137.89	770,091.12
746	Natural gas rents.....	5,683.58			5,683.58	6,399.83
747.1	Residuals produced—Cr.....			\$979,829.94	<i>979,829.94</i>	
747.2	Residuals operation ex- penses.....		611,823.94		611,823.94	
747.3	Residuals maintenance ex- penses.....					
748.1	Joint expenses—Dr.....					
748.2	Joint expenses—Cr.....					
749	Duplicate charges—Cr.....	<i>1,005,057.82</i>	345,965.68		<i>659,072.14</i>	<i>988,183.85</i>
	Total miscellaneous.....	<i>221,382.80</i>	1,038,956.07	979,829.94	<i>162,256.67</i>	<i>151,692.90</i>
	Total natural gas pro- duction.....	1,076,838.04	1,038,956.07	1,008,898.08	1,106,896.03	1,193,685.02
17	<i>Other production expenses</i>					
	Miscellaneous:					
754	Gas purchased:					
754.1	Gas purchased—natural gas:					
754.11	Nat. gas purchased from aff. co.'s.....	244,016.23		121,234.87	122,781.36	227,214.17
754.12	Nat. gas purchased from others.....	8,621,616.15		774,048.60	7,847,597.55	7,570,340.20
754.121	Gas purchased con- tract adjustments.....					
	Total gas purchased, nat. gas.....	8,865,662.38		895,283.47	7,970,378.91	7,797,554.37
754.21	Other gas purchased from aff. co.'s.....	297,328.14		297,328.14		245,975.58

*Italic figures denote decrease.

showing adjustments for the years 1937, 1938, and 1939—Continued

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
	\$436.74	\$414,369.17	\$53,974.29		\$516.37	\$53,457.92
		161,199.40	146,851.93			146,851.93
		843.83	705.69			705.69
		4,325.17	2,311.11			2,311.11
	436.74	586,689.35	225,715.23		642.48	225,072.75
\$78,937.04		849,028.16	828,851.62			828,851.62
	678,035.37	6,399.83	508.90			508.90
		678,055.37			892,706.83	892,706.83
517,592.04		517,592.04		\$607,116.83		607,116.83
289,448.53		638,755.32	471,685.78			471,685.78
885,977.61	678,035.37	56,249.34	357,674.74	607,116.83	892,706.83	72,084.74
885,977.61	711,785.93	1,367,876.70	1,439,970.77	607,116.83	911,224.01	1,135,863.59
	116,702.57	110,511.60	213,815.34		110,115.66	103,699.68
	205,777.80	7,364,562.40	7,418,215.35		11.66	7,418,203.69
			1,202.88			1,202.88
	322,480.37	7,475,074.00	7,633,233.57		110,127.32	7,523,106.25
	245,975.58					

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Other production expenses—</i> Continued.					
	Miscellaneous Continued.					
	Gas purchased—Con.					
755	Purchased gas expense:					
755.1	Purchased gas operat- ing labor	\$99,763.61		\$6,132.40	\$93,631.21	\$101,939.94
755.2	Purchased gas suppl- ies and expenses ..	28,518.40		4,852.67	23,665.73	24,075.85
755.3	Mtce. of pur. gas meas. sta. struct.....					
755.4	Mtce. of pur. gas meas. sta. equipt.....					
755.5	Purchased gas rent.....					
	Total purchased gas expense.....	128,282.01		10,985.07	117,296.94	126,015.79
	Total gas purchased.	9,291,272.53		1,203,596.68	8,087,675.85	8,169,545.74
	Production expenses— cost of aband'g.....		\$72,848.07		72,848.07	
	Total other produc- tion expenses.....	9,291,272.53	72,848.07	1,203,596.68	8,160,523.92	8,169,545.74
	<i>Transmission expenses</i>					
	Operation:					
758	Operation, supervision, and engineering.....	14,017.01		1,787.08	12,229.93	16,329.51
759	Transmission operations:					
759.1	Pumping and regulating expenses:					
759.111	Pumping station labor	507,650.08		19,046.34	488,603.74	490,192.53
759.112	Measuring and reg. station labor.....	17,136.72			17,136.72	17,484.73
759.1211	Pumping sta. supplies and exp.....	193,024.43		107,596.90	85,427.53	150,832.13
759.1212	Pumping station fuel...	1,034,745.67		423,563.60	611,182.07	923,608.71
759.122	Meas. & reg. sta. supp. and exp.....	1,131.45			1,131.45	1,530.81
	Total pumping and regulating exp.....	1,753,688.35		550,206.84	1,203,481.51	1,583,648.91
759.2	Operation of transmis- sion mains:					
759.21	Operation of trans. mains—labor.....	35,691.38		738.17	34,953.21	33,946.92
759.22	Operation of trans. mains—supp. & exp.	5,551.59		114.82	5,436.77	4,597.90
759.23	Transp. & comp. chgs.—paid others...	46,610.52			46,610.52	55,035.02

showing adjustments for the years 1937, 1938, and 1939—Continued

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
	\$7,168.23	\$94,771.71	\$92,947.89		\$5,823.11	\$87,124.78
	4,933.99	19,119.86	16,627.99		32.27	16,595.72
			395.18			395.18
			2,608.90			2,608.90
			1,040.25			1,040.25
	12,124.22	113,891.57	113,620.21		5,855.38	107,764.83
	580,580.17	7,588,965.57	7,746,853.78		115,982.70	7,630,871.08
\$82,166.93		82,166.93				
82,166.93	580,580.17	7,671,132.50	7,746,853.78		115,982.70	7,630,871.08
	2,513.48	13,816.03	18,519.99		1,815.39	16,704.60
	19,280.64	470,911.89	464,254.02		20,573.83	443,680.19
		17,484.73	16,033.75			16,033.75
	87,861.21	62,970.92	202,495.18		119,429.76	83,065.42
	365,418.41	558,190.30	708,713.26		311,006.68	397,706.58
		1,530.81	2,159.09			2,159.09
	472,560.26	1,111,088.65	1,393,655.30		451,010.27	942,645.03
	702.09	33,244.83	77,725.82		1,607.53	76,118.29
	95.09	4,502.81	7,423.49		153.53	7,269.96
		55,035.02	60,446.14			60,446.14

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
750.24	Transmission expenses—Con. Operation—Con. Transmission operations Con Operation of transmis- sion mains—Con. Other transmission system expense.....	\$98,770.75	-----	\$2,441.38	\$91,329.37	\$86,494.28
	Total operation of trans. mains.....	181,624.24	-----	3,294.37	178,329.87	180,074.10
750.3	Transmission maps and records.....	-----	-----	-----	-----	-----
	Total transmission operations.....	1,949,329.60	-----	555,288.29	1,394,041.31	1,780,052.52
	Maintenance:					
760	Maintenance supervision and eng.....	-----	-----	-----	-----	-----
761	Maintenance of struct. and improve.:					
761.1	Mtce. of pump. station struct.....	107,963.53	-----	4,897.54	103,065.99	62,145.19
761.2	Mtce. of meas. & reg. sta. struct.....	247.70	-----	-----	247.70	63.94
761.3	Mtce. of other trans. sys. struct.....	819.71	-----	-----	819.71	1,839.39
18 762	Maintenance of Trans- mission Lines:					
762.1	Maintenance of mains.	143,343.00	-----	2,964.62	140,378.38	96,929.87
762.2	Mtce. of pumping, reg. & misc. equipt.:					
762.21	Mtce. of pumping station equipt.....	210,028.07	-----	670.01	209,358.06	194,306.49
762.22	Mtce. of meas. & reg. sta. equipt.....	937.05	-----	-----	937.05	2,060.84
762.23	Mtce. of other trans. sys. equipt.....	178.93	-----	-----	178.93	264.04
	Total transmis- sion mainten- ance.....	463,517.99	-----	8,532.17	454,985.82	257,609.76

showing adjustments for the years 1937, 1938, and 1939—Continued.

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
	\$7,105.84	\$79,388.42	\$21,984.61		\$2,286.83	\$19,697.78
	7,903.02	172,171.08	187,580.06		4,047.89	163,532.17
			760.90			760.90
	482,976.76	1,297,075.76	1,580,516.25		456,873.55	1,123,642.70
			5,790.39		14.56	5,775.83
	2,865.71	59,279.48	51,238.27		2,082.75	49,155.52
		63.94	38.17			38.17
		1,839.39	1,278.65			1,278.65
	2,004.70	94,925.17	52,368.82		1,083.09	51,285.73
	2,376.34	191,930.15	189,716.87		7,577.61	182,139.26
		2,060.84	659.33			659.33
		264.04	24,853.02			24,853.02
	7,246.75	350,363.01	325,943.52		10,758.01	315,185.51

Operating expenses reclassified for the years 1937 and 1938

Account No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Transmission expenses—Con.</i>					
	Maintenance—Continued.					
	Maintenance of Transmission Lines—Con.					
	Miscellaneous:					
	Rents:					
763	Trans. and comp. of gas by others.....					
763.1						
763.2	Rents.....	\$1,764.89			\$1,764.89	\$1,894.34
764.1	Joint expenses—Dr.....					
764.2	Joint expenses—Cr.....			\$152,985.82	<i>152,985.82</i>	
	Total miscellaneous.....	1,764.89		152,985.82	<i>151,220.93</i>	1,894.34
	Total transmission expenses.....	2,414,612.48		716,806.28	1,697,806.20	2,139,556.62
	<i>Distribution expenses</i>					
	Operation:					
765	Operation supervision and engineering.....	35,170.85		34.39	35,136.46	22,377.51
(1)	Other distribution system labor.....	29,589.40			29,589.40	23,711.21
766	Distribution office expenses:					
766.1	Distribution maps and records.....	16,426.54			16,426.54	14,191.14
766.2	Other distribution office expenses.....	18,588.52			18,588.52	21,138.04
767	Operation of distribution lines.....	22,101.31			22,101.31	22,311.54
768	Operation of meters:					
768.1	Removing and resetting meters.....	32,183.01			32,183.01	31,289.01
768.2	Miscellaneous meter expenses.....	7,377.44			7,377.44	7,201.51
769	Services on customers' premises.....	14,687.79			14,687.79	16,584.33
	Total distribution operation.....	176,124.86		34.39	176,090.47	158,804.29
	Maintenance:					
771	Maintenance supervision and eng.....					
772	Maintenance of struct. and Improvs.....	2,277.02			2,277.02	2,042.90
773	Maintenance of distribution lines:					
773.1	Maintenance of mains.....	54,312.52			54,312.52	72,545.17

¹ Not provided for in the new classification.
 Italic figures denote decrease.

showing adjustments for the years 1937, 1938, and 1939—Continued

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
		\$1,894.34	\$1,808.31			\$1,808.31
	\$45,524.48	45,524.48	1,276.26		\$6,505.73	7,780.99
	45,524.48	43,630.14	533.05		6,505.73	5,972.68
	535,747.99	1,603,808.63	1,906,992.82		474,137.29	1,432,855.53
	54.00	22,323.51	8,988.23		26.16	8,962.07
	350.22	23,360.99				
		14,191.14	2,588.17			2,588.17
		21,138.04	3,674.72			3,674.72
		22,311.54	34,897.11			34,897.11
		31,289.01	33,335.62			33,335.62
		7,201.51	6,990.85			6,990.85
		16,584.33	13,327.35		103.53	13,223.82
	404.22	158,400.07	103,802.05		129.69	103,672.36
			6,874.60		24.48	6,850.12
		2,042.90	3,540.21			3,540.21
		72,545.17	31,235.02			31,235.02

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Distribution expenses—Con.</i>					
	Maintenance—Continued.					
	Maintenance of distribu- tion lines—Continued.					
773.2	Mtce. of pumping and reg. equipt.....	\$2,164.82			\$2,164.82	\$2,000.03
773.3	Maintenance of services.....	14,887.46			14,887.46	18,088.22
773.4	Maintenance of meters.....	29,404.91			29,404.91	28,704.05
773.5	Maintenance of house regulators.....					
773.6	Mtce. of other prop. on cust. prem.....					
774	Maintenance of street lighting equipt.....					
775	Mtce. of other distribution equipt.....	177.10			177.10	211.88
	Total distribution main- tenance.....	103,223.83			103,223.83	123,592.25
19	Miscellaneous:					
776	Rents.....	1,279.67			1,279.67	1,625.67
777.1	Joint expenses—Dr.....					
777.2	Joint expenses—Cr.....					
	Total miscellaneous.....	1,279.67			1,279.67	1,625.67
	Direct distribution expenses transferred.....		\$245,121.32		245,121.32	
	Total distribution ex- penses.....	280,628.36	245,121.32	\$34.39	525,715.29	284,022.21
	<i>Customers' accounting and collecting expenses</i>					
779	Supervision.....					
780	Customers' contracts, or- ders, meter reading and collecting:					
780.1	Customers' contracts and orders.....					
780.2	Credit investigations and records.....					
780.3	Meter reading.....	28,128.73			28,128.73	29,292.38
780.4	Collecting.....					
781	Customers' billing and accounting.....	69,955.26		65.04	69,890.22	79,170.04
782	Miscellaneous expenses.....					
783	Uncollectible accounts.....	3,410.12			3,410.12	4,314.29
784	Rents.....	30.00			30.00	
	Total customers' ac- counting, and collect- ing expenses.....	101,524.11		65.04	101,459.07	112,776.71

showing adjustments for the years 1937, 1938, and 1939—Continued.

1933			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
		\$2,000.03	\$3,161.37			\$3,161.37
		18,088.22	15,576.45			15,576.45
		28,704.05	35,710.90			35,710.90
			32.70			32.70
			349.11			349.11
			6.52			6.52
		211.88	455.03			455.03
		123,592.25	96,941.91		\$24.48	96,917.43
		1,625.67	1,185.22			1,185.22
		1,625.67	1,185.22			1,185.22
\$221,634.05		221,634.05		\$233,212.01		233,212.01
221,634.05	\$404.22	505,252.04	201,929.18	233,212.01	154.17	434,987.02
			18,455.48		331.83	18,123.65
			10,336.92			10,336.92
			15.00			15.00
		29,292.38	39,475.55			39,475.55
			35,852.86		244.44	35,608.42
	1,240.87	77,929.17	39,201.07		1,009.66	38,191.41
			11,248.50		426.70	10,821.80
		4,314.29	5,588.73			5,588.73
			114.00			114.00
	1,240.87	111,535.84	160,288.11		2,012.63	158,275.48

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Sales promotion expense</i>					
785	Supervision.....					
786	Salaries and commissions.....					
787	Demonstration, advertising and other sales expenses					
787.1	Demonstration.....					
787.2	Advertising.....					
787.3	Miscellaneous sales ex- penses.....					
	Total sales promotion expenses.....					
	<i>Administrative and general expenses</i>					
790	Salaries of general officers and executives.....	\$95,249.93		\$32,188.68	\$63,061.25	\$91,720.91
791	Other general office salaries.....	318,493.99		106,321.51	212,172.48	341,648.81
792	Expenses of general officers and general office em- ployees:					
792.1	Expenses of general officers.....	4,243.29			4,243.29	4,210.16
792.2	Expenses of general office ployses.....	72,851.89		2,395.13	70,456.76	63,710.05
793	General office supplies and expenses.....	11,375.70		1,077.87	10,297.83	9,828.54
794	Management and supervi- sion, fees and expenses:					
795	Special services.....	54,928.41		19,712.39	35,216.02	77,742.88
796	Special legal services.....	21,419.13			21,419.13	35,788.74
797	Regulatory commission ex- penses.....					215.80
798	Insurance.....	8,523.43			8,523.43	7,858.37
799	Injuries and damages.....	1,672.80			1,672.80	1,218.15
800	Employees' welfare exp. and pensions:					
800.1	Employees' welfare ex- penses.....	381,279.46		24,871.22	356,408.24	334,894.12
800.2	Pensions.....					
801	Miscellaneous general ex- penses.....	18,258.28		411.66	17,846.62	15,931.84
802	Maintenance of general property:					
802.1	Mtce. of struct. and im- prove.....	623.45			623.45	170.21
802.2	Mtce. of office furn. and equipt.....	1,271.14			1,271.14	1,304.18
802.3	Mtce. of communication equipment.....	84,390.53		8,479.09	75,911.44	81,741.36

Italic figures denote decrease.

showing adjustments for the years 1937, 1938, and 1939—Continued

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
			\$5,701.82			\$5,701.83
			1.84			1.84
			175.50			175.50
			12.58			12.58
			5,891.75			5,891.75
	\$26,505.85	\$65,215.06	64,929.97		\$20,022.51	44,907.46
	117,410.18	224,238.63	260,609.25		95,348.90	265,260.35
	13.80	4,196.36	2,925.88			2,925.88
	3,992.38	59,717.67	37,168.14		5,665.40	31,502.74
	1,336.16	8,492.38	33,143.95		2,957.12	30,186.83
	45,887.17	31,855.71	9,554.01		2,732.72	6,821.29
	6,933.01	28,855.73	12,508.21	\$4,383.46		16,891.67
		215.80	315,071.72		315,066.86	4.86
		7,858.37	7,145.67			7,145.67
		1,218.15	1,038.71			1,038.71
	16,570.92	318,323.20	276,954.62		26,027.43	250,927.19
			135,767.28		16,318.12	119,449.16
	629.79	15,302.05	317,884.10		245,199.33	772,684.77
		170.21	49.75			49.75
	24.61	1,279.57	1,941.91			1,941.91
	4,696.12	77,045.24	37,556.52		848.70	36,707.82

Operating expenses reclassified for the years 1937 and 1938,

Ac- count No.	Account	1937			1938	
		Per books reclassified	Adjustments		As adjusted	Per books reclassified
			Dr.	Cr.		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<i>Administrative and general expenses—Continued</i>					
802.4	Maintenance of general property—Continued.					
	Mtce. of miscellaneous property.....					
803	Rents.....	\$49,714.77		\$49,714.77		\$53,454.17
804	Commissions paid under agency sales contract.....					
805	Franchise requirements.....	11,184.17		18,184.17		10,565.30
806	Duplicate misc. charges—Cr.....					
807	Adminis. & genl. expenses transf.—Cr.....					
808	Joint expenses—Dr.....					
809	Joint expenses—Cr.....					
902	Stores expenses—Clearing.....	13,643.13			\$13,643.13	27,324.17
903.1	Transportation expenses—Clearing.....	21,232.19			21,232.19	20,569.25
	Total adminis. & genl. expenses.....	1,170,355.69		256,356.49	913,999.20	1,179,897.01
	Total operating expenses.....	14,335,231.21	\$1,356,925.46	3,185,756.96	12,506,399.71	13,079,483.31

Italic figures denote decreased.

showing adjustments for the years 1937, 1938, and 1939—Continued

1938			1939			
Adjustments		As adjusted	Per books	Adjustments		As adjusted
Dr.	Cr.			Dr.	Cr.	
(h)	(i)	(j)	(k)	(l)	(m)	(n)
	\$53,454.17		\$47,531.06		\$47,531.06	
	10,565.30		11,571.29		11,571.29	
			79,438.66			\$79,438.66
	801.61	\$26,522.56				
	4,247.64	16,321.61				
	293,068.71	886,828.30	1,593,813.98	\$4,383.46	789,289.44	808,908.00
\$1,189,778.59	2,122,827.89	12,146,434.01	13,055,740.39	844,712.30	2,292,800.24	11,607,652.45

HOPE NATURAL GAS COMPANY
Gas Service Revenues—Per Books and as Adjusted 1939

Acct. No.	Account	No. of accounts Dec. 31, 1939	Volume mcf ¹	Average rate per mcf	Amount per books	Examiners' reclassifications and adjustments		As adjusted
						Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
600	Residential sales.....	39,179	3,991,037	\$0.3761	\$1,500,980.56	\$35.04		\$1,500,945.52
602.1	Commercial sales.....	3,559	653,024	.3767	245,939.68		\$34.78	245,974.46
602.2	Industrial sales.....	194	4,825,474	.2562	1,236,209.93		.26	1,236,210.19
603	Public street and highway lighting.....	3	794	.3886	308.51			308.51
604	Sales to other public authorities.....	2	778	.3334	259.39			259.39
605.1	Sales to other gas utilities (affiliated):							
	The East Ohio Gas Company: .	1						
	Regular gas.....		* 24,638,195	.3850	9,485,705.11			9,485,705.11
	Special industrial gas.....		* 9,269,477	.3100	2,873,794.79			2,873,794.79
	The Peoples Natural Gas Company.....	1	3,864,104	.3850	1,487,680.07	115,923.12		1,371,756.95
	The River Gas Company.....	1	237,640	.3500	83,174.00			83,174.00
	Total sales to other gas utilities (affiliated).....	3	38,009,416		13,930,353.97	115,923.12		13,814,430.85
605.2	Sales to other gas utilities (nonaffiliated):							
	Fayette County Gas Company.....	1	840,398	.3150	264,725.41			264,725.41
	The Manufacturers Light & Heat Company.....	1	2,500,755	.3150	787,737.85			787,737.85
	The Northwestern Ohio Natural Gas Co.....	1	18,200	.3000	5,460.00	5,460.00		
	Other.....	3	53,058		8,745.59			8,745.59
	Total sales to other gas utilities (nonaffiliated).....	6	3,412,411		1,068,668.85	5,460.00		1,061,208.85

608	Other sales:							
	Drillers and pumpers.....	112	340,922	.2874	³ 97,971.05	72,387.58		25,583.47
	Hope Construction and Refining Company:							
	Gasoline plants.....	1	14,679	.3000	4,403.67	4,403.67		
	Exchange gas.....					³ 72,387.58	72,387.58	
	South Penn Oil Company.....	1	113,446	.1242	14,049.50			14,049.50
	Total other sales.....	114	469,047		116,424.22	149,178.83	72,387.58	39,632.97
	Total gas service revenues.....	43,060	51,361,981	.3523	18,097,145.11	270,596.99	72,422.62	17,898,970.74

¹ Volume on contract basis.

² Total volume billed to The East Ohio Gas Company was 33,907,672 mcf. According to a study of volumes by the Bureau of Engineering, the actual metered deliveries were 33,275,409 mcf. This difference is due to certain peculiarities in the billing method as provided in the sales contract. The billing is based on metered customers consumption rather than on the actual metered deliveries by Hope Natural Gas Company.

³ No examiners' reclassification entry was made for this transfer of Hope Construction and Refining Company Exchange Gas from the book classification of "Drillers and Pumpers" to a separate account to segregate for the purpose of this schedule. It represents the exchange of 260,229 mcf of gas.

[Pages 22 to 44 omitted.]

24 EXHIBIT NO. 67-A.—COMPARATIVE INCOME STATEMENTS FOR THE YEARS 1937, 1938, AND 1939, VOLUME II, F. P. C. WITNESSES NICHOLS AND REINHARD

[Pages 1 to 23 omitted]

EXAMINERS' ADJUSTING ENTRIES

ENTRY NO. 200

	Dr.	Cr.
Gas service revenues:		
600 Residential and commercial sales, 1937.....	\$20,825.01	
602.1 Residential and commercial sales, 1938.....	20,531.21	
602.2 Industrial sales, 1937.....	520.58	
Industrial sales, 1938.....	625.84	
603 Public street and highway lighting, 1937.....	6.84	
604 Other sales to public authorities, 1937.....	16.85	
Other sales to public authorities, 1938.....	19.39	
608 Other sales, 1937.....	190.07	
Other sales, 1938.....	134.14	
Other gas revenues:		
612 Customers' forfeited discounts and penalties, 1937.....		\$21,559.35
612 Customers' forfeited discounts and penalties, 1938.....		21,310.58
To transfer from gas service revenues to other gas revenues, the amount of customers' forfeited discounts and penalties as determined from an analysis of gas sales for the years 1937 and 1938.		

ENTRY NO. 201

605.2 Sales to other gas utilities (non-aff.), 1937.....	\$920,095.47	
Sales to other gas utilities (non-aff.), 1938.....	244,603.80	
754.12 Gas purchased from others, 1937.....		\$774,048.60
Gas purchased from others, 1938.....		205,777.80
764.2 Joint expenses—Cr., 1937.....		146,046.87
Joint expenses—Cr., 1938.....		38,826.00
To reduce revenues and expenses during the years 1937 and 1938 by the amounts representing gas taken from one subsidiary of Columbia Gas and Electric Corporation (United Fuel Gas Co.) and delivered to another of its subsidiaries (The Manufacturers Light & Heat Co.) at a different location. These transactions are recorded on the books as purchases of gas at one price per Mcf and sales at a price of 5¢ per Mcf in excess of that at which purchased. This differential is represented as a charge for transporting the gas.		
For the purpose of this report, the purchases and sales have been reduced by the amount of these transactions and the amount represented by 5¢ per Mcf is credited to Joint Expenses—Cr. to offset the costs of handling this gas.		

ENTRY NO. 201—Continued

					Dr.	Cr.
25. Following is a summary of the purchases and sales as recorded:						
Year	Total Mcf.	Recorded sales	Recorded purchases	Difference		
1937.....	2,920,938	\$920,095.47	\$774,048.60	\$146,046.87		
1938.....	776,520	244,603.80	205,777.80	38,826.00		
The amounts affecting accounts 605.2 and 754.12 are included as an adjustment in Exhibit 37, pages 20, 23, 27 and 30, column 5.						

ENTRY NO. 202

605.1	Sales to other gas utilities (affiliated) 1937.....	\$105,180.39	-----
	Sales to other gas utilities (affiliated) 1938.....	86,116.35	-----
	Sales to other gas utilities (affiliated) 1939.....	115,923.12	-----
759.1211	Pumping station supplies and expenses 1937.....	\$105,180.39	-----
	Pumping station supplies and expenses 1938.....	86,116.35	-----
	Pumping station supplies and expenses 1939.....	115,923.12	-----
<p>To reduce revenues and expenses by the amount paid to The Peoples Natural Gas Co. in consideration for compressing gas sold to that company, under the provisions of the sales contract dated May 8, 1937. Article Eighth of said agreement provides that: "In view of the fact that at the present time gas cannot at all times and as to the full amount required, be delivered by the Hope Company at such pressures, the Peoples Company finds it necessary to recompress all or a part of such gas at its Brave Compressing Station in Greene County, Pennsylvania. The Hope Company therefore agrees that so long as the Peoples Company finds it necessary to maintain such compressing station it will pay the Peoples Company (to be applied in reduction of the price hereinabove provided) the sum of three (3¢) cents per thousand cubic feet of gas delivered hereunder * * *</p> <p>The above entry gives effect to the reduction of the price of the gas as provided in the part of the agreement quoted above. Volumes as follows:</p>			
Year	Sales Mcf.	Compressed by Peoples Mcf.	
1937.....	3,506,013	3,506,013	
1938.....	2,870,545	2,870,545	
1939.....	3,864,104	3,864,104	

26

ENTRY NO. 203

608	Other sales, 1937.....	\$76,782.24	-----
608	Other sales, 1938.....	74,392.18	-----
608	Other sales, 1939.....	72,387.58	-----
754.11	Natural gas purchased from Aff. Cos., 1937.....	\$69,843.29	-----
754.11	Natural gas purchased from Aff. Cos., 1938.....	67,693.70	-----
754.11	Natural gas purchased from Aff. Cos., 1939.....	65,881.85	-----
764.2	Joint transmission expenses—Cr., 1937.....	6,938.95	-----
764.2	Joint transmission expenses—Cr., 1938.....	6,608.48	-----
764.2	Joint transmission expenses—Cr., 1939.....	6,505.73	-----

ENTRY NO. 203—Continued

					Dr.	Cr.
<p>To reduce revenues and expenses by the amount of gas exchanged with Hope Construction and Refining Company and recorded on the books as purchases and sales of gas.</p> <p>The gas delivered to Hope Construction and Refining Company was used by that Company in its oil production operations and returned to Hope Natural Gas Company at reduced pressures. A price differential of 2½¢ per Mcf between the recorded selling price and the repurchase price is regarded as the out-of-pocket expenses for recompressing the gas.</p> <p>For the purpose of this report the amount representing the recompressing cost is credited to Joint expenses—Cr.</p> <p>Following is a summary of the purchases and sales as recorded:</p>						
Year	Total Mcf.	Total sales amount	Repurchase amount	Difference		
1937.....	277, 558	\$76, 782. 24	\$69, 843. 29	\$6, 938. 95		
1938.....	267, 939	74, 392. 18	67, 693. 70	6, 698. 48		
1939.....	260, 229	72, 387. 58	65, 881. 85	6, 505. 73		
<p>The amounts affecting accounts 608 and 754.11 are included as an adjustment in Exhibit 37, pages 20, 23, 27, 30, 34, and 37.</p>						

27

ENTRY NO. 204

619.6 Miscellaneous gas revenues—Gas sales contract adjustments, 1938.....	\$22, 274. 17	
619.6 Miscellaneous gas revenues—Gas sales contract adjustments, 1937.....	27, 597. 24	
755.2 Gas purchased supplies and expenses, 1938.....		\$16, 345. 41
755.2 Gas purchased supplies and expenses, 1937.....		14, 212. 75
507 Taxes, 1938.....		5, 928. 76
507 Taxes, 1937.....		13, 384. 49
<p>To transfer tax adjustments to the accounts affected during the years 1937 and 1938 by the amount of West Virginia Production and Sales taxes that were billed to others as provided in purchase and sales contracts. Such contracts provide for the sharing by vendors and vendees of taxes imposed on the production and sale of gas. In the case of taxes applicable to purchase contracts, they are herein transferred to Gas Purchase Expense account and thereby netted against certain similar taxes paid to vendors to partially reimburse such vendors for taxes imposed. In the case of taxes applicable to sales contracts, they are herein credited to the Taxes account, thereby reflecting in that account the net amount of taxes imposed on the respondent company for the production and sale of gas in West Virginia.</p> <p>The adjustment for the year 1937 includes a refund from the State of West Virginia in the amount of \$376.48 for an overassessment.</p> <p>These taxes are summarized as follows:</p>		
1938:		
Taxes billed others on purchase contracts.....	\$16, 345. 41	
Taxes billed others on sales contracts.....	5, 928. 76	
Total, 1938.....	22, 274. 17	
1937:		
Taxes billed others on purchase contracts.....	14, 212. 75	
Taxes billed others on sales contracts.....	13, 008. 01	
Refund from State of West Virginia.....	376. 48	
Total, 1937.....	27, 597. 24	
<p>During the year 1939, the taxes billed others on purchase contracts were classified in the same manner as this adjustment.</p>		

ENTRY NO. 205

				Dr.	Cr.
Gas service revenues, 1939:					
600 Residential sales.....				\$35.04	
Gas service revenues:					
602.1 Commercial sales.....					\$34.78
602.2 Industrial sales.....					.26
To adjust the above accounts as shown by the general ledger control accounts so as to agree with the details supporting said accounts as shown in the Company's analysis of gas sales. These differences are represented by Minimum Charges and Service Charges which were apparently posted to the wrong control account. The details are as follows:					
	Details	Sales summary	Difference		
Minimum charges:					
Residential sales.....	\$4,124.96	\$4,160.50	\$35.54		
Commercial sales.....	1,315.94	1,280.66	35.28		
Industrial sales.....	24.18	23.92	.26		
Service charges:					
Residential sales.....	4,985.18	4,984.68	.50		
Commercial sales.....	380.96	381.46	.50		
	10,831.22	10,831.22			

ENTRY NO. 206

Gas service revenues, 1939:			
605.2 Sales to other gas utilities (non-affiliated).....		\$5,460.00	
242 Other deferred credits.....			\$5,460.00
To transfer to the latter account, the amount of gas sales to Northwestern Ohio Natural Gas Company on December 30 and 31, 1939. These sales are reflected in the income account of Reserve Gas Co. which was merged with Hope Natural Gas Co. on December 30, 1939. This entry is included as an adjustment in Company Exhibit 37, page 34, column 5.			

ENTRY NO. 207

146 Other deferred debits, 1939.....		\$124.77	
754.12 Gas purchased.....			\$11.66
759.11 Compressor station labor.....			113.11
Elimination of expenses applicable to Reserve Gas Company which were incurred on December 30 and 31, 1939 after the merger of said Company with Hope Natural Gas Company. This entry is included in Exhibit 37, page 37, column 5.			

29

ENTRY NO. 208

	Dr.	Cr.
619.6 Miscellaneous gas revenues—Gas sales, 1939.....	\$10,768.35	-----
507 Contract adjustments taxes, 1939.....	-----	\$10,768.35
West Virginia production and sales taxes billed others as provided in sales contracts. These taxes are recorded on the books as miscellaneous gas revenues and this adjustment transfers the credits to the account to which such taxes were charged when paid to the State of West Virginia. The sales contracts provide for reimbursement by the vendee for certain taxes imposed on the production and sale of gas.		

ENTRY NO. 209

755.2 Gas purchased supplies and expenses, 1938.....	\$12,280.14	-----
755.2 Gas purchased supplies and expenses, 1937.....	10,204.73	-----
638 Miscellaneous income deductions, 1938.....	-----	\$12,280.14
638 Miscellaneous income deductions, 1937.....	-----	10,204.73
West Virginia taxes on production and sales of gas paid to others as provided in certain purchase contracts wherein it is stipulated that the imposition of such taxes will be shared alike by vendor and vendee. The amounts herein represent the respondent company's portion of taxes imposed by the State of West Virginia on certain vendors. During the year 1939, the books reflect these taxes in the manner as herein adjusted for the years 1937 and 1938.		

ENTRY NO. 210

526 Miscellaneous nonoperating revenues, 1938.....	\$910.26	-----
526 Miscellaneous nonoperating revenues, 1937.....	16,463.51	-----
Reserve for depreciation of—		
250.1 Gas plant, 1938.....	-----	\$910.26
250.1 Gas plant, 1937.....	-----	1,599.52
512 Abandoned leases, 1937.....	-----	14,863.99
To transfer from nonoperating revenues, the amounts recorded therein representing book profit on property retired, sold, or abandoned during the years 1937 and 1938. The amount credited to account 512 represents a book profit on the sale of unoperated leases.		

30

ENTRY NO. 211

619.3 Management fees and expenses, 1939.....	\$192,415.89	-----
619.3 Management fees and expenses, 1938.....	225,451.60	-----
619.3 Management fees and expenses, 1937.....	240,382.25	-----
733 Operation, supervision & engr., 1939.....	-----	\$11,953.66
733 Operation, supervision & engr., 1938.....	-----	12,506.75
733 Operation, supervision & engr., 1937.....	-----	10,926.21
734.3 Field meas. & reg. stat. labor, 1939.....	-----	628.85
734.3 Field meas. & reg. stat. labor, 1938.....	-----	1,263.61
734.3 Field meas. & reg. stat. labor, 1937.....	-----	1,023.17
734.4 Other production labor, 1939.....	-----	3,608.87
734.4 Other production labor, 1938.....	-----	17,517.61
734.4 Other production labor, 1937.....	-----	15,607.85
735.4 Other supplies and expenses, 1937.....	-----	183.11
737 Production maps and records, 1939.....	-----	244.08
739 Maint. supervision & engr., 1939.....	-----	126.11

ENTRY NO. 211—Continued

	Dr.	Cr.
741 Maint. of prod. gas well equipt., 1939.....		\$516.37
741 Maint. of prod. gas well equipt., 1938.....		436.74
755.1 Purchased gas operating labor, 1939.....		5,823.11
755.1 Purchased gas operating labor, 1938.....		7,168.23
755.1 Purchased gas operating labor, 1937.....		6,132.40
755.2 Purchased gas supplies & expenses, 1939.....		32.27
755.2 Purchased gas supplies & expenses, 1938.....		990.72
755.2 Purchased gas supplies & expenses, 1937.....		844.65
758 Operation, supervision & engr., 1939.....		1,815.39
758 Operation, supervision & engr., 1938.....		2,513.48
758 Operation, supervision & engr., 1937.....		1,787.08
759.111 Pumping station labor, 1939.....		1,144.94
759.24 Other transmission system exp., 1939.....		2,286.83
759.24 Other transmission system exp., 1938.....		6,084.34
759.24 Other transmission system exp., 1937.....		2,441.38
760 Maintenance, supervision & engr., 1939.....		14.66
762.21 Maint. of pumping station equipt., 1939.....		1,523.75
762.21 Maint. of pumping station equipt., 1938.....		21.43
765 Operation, supervision & engr., 1939.....		26.16
765 Operation, supervision & engr., 1938.....		54.00
765 Operation, supervision & engr., 1937.....		34.39
769 Services on customers' premises, 1939.....		103.63
Other distribution system labor, 1938.....		350.22
771 Maintenance, supervision & engr., 1939.....		24.48
779 Supervision, 1939.....		331.83
780.4 Collecting, 1939.....		244.44
781 Customers' billing & accounting, 1939.....		1,009.66
781 Customers' billing & accounting, 1938.....		1,240.87
781 Customers' billing & accounting, 1937.....		65.04
782 Miscellaneous expenses, 1939.....		426.70
790 Salaries of general off. & exec., 1939.....		20,022.51
790 Salaries of general off. & exec., 1938.....		26,505.85
790 Salaries of general off. & exec., 1937.....		32,188.68
791 Other general office salaries, 1939.....		95,348.90
791 Other general office salaries, 1938.....		96,782.51
791 Other general office salaries, 1937.....		106,321.51
792.2 Expenses of general off. employees, 1938.....		118.26
793 General office supplies & expenses, 1939.....		2,957.12
793 General office supplies & expenses, 1938.....		586.85
793 General office supplies & expenses, 1937.....		1,077.87
795 Special services, 1938.....		10,925.85
795 Special services, 1937.....		10,818.70
800.1 Employees' welfare expenses, 1939.....		15,101.43
800.1 Employees' welfare expenses, 1938.....		16,570.92
800.1 Employees' welfare expenses, 1937.....		24,871.22
801 Miscellaneous general expenses, 1939.....		11,962.67
801 Miscellaneous general expenses, 1938.....		285.13
801 Miscellaneous general expenses, 1937.....		411.66
802.2 Maintenance of office furn. & equipt., 1938.....		13.61
802.3 Maintenance of communication equipt., 1938.....		2,848.93
802.3 Maintenance of communication equipt., 1937.....		6,572.03
803 Rents, 1939.....		15,137.77
803 Rents, 1938.....		14,941.25
803 Rents, 1937.....		19,075.30
902 Stores expenses—Clearing, 1938.....		801.61
903.1 Transportation expenses—Clearing, 1938.....		4,122.73

ENTRY NO. 211—Continued

	Dr.	Cr.
To adjust the above operating revenue and expense accounts in order that the actual net expense be reflected. These management fees and expenses have been charged to the following associated companies:		
Hope Construction and Refining Company.		
Reserve Gas Company.		
The Peoples Natural Gas Company.		
New York State Natural Gas Corporation.		
Keuka Construction Company.		

32 ENTRY NO. 212

146	Other deferred debits, 1939	\$543, 121. 12	
	Other deferred debits, 1938	53, 683. 57	
	Other deferred debits, 1937	1, 648. 91	
797	Regulatory commission expenses, 1939		\$315, 066. 86
801	Miscellaneous general expenses, 1939		228, 054. 26
734. 4	Other production labor, 1938		496. 88
735. 4	Other production supplies and expenses, 1938		213. 86
759. 24	Other transmission system expenses, 1938		121. 50
791	Other general office salaries, 1938		20, 627. 67
792. 1	Expenses of general officers, 1938		13. 80
792. 2	Expenses of general office employees, 1938		217. 74
793	General office supplies and expenses, 1938		749. 31
795	Special services, 1938		28, 548. 29
796	Special legal services, 1938		49. 55
801	Miscellaneous general expenses, 1938		344. 66
802. 2	Maintenance of office furniture and equipment, 1938		11. 00
803	Rents, 1938		2, 164. 40
903. 1	Transportation expenses—clearing, 1938		101. 47
903. 2	Clarksburg garage—suspense, 1938		23. 44
538	Miscellaneous income deductions, 1937		1, 648. 91

To suspend the expenditures incurred during the years 1937, 1938, and 1939, that relate to the company's reclassification of property accounts, River Rate investigation and Cleveland Rate Case. They are transferred to other deferred debits pending final disposition by the Commission.*

Year	Reference	Description	Amount
1937		Cleveland Rate case	\$1, 648. 91
1938	Sundry voucher	River Rate case	1, 532. 57
1938	Sundry voucher	Property reclassification	52, 151. 00
1939	M 348	River Rate case	315, 066. 86
1939	M 350	Property reclassification	228, 054. 26
	Total		598, 453. 60

*This entry is included in the company's exhibit 37, pages 26, 29, 31, and 38, column 5, with minor exceptions to amounts involved.

ENTRY NO. 213

	Dr.	Cr.
126.2 Receivables from associated companies:		
Hope Construction and Refining Company, 1929.....	\$117,640.58	-----
Hope Construction and Refining Company, 1938.....	127,771.12	-----
Hope Construction and Refining Company, 1937.....	138,144.22	-----
608 Other sales, 1939.....	4,403.67	-----
608 Other sales, 1938.....	2,196.60	-----
608 Other sales, 1937.....	4,286.10	-----
759.1212 Pumping station—Fuel, 1939.....		\$122,044.25
759.1212 Pumping station—Fuel, 1938.....		129,967.72
759.1212 Pumping station—Fuel, 1937.....		142,430.32
To charge Hope Construction and Refining Company with the value placed on steam and gas furnished gasoline plants for extraction purposes, taking into consideration the vent gas returned to Hope Natural Gas Company and concurrently crediting the operating expense account affected. See gasoline extraction study for details of Entries No. 213 to 217, incl.		

ENTRY NO. 214

617.1 Revenue from Processing Nat. Gas-Cont. Gas, 1929.....	\$60,848.62	-----
617.1 Revenue from Processing Nat. Gas-Cont. Gas, 1938.....	58,593.34	-----
617.1 Revenue from Processing Nat. Gas-Cont. Gas, 1937.....	82,076.76	-----
617.2 Revenue from Processing Nat. Gas-Butane Gas, 1939.....	25,915.65	-----
617.2 Revenue from Processing Nat. Gas-Butane Gas, 1938.....	16,990.54	-----
617.2 Revenue from Processing Nat. Gas-Butane Gas, 1937.....	23,559.07	-----
126.2 Receivables from associated companies:		
Hope Construction and Refining Company, 1939.....		\$86,764.27
Hope Construction and Refining Company, 1938.....		75,583.88
Hope Construction and Refining Company, 1937.....		105,635.83
To credit Hope Construction and Refining Company with the value per books representing royalties from one-eighth of the gross receipts from sale of gasoline and butane extracted from Hope Natural Gas Company's gas and accordingly reversing the revenue accounts affected.		

ENTRY NO. 215

126.2 Receivables from associated companies:		
Hope Construction and Refining Company, 1939.....	\$892,706.83	-----
Hope Construction and Refining Company, 1938.....	678,035.37	-----
Hope Construction and Refining Company, 1937.....	979,829.94	-----
747.1 Residuals Produced—Credit, 1939.....		\$892,706.83
747.1 Residuals Produced—Credit, 1938.....		678,035.37
747.1 Residuals Produced—Credit, 1937.....		979,829.94
To record in residuals produced account the revenue from sales of gasoline and butane that were extracted from natural gas of Hope Natural Gas Company and charge Hope Construction and Refining Company as the recipient of these products.		

ENTRY NO. 216

	Dr.	Cr.
747.2 Residuals Operating Expenses, 1939.....	\$568,523.17	
747.2 Residuals Operating Expenses, 1938.....	477,321.37	
747.2 Residuals Operating Expenses, 1937.....	566,156.05	
126.2 Receivables from associated companies:		
Hope Construction and Refining Company, 1939.....		\$568,513.17
Hope Construction and Refining Company, 1938.....		477,312.37
Hope Construction and Refining Company, 1937.....		566,156.05
To record in residuals produced operation account the expenses incident to production and sale of gasoline and butane that were incurred by Hope Construction and Refining Company.		

ENTRY NO. 217

747.2 Residuals Operating Expenses, 1939.....	\$38,593.66	
747.2 Residuals Operating Expenses, 1938.....	40,270.67	
747.2 Residuals Operating Expenses, 1937.....	45,667.89	
126.2 Receivables from associated companies:		
Hope Construction and Refining Company, 1939.....		\$38,593.66
Hope Construction and Refining Company, 1938.....		40,270.67
Hope Construction and Refining Company, 1937.....		45,667.89
To record in residuals produced operation account the return on investment allowed Hope Construction and Refining Company based on 6% of average investment for the years 1937, 1938, and 1939.		

35

ENTRY NO. 218

538 Miscellaneous income deductions, 1939.....	\$147,933.49		
538 Miscellaneous income deductions, 1938.....	159,520.47		
538 Miscellaneous income deductions, 1937.....	174,172.94		
754.11 Natural gas purchased from aff. cos., 1939.....	\$147,933.49		
754.11 Natural gas purchased from aff. cos., 1938.....	159,520.47		
754.11 Natural gas purchased from aff. cos., 1937.....	174,172.94		
To eliminate the balance recorded as cost of natural gas purchased from Hope Construction and Refining Company, this balance being amount remaining in account 754.11 after giving effect of the Adjustment (A) shown in the Company's Exhibit No. 37. Details as follows:			
	MCF		
	1939	1938	1937
Contract No. 456.....	1,098,952	1,125,862	1,300,736
Exchange gasa dj.*.....	<i>260,229</i>	<i>267,939</i>	<i>277,558</i>
Contr. No. 456 (net).....	838,723	857,923	1,023,178
Contr. No. 676.....	25,441	63,007	
MCF subject to adjustment.....	864,164	920,930	1,023,178

See footnote on page 267.

Italic figures denote decrease..

ENTRY NO. 218—Continued

	Value			Dr.	Cr.
	1939	1938	1937		
	Purchases.....	\$147,933.49	\$159,520.47		
Exchange gas.....	65,881.85	67,693.70	69,843.29		
Total per books.....	213,815.34	227,214.17	244,016.23		
Exchange gas adj *.....	<i>65,881.85</i>	<i>67,693.70</i>	<i>69,843.29</i>		
Value subject to adjustment.....	147,933.49	159,520.47	174,172.94		

36

ENTRY NO. 219

754. 11 Natural gas purchased from aff. co's., 1939.....				\$103,699.68	-----
754. 11 Natural gas purchased from aff. co's., 1938.....				110,511.60	-----
754. 11 Natural gas purchased from aff. co's., 1937.....				122,781.36	-----
538 Miscellaneous income deductions, 1939.....					\$103,699.68
538 Miscellaneous income deductions, 1938.....					110,511.60
538 Miscellaneous income deductions, 1937.....					122,781.36
To restate the amount computed as cost of natural gas purchased from Hope Construction and Refining Company, based on the unit price that was recommended by the Bureau of Engineering. Details as follows:					
	1939	1938	1937		
Total MCF.....	864,164	920,930	1,023,178		
Unit price.....	.12	.12	.12		
Amount.....	\$103,699.68	\$110,511.60	\$122,781.36		

ENTRY NO. 220

538 Miscellaneous income deductions, 1939.....	\$247,744.26	-----
538 Miscellaneous income deductions, 1938.....	245,975.58	-----
538 Miscellaneous income deductions, 1937.....	297,328.14	-----
759. 1212 Pumping station fuel, 1939.....		\$247,744.26
754. 21 Other gas purchased from aff. co's., 1938.....		245,975.58
754. 21 Other gas purchased from aff. co's., 1937.....		297,328.14
To eliminate from the Operating Expenses of the Company charges made by Domestic Coke Corporation for coke oven gas used at the Hastings and Gallagher Stations. This entry is in accord (**) with Company's Exhibit No. 37, pages 23, 40, and 37, column 5. Details as follows:		

*NOTE.—See Examiners' Entry No. 203 adjusting this Exchange Gas transaction, by eliminating the sale of gas to Hope Construction and Refining Company and the repurchase by the Hope Natural Gas Company, which entry to this point, is in accord with Company Exhibit 37, Adjustment (A.)

**Incorrect amount computed or use in Exhibit 37—above entry adjusts this error.
Italic figures denote decrease.

ENTRY NO. 220—Continued

	MCF			Dr.	Cr.
	1939	1938	1937		
	Hastings Stat.....	1,077,577	989,878		
Gallagher Stat.....	298,780	376,653	463,328		
Total MCF.....	1,376,357	1,366,531	1,651,823		
At \$0.18.....	\$247,744.26	\$245,975.58	\$297,328.14		
Difference (**).....	4,616.98				
Total per books.....	252,361.24	245,975.58	297,328.14		

37

ENTRY NO. 221

749 Duplicate charges—Credit, 1938.....	\$289,448.53		
749 Duplicate charges—Credit, 1937.....	345,965.68		
759.1212 Pumping station fuel, 1938.....		\$289,448.53	
759.1212 Pumping station fuel, 1937.....		345,965.68	
To reverse entries recording the coke oven gas used at Hastings and Gallagher stations in order to conform to the 1939 classification, this being in accord with Company's Exhibit No. 37, Adjustment pages 23, 26, 30, and 33, column 5. Details as follows:			
	1938	1937	
Hastings station.....	\$77,588.30	\$92,122.20	
Gallagher station.....	211,860.23	253,843.48	
Total.....	289,448.53	345,965.68	

ENTRY NO. 222

538 Miscellaneous income deductions, 1939.....	\$30,959.03		
538 Miscellaneous income deductions, 1938.....	26,246.12		
538 Miscellaneous income deductions, 1937.....	27,030.40		
759.111 Pumping station—Labor, 1939.....		\$19,315.78	
759.111 Pumping station—Labor, 1938.....		19,280.04	
759.111 Pumping station—Labor, 1937.....		19,046.34	
759.1211 Pumping station—Supplies & exp., 1939.....		3,506.04	
759.1211 Pumping station—Supplies & exp., 1938.....		1,744.86	
759.1211 Pumping station—Supplies & exp., 1937.....		2,416.51	
761.1 Maint. of pumping stat.—Struct., 1939.....		2,082.75	
761.1 Maint. of pumping stat.—Struct., 1938.....		2,865.71	
761.1 Maint. of pumping stat.—Struct., 1937.....		4,897.54	
762.21 Maint. of pumping stat.—Equipt., 1939.....		6,053.86	
762.21 Maint. of pumping stat.—Equipt., 1938.....		2,354.91	
762.21 Maint. of pumping stat.—Equipt., 1937.....		670.01	
To eliminate from operating expenses the direct costs arising from the transportation of coke oven gas to Hastings station. This entry is in accord with Company's Exhibit No. 37, pages 23, 30 and 37, column 5.			

(**) Incorrect amount computed for use in Exhibit 37—above entry adjusts this error.

	Dr.	Cr.
538 Miscellaneous income deductions, 1939.....	\$16,454.64	
538 Miscellaneous income deductions, 1938.....	17,104.35	
538 Miscellaneous income deductions, 1937.....	18,311.29	
734.2 Field line labor, 1939.....		\$514.71
734.2 Field line labor, 1938.....		374.07
734.2 Field line labor, 1937.....		394.62
735.2 Field line supplies & expenses, 1939.....		81.73
735.2 Field line supplies & expenses, 1938.....		29.61
734.2 Field line supplies & expenses, 1937.....		28.98
734.3 Field meas. & reg. station labor, 1939.....		655.18
734.3 Field meas. & reg. station labor, 1938.....		811.26
734.3 Field meas. & reg. station labor, 1937.....		746.58
735.3 Field meas. & reg. station suppl. & exp., 1939.....		157.62
735.3 Field meas. & reg. station suppl. & exp., 1938.....		100.17
735.3 Field meas. & reg. station suppl. & exp., 1937.....		157.62
759.21 Operation of trans. mains—Labor, 1939.....		1,607.53
759.21 Operation of trans. mains—Labor, 1938.....		702.09
759.21 Operation of trans. mains—Labor, 1937.....		738.17
759.22 Operation of trans. mains—Supp. & exp., 1939.....		153.53
759.22 Operation of trans. mains—Supp. & exp., 1938.....		95.09
759.22 Operation of trans. mains—Supp. & exp., 1937.....		114.82
762.1 Maintenance of mains, 1939.....		1,083.09
762.1 Maintenance of mains, 1938.....		2,004.70
762.1 Maintenance of mains, 1937.....		2,964.62
802.3 Maint. of communication equipt., 1939.....		848.70
802.3 Maint. of communication equipt., 1938.....		1,847.19
802.3 Maint. of communication equipt., 1937.....		1,909.06
507 Taxes, 1939.....		11,322.55
507 Taxes, 1938.....		11,140.17
507 Taxes, 1937.....		11,258.82
To eliminate from operating expenses additional expenses and taxes applicable to the transportation of coke oven gas not eliminated in Company Exhibit 37. These expenses were determined by first computing the ratio of property costs used for transportation of coke oven gas to the total property cost in each of the property accounts removed from the rate base, and then using the same ratio to the over-all operating expenses applicable to the operation and maintenance of said property. Details in statement attached.		

39 *Statement of adjustments to operating expenses and taxes related to the original cost of property used to transport coke-oven gas from Domestic Coke Corporation that were eliminated from the rate base and omitted in Exhibit No. 37*

Property account number	Original cost of property		Ratio	Oper. exp. acc't No.	Year	Total oper. exps.	Ratio applied	Amount of adjustment
	Total	Used to trans. coke oven gas						
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
333.1.....	\$11,296,741.40	\$50,476.43	0.004468	734.2	1939	\$115,199.83	0.004468	\$514.71
333.1.....				734.2	1938	83,722.09	.004468	374.07
333.1.....				734.2	1937	88,321.52	.004468	394.62
333.1.....				735.2	1939	18,292.54	.004468	81.73
333.1.....				735.2	1938	6,627.83	.004468	29.61
333.1.....				735.2	1937	6,485.49	.004468	28.98
333.2.....	184,385.03	10,087.67	.054710	734.3	1939	12,523.85	.054710	685.18
333.2.....				734.3	1938	14,828.39	.054710	811.26
333.2.....				734.3	1937	13,646.14	.054710	746.88
333.2.....				735.3	1939	2,881.05	.054710	157.62
333.2.....				735.3	1938	1,831.01	.054710	100.17
333.2.....				735.3	1937	21,422.67	.054710	157.62
353.....	14,132,074.72	292,275.72	.020682	759.21	1939	77,725.82	.020682	1,607.53
353.....				759.21	1938	33,946.92	.020682	702.09
353.....				759.21	1937	35,691.38	.020682	738.17
353.....				759.22	1939	7,423.49	.020682	153.53
353.....				759.22	1938	4,597.90	.020682	95.09
353.....				759.22	1937	5,551.59	.020682	114.82
353.....				762.1	1939	52,368.82	.020682	1,083.09
353.....				762.1	1938	96,929.87	.020682	2,004.70
353.....				762.1	1937	143,343.00	.020682	2,964.62
378.....	248,975.74	5,626.43	.022598	802.3	1939	37,556.52	.022598	848.70
378.....				802.3	1938	81,741.36	.022598	1,847.19
378.....				802.3	1937	84,390.53	.022598	1,907.06
100.1.....	51,207,620.64	762,592.06	.014892	507	1939	760,310.91	.014892	11,322.55
100.1.....				507	1938	748,064.33	.014892	11,140.17
100.1.....				507	1937	756,031.50	.014892	11,258.82

Examiners' adjusting entries

ENTRY NO. 224

				Dr.	Cr.
759. 1212	Pumping station fuel, 1939.....			\$58,781.83	
759	Pumping station fuel, 1938.....			53,997.84	
759	Pumping station fuel, 1937.....			64,832.40	
538	Miscellaneous income deductions, 1939.....				\$58,781.83
538	Miscellaneous income deductions, 1938.....				53,997.84
538	Miscellaneous income deductions, 1937.....				64,832.40
<p>To reinstate in the operating expenses of the Company, the value of coke oven gas used at Hastings Station for boiler fuel. This coke oven gas, supplied by Domestic Coke Corporation, has a heating value of slightly over 500 B. T. U., and natural gas having a heating value of about 1100 B. T. U., it is therefore determined that 5/11 of \$.12, which price was recommended by the Bureau of Engineering, is to be used in arriving at the cost of the coke oven gas.</p>					
		1939	1938	1937	
MCF.....		1,077,577	989,878	1,188,495	
Unit price.....		.05455	.05455	.05455	
Cost.....		\$58,781.83	\$53,997.84	\$64,832.40	

ENTRY NO. 225

132	Prepayments (prepaid taxes).....	\$14,500.00	
228	Taxes accrued—December 31, 1929.....		\$14,500.00
<p>To increase Federal capital stock tax for the period Jan. 1, 1940 to June 30, 1940 from \$13,000 (amount shown per books) to \$27,500. The latter amount represents one-half the amount of \$55,000 reported in the tax return for the fiscal year July 1, 1939 to June 30, 1940. Although this tax is not paid, the policy of the Company is to accrue the entire amount of estimated taxes for the fiscal year and at the end of the calendar year, charge one-half to operating taxes and the other half to prepaid taxes.</p>			

ENTRY NO. 226

	Dr.	Cr.
507 Taxes, 1939	\$1,045.50	
228 Taxes accrued, Dec. 31, 1939		\$1,045.50
Underaccrual of the following taxes:		
Federal unemployment:		
Paid in 1940	\$11,735.78	
Accrued per books	11,022.61	
Underaccrued		\$713.17
Penna. net income:		
Paid in 1940	3,986.52	
Accrued per books	3,200.00	
Examiners' adj. #228	454.19	
Adjusted accrual		3,654.19
Underaccrued		332.33
Total underaccrual	1,045.50	

ENTRY NO. 227

271 Earned surplus, Jan. 1, 1939	\$23,348.95	
507 Taxes, 1939		\$23,348.95
Taxes paid in 1939 and charged to 1939 operations applicable to prior years.		
<i>Kind of tax</i>	<i>Amount</i>	
Federal unemployment, 1936	\$238.39	
Federal unemployment, 1937	658.19	
Federal unemployment, 1938	747.07	
W. Va. real and personal, 1936	14.95	
W. Va. real and personal, 1937	9.21	
W. Va. real and personal, 1938	20.86	
Penna. unemployment, 1936	366.41	
Penna. unemployment, 1937	770.51	
Penna. unemployment, 1938	908.40	
W. Va. unemployment, 1936	2,376.05	
W. Va. unemployment, 1937	5,153.24	
W. Va. unemployment, 1938	5,815.34	
Federal old-age, 1937	1,749.21	
Federal old-age, 1938	1,749.20	
Penna. net income, 1937	382.98	
Penna. net income, 1938	12.96	
Penna. foreign corporation, 1937	2,022.83	
Penna. foreign corporation, 1938	32.05	
W. Va. gross sales, 1938	4.99	
Federal capital stock, 1938	352.00	
Total	23,348.95	

Italic figures denote decrease.

ENTRY NO. 228

	Dr.	Cr.
507 Taxes, 1939.....	\$15,518.44	
228 Taxes accrued, Dec. 31, 1939.....		\$15,518.44
Underaccrual of the following taxes for the year 1939, paid in 1940:		
<i>Kind of tax</i>		<i>Amount</i>
W. Va. sales tax.....		\$564.25
Federal capital stock tax.....		14,500.00
Penna. income tax.....		454.19
Total.....		15,518.44

ENTRY NO. 229

228 Taxes accrued, Dec. 31, 1939.....	\$33,495.33	
507 Taxes, 1939.....		\$33,495.33
Overaccrual of the following taxes for the year 1939, paid in 1940:		
<i>Kind of tax</i>		<i>Amount</i>
Federal income tax.....		\$33,479.04
Penna. foreign corp. franchise.....		16.29
Total.....		33,495.33

ENTRY NO. 230

271 Earned surplus, Jan. 1, 1937.....		\$66,194.77	
228 Taxes accrued, Dec. 31, 1937.....			\$25,320.40
507 Taxes, 1937.....			40,874.37
Net underaccrual of taxes charged to operations in 1937 and subsequent years as follows:			
<i>Kind of tax</i>	<i>Year</i>	<i>Year paid</i>	<i>Amount</i>
Wetzel Co. property.....	1935	1938	\$7.08
Wetzel Co. property.....	1936	1938	7.08
Penna. net income.....	1935	1938	3,609.67
Penna. net income.....	1936	1938	7,657.00
Penna. foreign fran.....	1935	1938	5,379.72
Penna. foreign fran.....	1936	1938	5,664.05
Federal unemployment.....	1936	1939	238.39
W. Va. real & personal.....	1936	1939	14.95
Penna. unemployment.....	1936	1939	366.41
W. Va. unemployment.....	1936	1939	2,376.05
Total Cr. taxes accrued.....			25,320.40

ENTRY NO. 230—Continued

				Dr.	Cr.
43	Kind of tax	Year	Year paid	Amount	
	Federal income.....	1936	1937	-----	
	Federal capital stock.....	1936	1937	\$20.00	
	Federal unemployment.....	1936	1937	3.59	
	Penna. net income.....	1936	1937	171.74	
	W. Va. gross sales.....	1936	1937	<i>828.46</i>	
	W. Va. gross sales.....	1936	1937	20,096.87	
	W. Va. gross sales.....	1935	1937	14,768.32	
	W. Va. gross sales.....	1934	1937	6,202.99	
	W. Va. gross sales.....	1933	1937	1,309.38	
	W. Va. unemployment.....	1936	1937	1.64	
	Penna. foreign fran.....	1936	1937	<i>871.70</i>	
	Total Cr. taxes.....			40,874.37	
	Total.....			66,194.77	

ENTRY NO. 231

228 Taxes accrued, December 31, 1937.....		\$37,006.20	-----
507 Taxes, other, 1937.....		679.27	-----
507 Taxes, Federal income, 1937.....			\$37,685.47
Adjustment of taxes accrued, 1937 as follows:			
	Kind of tax	Year paid	Amount
	Federal income tax.....	1938	<i>\$37,685.47</i>
	Federal capital stock tax.....	1938	<i>2,250.00</i>
	Federal unemployment.....	1939	658.19
	Federal old age insurance.....	1939	1,749.21
	W. Va. general property.....	1939	9.21
	Penna. corp. net income.....	1938-39	<i>6,922.46</i>
	Gross sales & income, W. Va.....	1938	142.82
	Penna. unemployment comp.....	1939	770.51
	W. Va. unemployment comp.....	1939	5,153.24
	Penna. foreign franchise.....	1938-39	1,368.55
	Total.....		<i>\$37,006.20</i>

Italic figures denote decrease.

ENTRY NO. 232

			Dr.	Cr.
271 Earned surplus, Jan. 1, 1938.....			\$25,320.40	
228 Taxes accrued, Dec. 31, 1938.....				\$2,995.80
507 Taxes, 1938.....				23,324.60
Net underaccrual of taxes charged to operations in 1938 and subsequent years as follows:				
Kind of tax	Year paid	Amount		
Wetzel Co. property tax, 1935.....	1938	\$7.08		
Wetzel Co. property tax, 1936.....	1938	7.08		
Penna. net income, 1935.....	1938	3,609.67		
Penna. net income, 1936.....	1938	7,657.00		
Penna. foreign franchise, 1935.....	1938	5,379.72		
Penna. foreign franchise, 1936.....	1938	5,664.05		
Federal unemployment, 1936.....	1939	238.39		
W. Va. real and personal, 1936.....	1939	14.95		
Penna. unemployment, 1936.....	1939	366.41		
W. Va. unemployment, 1936.....	1939	2,376.05		
Total Dr. surplus.....		\$25,320.40		

ENTRY NO. 233

			Dr.	Cr.
271 Earned surplus, Jan. 1, 1938.....			\$679.27	
507 Taxes, 1938.....			10,066.90	
228 Taxes accrued, Dec. 31, 1938.....				\$10,746.17
Adjustment of taxes and taxes accrued at Dec. 31, 1938. 1937 taxes adjusted in 1938 and 1939 as follows:				
Kind of tax	Year paid	Amount		
Fed. capital stock, overaccrued.....	1938	<i>\$2,250.00</i>		
Federal unemployment.....	1939	658.19		
Federal old age.....	1939	1,749.21		
W. Va. general property.....	1939	9.21		
Penna. Corp. net income, overaccr.....	1938	<i>7,305.44</i>		
Penna. Corp. net income.....	1939	382.98		
Gross sales and income, W. Va.....	1938	142.82		
Penna. unemployment comp.....	1939	770.51		
W. Va. unemployment comp.....	1939	5,153.24		
Penna. foreign fran., overaccr.....	1938	<i>654.28</i>		
Penna. foreign fran.....	1939	2,022.83		
Total.....		679.27		

Italic figures denote decrease.

	Dr.	Cr.
507 Taxes, Federal income 1938.....	\$7,514.67	
228 Taxes accrued, Dec. 31, 1938.....		\$7,514.67
Underaccrual of Federal income tax for the year 1938. Charged to surplus in 1939:		
Accrued.....	\$10,000.00	
Paid.....	17,514.67	
Underaccrued.....	7,514.67	

ENTRY NO. 235

			Dr.	Cr.
507 Taxes, 1938.....			\$9,606.98	
228 Taxes accrued, Dec. 31, 1938.....				\$9,606.98
Taxes applicable to the year 1938, paid in 1939 and charged to 1939 operations:				
Kind of tax	Year paid	Amount		
Penna. foreign corp. franchise.....	1939	\$32.06		
W. Va. gross sales.....	1939	4.99		
W. Va. unemployment.....	1939	5,815.34		
Penna. unemployment.....	1939	908.40		
Federal unemployment.....	1939	747.07		
W. Va. property, Wetzel Co.....	1939	20.86		
Federal capital stock.....	1939	352.00		
Penna. income.....	1939	<i>12.96</i>		
Federal old age.....	1939	1,749.20		
Total.....		9,606.98		

ENTRY NO. 236

				Dr.	Cr.
527 Nonoperating revenue deductions, 1937.....				\$2,313.63	
Nonoperating revenue deductions, 1938.....				2,971.77	
Nonoperating revenue deductions, 1939.....				2,741.31	
507 Operating revenue deductions, taxes, 1937.....					\$2,313.63
Operating revenue deductions, taxes, 1938.....					2,971.77
Operating revenue deductions, taxes, 1939.....					2,741.31
Taxes not applicable to gas operations as shown by Company's Exhibit No. 37 as follows:					
Kind of tax	1937	1938	1939		
W. Va. real and personal property.....	\$2,304.58	\$2,960.64	\$2,733.74		
W. Va. gross income:					
Rents.....	8.67	9.72	7.47		
Interest.....	.38	1.41	.10		
Total.....	2,313.63	2,971.77	2,741.31		

Italic figures denote decrease.

ENTRY NO. 236—Continued

	Dr.	Cr.
In addition to the above, Company's Exhibit No. 37, pages 25, 32, and 39, column 3, shows the following:		
46 Federal income Taxes not applicable to gas operations. But since all Federal Income Taxes may be subject to adjustment for the purpose of this report after final determination of net income by the Federal Power Commission, these adjustments are not included herein:		
1937	\$12,501.00	
1938	11,757.09	

ENTRY NO. 237

538 Miscellaneous income deductions, 1939	\$3,882.50		
Miscellaneous income deductions, 1938	1,937.08		
Miscellaneous income deductions, 1937	3,439.23		
795 Special services, 1939			
Special services, 1938		\$1,937.08	
Special services, 1937		3,439.23	
801 Miscellaneous general expenses, 1939		3,882.50	
Miscellaneous general expenses, 1938			
Miscellaneous general expenses, 1937			
To transfer from the above Administrative and General Expense accounts, certain donations made by the Company during years 1939, 1938, and 1937, as these contributions are not considered as operating cost for rate-making purposes.			
Details as follows:			
Year	Reference	Description	Amount
1937	Sundry vo.....	Com. chests, Y. M. C. A., etc...	\$3,439.23
1938	Sundry vo.....	Com. chests, Y. M. C. A., etc...	1,937.08
1939	Sundry vo.....	Com. chests, Y. M. C. A., etc...	3,882.50
			9,258.81

ENTRY NO. 238

Nonrecurring expenses, 1939	\$50,286.67	
Nonrecurring expenses, 1938	46,501.33	
Nonrecurring expenses, 1937	34,639.47	
795 Special services, 1939		\$2,732.72
Special services, 1938		3,269.35
Special services, 1937		4,000.00
796 Special legal services, 1939		4,883.46
Special legal services, 1938		6,883.46
Special legal services, 1937		
800.1 Employees' welfare expenses, 1939		10,926.00
Employees' welfare expenses, 1938		
Employees' welfare expenses, 1937		
47 800.2 Pensions, 1939		16,318.12
Pensions, 1938		
Pensions, 1937		
801 Miscellaneous general expenses, 1939		1,300.00
Miscellaneous general expenses, 1938		
Miscellaneous general expenses, 1937		
803 Rents, 1939		32,393.29
Rents, 1938		36,348.52
Rents, 1937		30,639.47

Italic figures denote decrease.

ENTRY NO. 238—Continued

				Dr.	Cr.
To set out from Operating Revenue Deductions certain operating expenses of the Company that are of a nonrecurring nature. The causes for these expenditures are such that they are not likely to occur as an expense in future years.					
Details as follows:					
Year	Ref.	Description	Amount		
1937	(1) C 106	Services of W. E. Fohl, consulting engrg.	\$250.00		
1937	(1) F 106	do.....	250.00		
1937	(1) J 106	do.....	250.00		
1937	(1) M 109	do.....	250.00		
1937	(1) J 13	Services and expenses, E. V. Williamson.	1,000.00		
1937	(1) L 103	Proportion of cost of World's Fair Exh...	2,000.00		
1938	(1) C 106	Services of W. E. Fohl, consulting engrg.	250.00		
1938	(1) F 105	do.....	250.00		
1938	(1) J 106	do.....	250.00		
1938	(1) M 107	do.....	250.00		
1938	(1) C 106	Services and expenses E. V. Williamson.	91.00		
1938	(1) F 102	do.....	600.00		
1938	(1) G 108	do.....	208.40		
1938	(1) K 106	Expenses only.....	32.80		
1938	(1) M 107	Services and expenses.....	312.90		
1938	(1) M 295	do.....	1,000.00		
1938	(1) K 103	Traveling expense.....	24.25		
1939	(1) C 106	Services of W. E. Fohl, consulting engrg.	250.00		
1939	(1) F 106	do.....	250.00		
1939	(1) J 105	do.....	250.65		
1939	(1) M 105	do.....	250.00		
1939	(1) A 106	Services and expenses E. V. Williamson.	514.35		
1939	(1) K 117	do.....	900.00		
1939	(1) K 106	do.....	285.80		
1939	(1) L 105	do.....	30.10		
1939	(1) L 194	Expenses only, E. V. Williamson.....	1.82		
1938	(2) F 85	Legal services S. A. Weiss, Penna. taxes.....	2,500.00		
1938	(2) M 222	Legal services Tolles, Gogsett & Ginn, adjust.....	4,383.46		
48					
1939	(2) A 250	Legal services, Tolles, Gogsett & Ginn, reversed.....	4,383.46		
1939	(3) K 43	Settlement to Mrs. O. S. Ankrum.....	10,926.00		
1939	(4) M 229	Payment to Equitable Life S. of U. S., additional reserve.....	16,318.12		
1937	(6)	Sun. vou., rent of Pittsburgh office paid Peoples N. G. Co.....	30,639.47		
1938	(6)	Sun. vou., rent of Pittsburgh office paid Peoples N. G. Co.....	36,348.52		
1939	(6)	Sun. vou., rent of Pittsburgh office paid Peoples N. G. Co.....	32,393.29		
1939	(5) E 85	Proportion of cost of World's Fair Exh...	800.00		
1939	(5) H 230	Proportion of cost of World's Fair Exh...	500.00		
			140,427.47		
(1) Account 795, Special Services.					
(2) Account 796, Special Legal Services.					
(3) Account 800.1, Employees' Welfare Expenses.					
(4) Account 800.2, Pensions.					
(5) Account 801, Miscellaneous General Expenses.					
(6) Account 803, Rents.					

Italic figures denote decrease.

ENTRY NO. 239

	Dr.	Cr.
Nonrecurring taxes, 1937.....	\$10,646.09	
Nonrecurring taxes, 1938.....	4,619.10	
Nonrecurring taxes, 1939.....	9,970.23	
607 Taxes, 1937.....		\$10,646.09
Taxes, 1938.....		4,619.10
Taxes, 1939.....		9,970.23
To set out from operating revenue deductions the amount of Pennsylvania State taxes that will not be assessed in future years by virtue of the removal of the Company offices from that State.		
Penna. State income tax:		
1937.....	\$4,577.54	
1938.....	87.04	
1939.....	3,986.52	
Penna. foreign corp. franchise tax:		
1937.....	\$6,068.55	
1938.....	4,532.06	
1939.....	5,983.71	

40

ENTRY NO. 240

Distribution expenses, 1939.....	\$17,236.69	
Distribution expenses, 1938.....	15,428.28	
Distribution expenses, 1937.....	15,033.76	
792.2 Expenses of general office employees, 1939.....		\$5,665.40
Expenses of general office employees, 1938.....		3,656.38
Expenses of general office employees, 1937.....		2,395.13
795 Special services, 1939.....		
Special services, 1938.....		1,206.60
Special services, 1937.....		1,454.46
805 Franchise requirements, 1939.....		11,571.29
Franchise requirements, 1938.....		10,565.30
Franchise requirements, 1937.....		11,184.17
To segregate for the purpose of this report certain Administrative and General Expenses that are exclusively devoted to the distribution and sale of natural gas in the State of West Virginia. The above amounts appearing as franchise requirements have been treated as such in Company's Exhibit No. 37, pages 24, 31, and 38, column 7.		

ENTRY NO. 240—Continued

				Dr.	Cr.
Details as follows:					
Year	Ref.	Description	Amount		
1937	(1) C 230	Standard Oil Co. of N. J. audit, W. Va. only.....	\$2,395.13		
1938	(1) D 33	do.....	3,656.38		
1939	(1) D 229	do.....	3,116.60		
1939	(1) M 229	do.....	2,548.80		
1937	(2)	Sun. Vou. Operating, city plant cars, W. Va.....	1,454.46		
1938	(2)	do.....	1,206.60		
1937	(3) F 97	Gross earnings tax, Parkersburg, W. Va.....	7,582.99		
1937	(3) M 216	do.....	3,601.18		
1938	(3) F 34	do.....	7,376.61		
1938	(3) M	do.....	3,188.69		
1939	(3) G 17	do.....	8,059.57		
1939	(3) L 102	Premium on bond furnished, Parkersburg, W. Va.....	125.00		
1939	(3) M 156	Gross earnings tax, Parkersburg, W. Va.....	3,386.72		
			47,698.73		
<p>(1) Account 792.2, Expenses of General Office Employees. (2) Account 795, Special Services. (3) Account 805, Franchise Requirements.</p>					

50

ENTRY NO. 241

Distribution expenses, taxes, 1937.....	\$149,531.72		
Distribution expenses, taxes, 1938.....	123,938.27		
Distribution expenses, taxes, 1939.....	133,975.32		
Operating revenue deductions:			
507 Taxes, 1937.....		\$149,531.72	
Taxes, 1938.....		123,938.27	
Taxes, 1939.....		133,975.32	
To segregate taxes specifically applicable to distribution sales in West Virginia for purpose of this report. The following taxes are removed from the general account 507 and included as a direct cost of distribution sales:			
	1937	1938	1939
West Virginia gross sales tax:			
Sales of tangible material, retail.....	\$580.06	\$540.75	\$504.68
Unregulated gas sales.....	493.46	342.72	178.42
Regulated gas sales.....	132,435.13	106,169.04	117,732.55
Rents.....	25.04	34.45	29.26
Subtotal.....	133,533.69	107,086.96	118,444.91

ENTRY NO. 241—Continued

	1937	1938	1939	Dr.	Cr.
Mercantile tax:					
Various cities.....	\$19.00	\$19.00	\$19.00		
Store license, Clarksburg.....	50.50				
Subtotal.....	69.50	19.00	19.00		
City license tax:					
Parkersburg.....	10.50	10.50	10.50		
Weston.....	13.00	13.00	13.00		
Clarksburg.....		10.50	10.50		
Subtotal.....	23.50	34.00	34.00		
City gross income and sales tax:					
Weston.....	342.94	1,064.18	929.61		
Mannington.....		90.00	372.50		
Subtotal.....	342.94	1,154.18	1,302.11		
City Fire Protection, Sistersville.....	(a) 5.14	13.17	(a) 13.76		
West Virginia Public Service Commission fee (based on gross intrastate sales of gas).....	(a) 15,556.95	(a) 15,630.96	(a) 14,161.54		
Total.....	149,531.72	123,938.27	133,975.32		
This entry is included in Company's Exhibit 37, pages 25, 32, and 39, column 7 with the exception of items indicated (a).					

51

ENTRY NO. 242

538 Miscellaneous income deductions, 1938.....	\$6,611.56	
504 Amort. of other lim. term gas invest., 1938.....		\$6,611.56
To remove from the provisions for depreciation and depletion, patent rights, and licenses as recorded on the books of the Company at Dec. 31, 1938. This amount covered an accumulation of expenditures for patents on gasoline, butane, and propane processes. The amount was charged off through the instigation of Price, Waterhouse & Co., details and authority contained in Company Voucher M96 (1938), for the reason that the term of such rights and licenses expired in prior years.		

ENTRY NO. 243

Distribution expenses, depreciation, 1939.....	\$82,000.00	
Distribution expenses, depreciation, 1938.....	82,267.50	
Distribution expenses, depreciation, 1937.....	80,555.84	
503.1 Depreciation, 1939.....		82,000.00
Depreciation, 1938.....		82,267.50
Depreciation, 1937.....		80,555.84
To segregate for the purpose of this report the depreciation that applies to the distribution operating property of the Company.		

ENTRY NO. 244

		Dr.	Cr.
745	Gas-well royalties, 1938.....	\$78,937.04	-----
	Gas-well royalties, 1937.....	81,166.45	-----
510	Delay rentals, 1938.....		\$78,937.04
	Delay rentals, 1937.....		81,166.45
<p>To transfer payments made in lieu of drilling leaseholds. Prior to the adoption of the 1939 system of accounts prescribed by the State of West Virginia, these payments were included in Account 762, Rental on Unoperated Leases. In reclassifying the years 1937 and 1938, the above amounts are eliminated from this account and added to Account 761, Gas-well royalties, thereby giving the comparable effect to the 1939 Classification of Accounts. These entries are identical with those appearing in Company's Exhibit No. 37, pages 22 and 29, column 5, and are discussed in detail in the Exploration and Development Cost Exhibit.</p> <p>Details as follows:</p>			
Year	Ref.	Description	Amount
1937	Sun. Vou.....	Total charges for the year.....	\$81,166.45
1938	do.....	do.....	78,937.04
			160,103.49

52

ENTRY NO. 245

250.1	Reserve for depreciation of gas plant, 1939.....	\$1,136,400.00	-----
	Reserve for depreciation of gas plant, 1938.....	1,450,537.28	-----
	Reserve for depreciation of gas plant, 1937.....	1,836,146.94	-----
503.1	Depreciation, 1939.....		\$1,118,000.00
	Depreciation, 1938.....		1,379,136.36
	Depreciation, 1937.....		1,736,998.33
503.2	Amort. & depl. of P. N. G. L. & L. R., 1939.....		18,400.00
	Amort. & depl. of P. N. G. L. & L. R., 1938.....		30,722.15
	Amort. & depl. of P. N. G. L. & L. R., 1937.....		58,465.39
512	Abandoned leases, 1939.....		-----
	Abandoned leases, 1938.....		40,678.77
	Abandoned leases, 1937.....		40,683.22
<p>This adjustment is to reverse the provisions for depreciation and depletion, as recorded on the books of the company, from the above reserve account during the years 1937, 1938, and 1939, preparatory to setting up the annual depreciation and depletion expense computed by the examiners. Entries No. 245 to 248, inclusive, and Entry No. 250 are from the depreciation and depletion study.</p>			

ENTRY NO. 245—Continued

Details of adj. provisions	1937	1938	1939
Production system:			
Operated acreage.....	\$58,465.39	\$30,722.15	\$18,400.00
Unoperated acreage.....	40,683.22	40,678.77	-----
Gas-well equipment.....	166,565.24	86,716.27	-----
Gas-well construction.....	132,741.67	74,045.35	-----
Other field investment.....	460,673.12	342,977.93	-----
Leases and easements.....	21,008.55	15,828.17	-----
Total production system.....	880,037.09	590,968.64	18,400.00
Transmission system:			
Equipment.....	844,990.69	731,771.43	-----
Leases and easements.....	18,825.52	16,458.98	-----
Total transmission system.....	863,816.21	748,230.41	-----
General property:			
Structures.....	7,651.68	7,742.55	-----
Office equipment.....	11,641.96	11,875.66	-----
Other general.....		9,020.02	-----
Telephone and telegraph lines.....			-----
Total general.....	19,293.64	28,638.23	-----
Lump-sum depreciation provision, miscellaneous:			1,118,000.00
Cost of abandoning.....	73,000.00	82,700.00	-----
Total provisions adj.....	1,536,146.94	1,450,537.28	1,136,400.00
53 Provisions not adjusted:			
Autos and trucks.....	26,191.45	21,873.94	(1)
Teaming.....		3,177.63	(1)
Drilling and cleaning equipment.....			-----
Distribution system equipment ²	80,038.65	81,737.72	81,500.00
Distribution leases and easements.....	517.19	529.78	500.00
Surplus property available for sale.....	6,631.20	6,631.20	6,631.20
Appreciation, Clarksburg Lt. & Ht. Co.....	4,740.72	4,740.72	4,740.72
Contracts for gas.....		813.44	6,369.47
Patent rights and licenses.....		6,611.56	-----
Total provisions not adjusted.....	118,119.21	126,115.99	99,741.39
Total depreciation and depletion provisions.....	1,954,266.15	1,576,653.27	1,236,141.39

¹ Clearing account.

² Portion of the lump-sum depreciation (\$1,200,000) applied to distribution system equipment based on provision for years 1937 and 1938.

ENTRY NO. 245—Continued

Details of adj. provisions	1937	1938	1939
Reconciliation with book accounts:			
Acct. 503. 1 Depreciation	\$1,843,745.62	\$1,486,455.43	\$1,200,000.00
Acct. 503. 2 Amortization and depletion of P. N. G. L. & L. R.	58,465.39	30,722.15	18,400.00
Acct. 504 Amortization of other limited term gas inv.		7,425.00	6,369.47
Acct. 512 Abandoned leases	40,683.22	40,678.77	
Acct. 537 Miscellaneous amort.	4,740.72	4,740.72	4,740.72
Acct. 538 Miscellaneous income deductions	6,631.20	6,631.20	6,631.20
	1,954,266.15	1,576,653.27	1,236,141.39

54	ENTRY NO. 246	Dr.	Cr.
	503. 1 Depreciation, 1939	\$1,214,640.95	
	503. 1 Depreciation, 1938	1,237,339.78	
	503. 1 Depreciation, 1937	1,320,753.21	
	503. 2 Depletion of P. N. G. L. & L. R., 1939	36,772.47	
	503. 2 Depletion of P. N. G. L. & L. R., 1938	31,407.84	
	503. 2 Depletion of P. N. G. L. & L. R., 1937	40,703.86	
	250. 1 Reserve for depreciation of gas plant, 1939		\$1,214,640.95
	250. 1 Reserve for depreciation of gas plant, 1938		1,237,339.78
	250. 1 Reserve for depreciation of gas plant, 1937		1,320,753.21
	250. 2 Reserve for depletion of producing natural-gas land and land rights, 1939		36,772.47
	250. 2 Reserve for depletion of producing natural-gas land and land rights, 1938		31,407.84
	250. 2 Reserve for depletion of producing natural-gas land and land rights, 1937		40,703.86
	To set up in the comparative income statement for the years 1937, 1938, and 1939, the annual depreciation and depletion expense as computed by the F. P. C. examiners. This entry is made to conform with Journal Entry No. 7 included in the depreciation and depletion study.		

ENTRY NO. 246—Continued

Details of depreciation and depletion expense, as adjusted:

	1937	1938	1939
Production system:			
Operated acreage.....	\$40,703.86	\$31,407.84	\$36,772.47
Field line R/W and construction cost.....	131,847.14	98,836.35	103,157.93
Gas-well construction.....	198,255.61	165,101.37	182,755.43
Cost of abandoning gas wells.....	75,833.49	56,169.61	69,813.58
Structures.....	8,763.59	8,859.54	8,813.75
Field-line material, measuring, and regulating-station equipment.....	179,949.69	180,626.84	175,624.42
Gas-well equipment.....	200,022.30	198,519.75	188,482.85
Subtotal.....	835,375.68	739,521.30	765,420.43
Transmission system:			
Main line R/W and construction cost.....	86,539.44	87,322.17	-----
Structures.....	45,000.02	44,921.20	36,447.33
Mains material and measuring, and regulating-station equipment.....	146,777.37	146,989.64	227,711.47
Compressor station equipment.....	208,343.20	209,167.37	196,108.42
Subtotal.....	486,660.03	488,400.38	460,267.22
55			
General plant:			
Structures and improvements.....	5,594.67	5,616.61	4,822.72
Office furniture and equipment.....	9,361.00	9,522.80	7,304.04
Other equipment.....	15,055.40	16,141.99	4,052.74
Telephone and telegraph system.....	9,488.29	9,544.54	9,546.27
Subtotal.....	39,439.36	40,825.94	25,725.77
Total productions, transmission, and general...	1,361,457.07	1,268,747.62	1,251,413.42
Depreciation expense not adjusted:			
Drilling and cleaning equipment.....	-----	-----	(1)
Autos and trucks.....	26,191.45	21,873.94	(1)
Teaming.....	-----	3,177.63	(1)
Contracts for gas.....	-----	813.44	6,369.47
Total.....	26,191.45	25,865.01	6,369.47
Total depreciation and depletion.....	1,387,648.52	1,294,612.63	1,257,782.89

¹ Clearing account

ENTRY NO. 247

	Dr.	Cr.
Production expenses, cost of abandoning, 1938	\$82,166.93	
Production expenses, cost of abandoning, 1937	72,848.07	
250.1 Reserve for deprec. of gas plant as of 12/31/38		\$82,166.93
250.1 Reserve for deprec. of gas plant as of 12/31/37		72,848.07
To transfer from the above reserve account the actual cost of abandoning gas wells, field lines and other property during the years 1937 and 1938.		

ENTRY NO. 248

512 Abandoned leases, 1939	\$23,067.31	
512 Abandoned leases, 1938	61,828.01	
512 Abandoned leases, 1937	19,824.10	
250.1 Reserve for deprec. of gas plant as of 12/31/39		\$23,067.31
250.1 Reserve for deprec. of gas plant as of 12/31/38		61,828.01
250.1 Reserve for deprec. of gas plant as of 12/31/37		19,824.10
To transfer from the above reserve account the recorded losses for abandoned leases during the years 1937, 1938, and 1939.		

Docket G-113

56

ENTRY NO. 249

512 Abandoned leases, 1939	\$22,096.89	
100.4 Gas plant held for future use as of 12/31/39		\$22,096.89
To set up the adjustment to abandoned leases as developed in a separate study of exploration and development costs for the period 1902 to 1939, inclusive, that portion applicable to the year 1939. For details see Exploration and Development Cost Study.		

ENTRY NO. 250

250.3 Reserve for abandoned leases as of 12/31/38	\$104,811.48	
271 Earned surplus (see detail)		\$104,811.48
To transfer from the above reserve account the adjustment to abandoned leases (prior to Dec. 31, 1938) as developed in the Company's original cost study, for the reason that the examiner had not provided an amortization reserve for nonproductive acreage. The \$104,811.48 has been allocated to the yearly charges to Account 512 in the study of Exploration and Development Costs as follows:		
Period prior to 12/31/36	\$101,384.00	
Year 1938 (Credit Acct. 512)	2,595.33	
Year 1937 (Credit Acct. 512)	832.15	
As above	\$104,811.48	

[Pages 57 to 74 omitted.]

1 **EXHIBIT NO. 78.—OPERATIONS DATA FOR THE YEAR
 ENDED DECEMBER 31, 1940, F. P. C. WITNESS DUNN**

WRITTEN STATEMENT

This report on 1940 operations is a continuation of other accounting exhibits to December 31, 1940. The schedules and adjustments have been prepared by the same examiners of account who prepared similar adjustments in the reports for prior years. The examiners' adjustments, all being the same nature as those included and explained in other exhibits, are, therefore, given the same identifying entry numbers.

A detailed audit was not made for the year 1940 as the adjustments developed for the preceding years served as a guide to determine which accounts required examination; thus the investigation was limited accordingly.

In all matters affecting the 1940 operations the examiners have considered the following stipulation:

STIPULATION

It is hereby stipulated by and between Counsel for the Hope Natural Gas Company and Counsel for the Federal Power Commission that the attached statement represents the 1940 revenues and expenses per books of the Hope Natural Gas Company, exclusive of revenues and expenses per books with respect to the merged Reserve Gas Company.

The stipulated amounts are set forth in the examiners' income statement and supporting schedules. Adjustments are applied after giving effect to the stipulated amount.

2 *Changes in Plant Accounts.*

Schedule No. 7—Summary of Utility Plant Investment as at December 31, 1940, sets forth the recorded additions during 1940 in the amount of \$1,910,483.01 and the recorded retirements in the amount of \$944,949.71 applicable to Gas Plant, exclusive of Distribution Plant, resulting in a net increase of \$965,533.30.

Changes in Depreciation and Depletion Reserves.

Schedule No. 8, Depletion and Depreciation Expense for the Year Ended December 31, 1940, sets forth the annual expense

computed by methods and rates consistent with all other years. Depreciation expense is almost the same, in amount, as the years immediately preceding, but depletion expense increased in excess of \$230,000.00 over 1939. This is due to increased production in 1940.

The balance in the reserves applicable to gas plant in service, excluding distribution plant, shows an increase at December 31, 1940, as follows:

Balance, Dec. 31, 1939.....	\$24, 072, 167. 17
Provision for 1940.....	1, 480, 947. 16
Net charge to Reserves 1940.....	(869, 843. 37)
	24, 683, 270. 96
Balance, Dec. 31, 1940.....	24, 683, 270. 96

3 The net increase of \$611,103.79 offsets somewhat the above-mentioned net increase in plant accounts of \$965,533.30.

Gasoline Operations of Hope Construction and Refining Company.

Schedules Nos. 9, 9a, 9b and 9c explain in detail examiners' adjusting entries Nos. 213, 214, 215, 216, and 217 which record the effect of Hope Construction and Refining Company's West Virginia gasoline and butane operations during the year 1940.

Schedule No. 9 is a condensed earnings statement of the West Virginia gasoline department, and is divided to show by accounts, the earnings per books, the examiners' adjustments thereto, and the earnings as adjusted. Schedule No. 9a is similar in form and content and presents the same information for the butane operations.

Schedule No. 9b lists the adjustments shown on these earnings statements and explains each adjustment.

Schedule No. 9c shows a condensed summary of investment in West Virginia gasoline and butane plant, the related reserve for depreciation, and the average net investment for the year 1940.

4 These four schedules present in condensed form for the year 1940, similar information shown in Exhibit No. 63 for the years 1937, 1938, and 1939. In preparing these schedules the same procedures were followed, the same earnings statements adjusting entries were made, and the same investment in plant was used as those for prior years.

The adjusted plant balances as of January 1, 1940, shown on Schedule No. 9c, are taken from balances shown in Exhibit No. 63 for December 31, 1939. The only adjustments to the 1940 plant changes recorded on the books of account were those made

to eliminate retirements of plant or parts of plant which had been previously retired by examiners' adjusting entries in Exhibit No. 63. The working capital requirement used in these schedules is that developed in Exhibit No. 63.

Pending the Commission's consideration and determination of a fair rate of return on gasoline investment, six percent has been used in this study.

Schedule No. 9d is a condensed earnings statement of the Kennedy gasoline extraction plant. This plant was formerly owned by the Reserve Gas Company and was acquired by Hope Construction and Refining Company December 31, 1938. In order to present the factual conditions as they existed in the four-year period 1937-1940, Exhibit No. 63 and this exhibit include this plant in the investment for 1939 and 1940 and its earnings
5 in the income statement for those years. However, the investment and depreciation schedules separate the Kennedy plant from the other West Virginia plants.

This schedule is presented to show the revenues, expenses, and net earnings of this plant, since, by stipulation between counsel, the earnings of and investment in the merged Reserve Gas Company have been excluded from Hope Natural Gas Company earnings during the year 1940.

Schedule No. 9e, "Gasoline Sales by Plants," shows that the average price per gallon received from gasoline sales from West Virginia plants to Standard Oil Company was \$0.0179, producing revenues of \$64,930.90, while the average price of sales to others was \$0.0316. Had the sales to Standard met the average price of sales to others, the revenue produced would have been \$114,517.42, or an increase of \$49,586.52. The explanation made by company officers is that gasoline is sold to Standard Oil Company at dump prices due to insufficient storage facilities of Hope Construction and Refining Company.

Income Statement.

Gas operating revenues and net utility income show a marked increase in 1940. This is shown in a comparison of the adjusted income statements:

6	1937	1938	1939	1940
Operating revenues.....	\$19,323,830	\$16,575,856	\$17,967,666	\$22,839,601
Operating expenses.....	12,506,400	12,146,434	11,607,652	12,936,127
Depreciation and depletion.....	1,387,649	1,294,613	1,257,783	1,486,943
Taxes.....	1,318,110	1,001,688	1,227,674	2,034,284
Nonrecurring expenses.....	45,286	51,120	69,257	89,660
Exploration and development costs.....	501,076	612,242	500,344	407,920
Total deductions.....	15,758,520	15,106,097	14,662,709	16,954,933
Net utility income.....	3,565,310	1,469,759	3,304,957	5,884,668

Schedule No. 1 is an Income Statement for the Year 1940, showing deductions in accordance with the above-mentioned stipulation, and adjustments made thereafter. Consideration in the adjustments is given to the exclusion of income and expense items applicable to the former Reserve Gas Company.

Attention is directed to the stipulated amounts applicable to the Hope Company as shown in column (e) and As Adjusted, column (h). It will be noted that the adjusted amount of net utility income is \$949,222.01 greater than the company's books as stipulated for the year 1940. This increase is accounted for by a decrease, through examiners' adjustments, in Operating Revenue, Operating Revenue Deductions, setting out Nonrecurring Expenses and an increase in Exploration and Development Costs. The accounts contained in each group are treated individually in

Schedules Numbers 1, 2, and 3, and are summarized below:

7	Particulars	Examiners' Adjustments Increase or (Decrease)
	Operating Revenues.....	*\$603,563.19
	Operating Revenue Deductions.....	1,654,867.23
	Nonrecurring Expenses.....	89,659.60
	Exploration and Development Costs.....	12,422.43
	Increase in Net Utility Income.....	949,222.01

For the purpose of further clarifying the application of examiners' adjustments as shown in Exhibit 67 as well as those shown in this exhibit, the following table is presented. This table shows the net adjustments to Net Utility Income for the years 1937 to 1940, inclusive, and the groups of accounts concurrently affected.

*Italic figures denote decrease.

	1937	1938	1939	1940
Net utility income (increase).....	\$1,200,855.94	\$585,417.59	\$1,021,588.64	\$949,222.01
Other income (debit).....	18,777.14	3,882.03	2,741.31	3,218.10
Income deductions.....	320,814.60	280,605.58	284,492.41	306,522.23
Net income transferred to surplus ¹	861,294.20	300,929.98	734,354.92	639,481.68
	1,200,855.94	585,417.59	1,021,588.64	949,222.01

¹ These amounts have a corresponding effect on the balance sheet.

The increase in Net Income Transferred to Surplus, arising from examiners' adjustments for the year 1940, amounting to \$639,481.68, is summarized in Schedule No. 1-A, which shows the various balance sheet accounts affected thereby.

8 *Gas Service Revenues.*

The gas service revenues per books, company's stipulation, and as adjusted are presented in Schedule No. 4. This schedule shows the number of customers at December 31, 1940, the volume on the sales contract basis and the average rate per MCF in addition to the dollar amounts of gas sales. The company's analysis of gas earnings was used as the basis for compilation of this statement.

The adjusted gas service revenues, showing the amount of sales in the State of West Virginia and those outside the State and their percentage relationship, are as follows:

	Gas service revenues	Sales in West Virginia	Sales outside West Virginia
Amount.....	\$22,732,430.02	\$3,435,675.16	\$19,296,754.86
Percent.....	100%	15.1%	84.9%

The sales outside the State of West Virginia were made to the following companies as shown in Schedule No. 4:

- Fayette County Gas Company.
- The Manufacturers Light & Heat Company.
- The East Ohio Gas Company.
- The Peoples Natural Gas Company.
- The River Gas Company.

The last three of these companies are associated with Hope Natural Gas Company.

9 The examiners' adjustments of gas service revenues relating to Hope Construction and Refining Company and The Peoples Natural Gas Company for 1940 are in conformity with the explanation shown on page 5 of Exhibit 67 and indicated as "All years (a) (b) (c)."

Other Gas Revenues and Other Income.

The accounts within these groups, shown in Schedules Nos. 1 and 2, were adjusted substantially the same as in Exhibit 67, explained on pages 6 and 7 of that exhibit as "All years (a) (b) and (c)."

Operating Revenue Deductions.

Schedule No. 3 is a detailed statement of operating expenses, showing adjustments made thereto for the year 1940. This schedule shows the individual accounts, grouped by functional divisions. The net effect of the adjustments by divisions is summarized as follows:

Particulars:	<i>Net adjustments—1940 increase or decrease</i>
Production.....	\$213, 287. 39
Other production.....	112, 227. 25
Transmission.....	676, 362. 44
Distribution.....	251, 505. 20
Customers accounting and collection.....	1, 009. 01
Sales promotion.....
Administrative and general.....	814, 117. 21
	<hr/>
Total operating expenses.....	*1, 565, 498. 10

10 Attention is directed to Schedule No. 1 which includes under the heading of Operating Revenue Deductions accounts adjusted by the examiners as follows:

Account:	<i>Net adjustments—1940 increase or decrease</i>
503. 1 Depreciation.....	\$114, 444. 73
503. 2 Amort. & depl. of P. N. G. L. & L. R.	38, 700. 14
504 Amort. of other L. T. G. I.
507 Taxes.....	242, 514. 00
	<hr/>
	*89, 369. 13

Following examiners' adjustment No. 246 are the details supporting the revised depreciation and depletion expenses as set forth in Schedule No. 1.

Schedule No. 6 summarizes the taxes accrued or paid by the company during the year 1940. This summary shows the total

*Italic figures denote decrease.

amount of taxes paid or accrued during the year and segregates the amounts applicable to the current year and those applicable to other years in columns (b), (c), and (d). Columns (e) and (f) set out the amounts eliminated as applicable to the former Reserve Gas Company. The resulting balances applicable to Hope Natural Gas Company are comparable to years 1937, 1938, and 1939, before adjustments. Columns (g) and (i) contain the examiners' adjustments and are shown in this manner to separate the various adjusted taxes into certain categories, i. e., the amount of taxes chargeable to tax expense during 1940 in the ordinary course of operations as shown in column (h) and the balance as shown in column (j) after special treatment for rate making purposes by eliminating certain specific distribution taxes, nonrecurring taxes, etc. The adjustments to reflect the latter, which are included in column (i), are as follows:

Estimated amount of State taxes applicable to property devoted to the transportation of coke oven gas.

Taxes paid and accrued on West Virginia property not applicable to gas operations.

Fee paid Public Service Commission of West Virginia.

Distribution system taxes.

Taxes not applicable to gas operations.

Nonrecurring taxes.

Miscellaneous city taxes.

The taxes have been treated in the same manner as for the years 1937, 1938, and 1939, and Schedule No. 6 in this report is a continuation of Schedule No. 8, appearing in Exhibit 67.

The amounts set out as "Nonrecurring Expenses" in Schedule No. 1 are recognized as operating expenses of the Company.

They include such items as rent at Pittsburgh, Pennsylvania, proportion of World's Fair Exhibit, loss on experimental liquefying gas plant, moving expenses in connection with the transfer of the company's general office from Pittsburgh, Pennsylvania, to Clarksburg, West Virginia, and Pennsylvania Foreign Franchise and Net Income taxes. For purposes of this report these expenses have been segregated into a single caption, as expenses of this nature are not expected to occur in the immediate future.

Exploration and Development Costs.

This group of accounts, appearing in Schedule No. 1, is the last taken into consideration before arriving at Net Utility Income.

The only adjustment made in this group is one in the amount of \$12,422.43 charged to Account 512, Abandoned Leases. It is caused by the transfer from Account 250.1, Reserve for Depreciation of Gas Plant, and represents the losses for abandoned leases during the year 1940.

Other Income.

This subdivision, appearing in Schedule No. 1, contains an adjustment for taxes not applicable to natural gas operations. This is the only adjustment in this group of accounts.

13 *Income Deductions.*

The adjustments in this group of accounts are all reflected in Account 538, Miscellaneous Income Deductions. They represent the concurrent debit and credit amounts of adjustments to income and expense accounts that affect the Net Utility Income, but which have no effect on the net income transferred to surplus. Details of these adjustments are shown in Schedule No. 7.

EDWARD L. DUNN,

Edward L. Dunn,

Examiner in Charge of Field Assignment.

Washington, D. C., May 20, 1942.

Approved :

W. E. BAKER,

W. E. Baker,

Chief Accountant.

CHAS. W. SMITH,

Chas. W. Smith,

Chief, Bureau of Accounts, Finance and Rates.

HOPE NATURAL GAS COMPANY

Income statement showing adjustments for the year 1940

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	<i>I—Utility income</i>						
	Gas Operating Income:						
501	Operating revenues.....	\$24,688,576.30	\$1,245,412.14	\$23,443,164.16	\$616,003.55	\$12,440.36	\$22,839,600.97
	Operating revenue deductions:						
502	Operating expenses.....	14,989,759.77	488,134.84	14,501,624.93	885,690.15	2,451,128.25	12,936,126.83
503.1	Depreciation.....	1,438,385.94	128,967.51	1,309,418.43	114,444.73		1,423,863.16
503.2	Amortization and depletion of P. N. G. L. & L. R.....	25,200.00	6,816.14	18,383.86	38,700.14		57,084.00
504	Amortization of other limited term G. I.....	5,996.02		5,996.02			5,996.02
507	Taxes.....	2,464,514.26	187,716.56	2,276,797.70		242,514.00	2,034,283.70
	Total operating revenue deductions.....	18,923,855.99	811,635.05	18,112,220.94	1,038,775.02	2,692,642.25	16,457,353.71
	Net operating revenues.....	5,764,720.31	433,777.09	5,330,943.22	1,654,778.57	2,706,082.61	6,382,247.26
	Nonrecurring expenses.....				89,659.60		89,659.60
	Utility income.....	5,764,720.31	433,777.09	5,330,943.22	1,744,438.17	2,706,082.61	6,292,587.66
	<i>II—Exploration and development costs</i>						
510	Delay rentals.....	395,030.45	31,735.24	363,295.21			363,295.21
511	Nonproductive well drilling.....	32,152.42		32,152.42			32,152.42
512	Abandoned leases.....	50.00		50.00	12,422.43		12,472.43
	Total exploration and development costs.....	427,232.87	31,735.24	395,497.63	12,422.43		407,920.06
	Net utility income.....	5,337,487.44	402,041.85	4,935,445.59	1,756,860.60	2,706,082.61	5,884,667.60

Income statement showing adjustments for the year 1940—Continued

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	<i>III—Other income</i>						
520	Income from miscellaneous job, and cont. work	\$1,137.75		\$1,137.75			\$1,137.75
521	Income from nonutility operations79		.79			.79
522	Revenues from lease of other physical property	1,552.00		1,552.00			1,552.00
523	Dividend revenues	72.00		72.00			72.00
524	Interest revenues	313,580.82	\$20,875.00	292,705.82			292,705.82
526	Miscellaneous nonoperating revenues	1,102.47	211.50	890.97			890.97
527	Nonoperating revenue deductions	16.59		16.59	\$3,218.10		3,234.69
	Total other income	217,427.66	21,086.50	296,341.16	3,218.10		298,123.06
	Gross income	5,654,915.10	423,128.35	5,231,786.75	1,760,078.70	\$2,706,082.61	6,177,790.66
	<i>IV—Income deductions</i>						
535	Other interest charges	6,159.73	383.84	5,775.89			5,775.89
536	Interest charged to construction—cr	19,677.40	79.57	19,598.03			19,598.03
537	Miscellaneous amortization	4,740.72		4,740.72			4,740.72
538	Miscellaneous income deductions	6,693.06		6,693.06	306,522.23		313,215.29
	Total income deductions	2,083.89	304.47	2,388.36	306,522.23		304,133.87
	Net income transferred to surplus	5,656,998.99	422,823.88	5,234,175.11	2,066,600.93	2,706,082.61	5,873,656.79

Italic figures denote decrease.

HOPE NATURAL GAS COMPANY

Summary of Examiners' Adjusting Entries for the Year 1940

Account No.	Income accounts	Schedule reference	1940
(a)	(b)	(c)	(d)
600-608.....	Gas service revenues.....	2	\$371,802.80
610-619.....	Other gas revenues.....	2	231,760.39
733-749.....	Natural gas production.....	3	<i>213,287.59</i>
754-757.....	Other production expenses.....	3	<i>112,227.25</i>
758-764.....	Transmission expenses.....	3	<i>676,362.44</i>
765-777.....	Distribution expenses.....	3	251,505.20
779-784.....	Customers' accounting and collecting expenses.....	3	1,009.01
790-809.....	Administrative and general expenses.....	3	<i>814,117.21</i>
503-506.....	Depreciation and depletion.....	1	153,144.87
507.....	Taxes.....	1	<i>242,514.00</i>
510-513.....	Exploration and development costs.....	1	12,422.43
	Nonrecurring expenses.....	1	89,659.60
520-527.....	Other income.....	1	3,218.10
530-538.....	Income deductions.....	1	306,522.23
	Net adjustments to income accounts.....		<u><i>639,481.68</i></u>
	<i>Balance sheet accounts</i>		
126.2.....	Receivables from associated companies.....		237,726.76
145.4.....	Other work in progress—Stores expense.....		<i>640.43</i>
146.....	Other deferred debits.....		624,041.30
228.....	Taxes accrued.....		16,167.47
250.1.....	Reserve for depreciation of gas plant.....		<i>197,228.40</i>
250.2.....	Reserve for depletion of P. N. G. L. & L. R.....		<i>57,084.00</i>
271.....	Surplus as of Jan. 1, 1940.....		17,098.98
			<u>639,481.68</u>

Italic figures denote deficit.

HOPE NATURAL GAS COMPANY
Operating Revenues Showing Adjustments for the Year 1940

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	<i>Gas service revenues</i>						
600	Residential sales.....	\$1,758,415.77	\$19,661.54	\$1,738,754.23			\$1,738,754.23
602.1	Commercial sales.....	286,733.56	657.81	286,075.75			286,075.75
602.2	Industrial sales.....	1,352,823.48	27.27	1,352,796.21			1,352,796.21
603	Public street and highway lighting.....	225.20		225.20			225.20
604	Other sales to public authorities.....	209.69		209.69			209.69
605.1	Sales to affiliated utilities.....	18,613,252.47	1,088.15	18,612,164.32	\$292,158.36		18,320,005.96
605.2	Sales to nonaffiliated utilities.....	2,197,567.89	1,209,885.00	987,682.89			987,682.89
608	Other sales.....	129,142.53	2,818.00	126,324.53	79,644.44		46,680.09
	Total gas service revenues.....	24,338,370.59	1,234,137.77	23,104,232.82	371,802.80		22,732,430.02
	<i>Other gas revenues</i>						
610	Rent from gas property.....	26,308.10	2,914.56	23,393.54		\$12,440.36	35,833.90
612	Customers' forfeited discount and penalties.....	24,083.48	296.74	23,786.74			23,786.74
617.1	Revenue from processing natural gas—Cont. gas.....	62,435.67	7,801.51	54,634.16	54,634.16		
617.2	Revenue from processing natural gas—Butane gas.....	25,957.50		25,957.50	25,957.50		
618	Revenue from incidental oil sales.....	8,431.47	150.99	8,280.48			8,280.48
619.1	Warehouse sales.....	283.46		283.46			283.46
619.2	Unclaimed security deposits.....	41.17		41.17			41.17
619.3	Management fees and expenses.....	122,274.81		122,274.81	122,274.81		
619.4	Unclaimed checks.....	701.34	110.57	590.77			590.77
619.5	Shop labor—field.....	189.55		189.55			189.55
619.6	Gas sales contract adjustments.....	41,334.28		41,334.28	41,334.28		
619.9	Other miscellaneous gas revenues.....	38,164.88		38,164.88			38,164.88
	Total other gas revenues.....	350,205.71	11,274.37	338,931.34	244,200.75	12,440.36	107,170.95
	Total operating revenues.....	24,688,576.30	1,245,412.14	23,443,164.16	616,003.55	12,440.36	22,839,600.97

208

HOPE NATURAL GAS COMPANY

Operating expenses showing adjustments for the year 1940

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Natural gas production						
	Operation:						
733	Operation supervision and engineering.....	\$111,013.94	\$7,603.81	\$103,410.13		\$8,815.71	\$94,594.42
734.1	Gas well operating labor.....	406,415.95	59,268.74	347,147.21			347,147.21
734.2	Field line operating labor.....	133,471.46	15,848.70	117,622.76		525.54	117,097.22
734.3	Field measuring and regulating station labor.....	22,125.83	107.51	22,018.32		1,769.45	20,248.87
734.4	Other production labor.....	80,722.18	6,877.73	73,844.45		3,010.11	70,834.34
735.1	Gas well supplies and expenses.....	196,820.85	32,158.84	164,662.01			164,662.01
735.2	Field line supplies and expenses.....	13,887.28	1,153.26	12,734.02		56.90	12,677.12
735.3	Field measuring and regulating station supplies and expenses.....	3,653.85	98.02	3,555.83		194.54	3,361.29
735.4	Other production supplies and expenses.....	18,185.88	3,194.82	14,991.06			14,991.06
736	Purification supplies and expenses.....						
737	Production maps and records.....	3,035.77	80.65	2,955.12			2,955.12
738	Miscellaneous production expenses.....	5,078.61		5,078.61			5,078.61
	Total production operation.....	994,411.60	126,392.08	868,019.52		14,372.25	853,647.27
	Maintenance:						
739	Maintenance supervision and engineering.....	19,206.31	2,063.29	17,143.02			17,143.02
740.1	Maintenance of gas well structures.....						
740.2	Maintenance of field measuring and regulating station structure.....	297.74		297.74			297.74
740.3	Maintenance of other production system structures.....	5,494.89	330.62	5,164.27			5,164.27
741	Maintenance of producing gas wells.....	93,000.00	9,568.04	83,431.96		189.04	83,242.92

Operating expenses showing adjustments for the year 1940—Continued

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Natural gas production—Continued.						
	Maintenance—Continued						
742.1	Maintenance of field lines	\$158,651.31	\$11,385.79	\$147,265.52			\$147,265.52
742.2	Maintenance of field measuring and regulating station equipment	1,677.45	86.17	1,591.28			1,591.28
743	Maintenance of drilling and cleaning equipment						
744	Maintenance of other natural gas property	1,014.37	348.14	666.23			666.23
	Total production maintenance	279,342.07	23,782.95	255,559.12		\$189.04	255,370.08
	Miscellaneous:						
745	Gas well royalties	1,001,411.75	115,570.48	885,841.27			885,841.27
746	Natural gas rents	750.50		750.50			750.50
747.1	Residuals produced—Credit					832,851.05	832,851.05
747.2	Residuals operating expenses				\$634,124.95		634,124.95
747.3	Residuals maintenance expenses						
748.1	Joint expenses—Debit						
748.2	Joint expenses—Credit						
749	Duplicate production charges—Credit	624,053.81	41,477.43	582,576.38			582,576.38
	Total miscellaneous	378,108.44	74,093.05	304,015.39	634,124.95	832,851.05	105,289.29
	Total natural gas production	1,651,862.11	224,268.08	1,427,594.03	634,124.95	847,412.34	1,214,306.64

18	Other production expenses					
	Miscellaneous:					
754. 11	Natural gas purchased from affiliated companies.....	208, 184. 47	6, 008. 44	202, 176. 03	107, 032. 95	95, 143. 08
754. 12	Natural gas purchased from others.....	8, 292, 681. 04	16, 625. 37	8, 276, 055. 67		8, 276, 055. 67
754. 121	Gas purchased contract adjustments.....	2, 954. 85		2, 954. 85		2, 954. 85
754. 21	Other gas purchased from affiliated companies.....					
754. 22	Other gas purchased from others.....					
	Total gas purchased—natural gas.....	8, 503, 820. 36	22, 633. 81	8, 481, 186. 55	107, 032. 95	8, 374, 153. 60
755. 1	Purchased gas operating labor.....	94, 647. 55	67. 50	94, 580. 05	5, 194. 30	89, 385. 75
755. 2	Purchased gas supplies and expenses.....	24, 720. 02	769. 32	23, 950. 70		23, 950. 70
755. 3	Maintenance of purchased gas measuring station structure.....	279. 06		279. 06		279. 06
755. 4	Maintenance of purchased gas measuring station equipment.....	6, 004. 03	29. 77	5, 974. 26		5, 974. 26
755. 5	Purchased gas rent.....	10. 00		10. 00		10. 00
756	Other expenses.....					
757. 1	Joint expenses—debit.....					
757. 2	Joint expenses—credit.....					
	Total purchased gas expenses.....	125, 660. 66	866. 59	124, 794. 07	5, 194. 30	119, 599. 77
	Production expenses—cost of abandoning.....					
	Total other production expenses.....	8, 629, 481. 02	23, 500. 40	8, 605, 980. 62	112, 227. 25	8, 493, 753. 37

Italic figures denote decrease.

Operating expenses showing adjustments for the year 1940—Continued

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Transmission expenses						
	Operation:						
758	Operation supervision and engineering.....	\$16,405.97	\$186.96	\$16,219.01	-----	-----	\$16,219.01
759.111	Pumping station labor.....	571,781.37	43,376.53	528,404.84	-----	\$19,142.21	509,262.63
759.112	Measuring and regulating station labor.....	29,039.90	6,600.12	22,439.78	-----	-----	22,439.78
759.1211	Pumping station supplies and expenses.....	423,874.03	8,829.70	415,044.33	-----	295,764.14	119,280.19
759.1212	Pumping station fuel.....	942,051.46	40,986.32	901,065.14	-----	342,219.23	558,845.91
759.122	Measuring and regulating station supplies and expenses..	3,789.15	997.13	2,792.02	-----	-----	2,792.02
759.21	Operation of transmission mains—labor.....	95,784.56	1,759.17	94,025.39	-----	1,944.63	92,080.76
759.22	Operation of transmission mains—supplies and expenses..	10,929.78	6,622.68	4,307.10	-----	89.08	4,218.02
759.23	Transportation and compensation charges paid others....	57,493.75	124.58	57,369.17	-----	-----	57,369.17
759.24	Other transmission system expense.....	23,272.38	3,766.19	19,506.19	-----	1,351.30	18,154.89
759.3	Transmission maps and records.....	544.05	127.20	416.85	-----	-----	416.85
	Total transmission operations.....	2,174,966.40	113,376.58	2,061,589.82	-----	660,510.59	1,401,079.23
	Maintenance:						
760	Maintenance supervision and engineering.....	6,174.98	48.70	6,126.28	-----	-----	6,126.28
761.1	Maintenance of pumping station structures.....	99,193.22	11,659.83	87,443.39	-----	4,767.24	82,676.15
761.2	Maintenance of measuring and regulating station structure.....	1,993.27	-----	1,993.27	-----	-----	1,993.27
761.3	Maintenance of other transmission system structure.....	724.11	156.78	567.33	-----	-----	567.33
762.1	Maintenance of mains.....	58,838.67	5,439.57	53,399.10	-----	1,104.40	52,294.70
762.21	Maintenance of pumping station equipment.....	246,021.86	27,468.82	218,553.04	-----	3,344.12	215,208.92
762.22	Maintenance of measuring regulating station equipment..	3,511.32	120.98	3,390.34	-----	-----	3,390.34
762.23	Maintenance of other transmission system equipment....	7,029.39	36.36	6,993.03	-----	-----	6,993.03
	Total transmission maintenance.....	423,396.32	44,931.04	378,465.28	-----	9,215.76	369,250.02

19	Miscellaneous:					
763	Rents.....	1,946.80	300.01	1,646.79		1,646.79
764.1	Joint expenses—Debit.....					
764.2	Joint expenses—Credit.....	<i>4,521.24</i>		<i>4,521.24</i>	6,636.09	<i>10,957.53</i>
	Total miscellaneous.....	<i>2,574.44</i>	300.01	<i>2,674.45</i>	6,636.09	<i>9,510.54</i>
	Total transmission expenses.....	2,595,988.78	158,607.63	2,437,381.15	676,362.44	1,761,018.71
	<i>Distribution expenses</i>					
	Operation:					
765	Operation supervision and engineering.....	8,449.98	155.91	8,294.07		8,294.07
766.1	Distribution maps and records.....	4,216.15		4,216.15		4,216.15
766.2	Other distribution office expenses.....	3,045.44	27.41	3,018.03		3,018.03
767	Operation of distribution lines.....	51,537.17	623.93	50,913.24		50,913.24
768.1	Removing and resetting meters.....	30,806.51	691.82	30,114.69		30,114.69
768.2	Miscellaneous meter expenses.....	4,388.49	152.80	4,235.69		4,235.69
769	Services on consumers' premises.....	12,115.13	125.50	11,989.63		11,989.63
770	Operation of street lighting equipment.....	1.25		1.25		1.25
	Total distribution operation.....	114,560.12	1,777.37	112,782.75		112,782.75
	Maintenance:					
771	Maintenance supervision and engineering.....	6,824.79	105.20	6,719.59		6,719.59
772	Maintenance of structures and improvements.....	3,569.80	.28	3,569.52		3,569.52
773.1	Maintenance of mains.....	33,639.24	866.71	32,772.53		32,772.53
773.2	Maintenance of pumping and regulating equipment.....	5,506.28	41.81	5,464.47		5,464.47
773.3	Maintenance of services.....	16,653.11	42.60	16,610.51		16,610.51
773.4	Maintenance of meters.....	35,672.43	798.56	34,873.87		34,873.87
773.5	Maintenance of house regulators.....	184.64		184.64		184.64
773.6	Maintenance of other property on customer's premises.....	301.49		301.49		301.49
774	Maintenance of street lighting equipment.....	10.36		10.36		10.36
775	Maintenance of other distribution equipment.....	1,106.24		1,106.24		1,106.24
	Total distribution maintenance.....	103,468.38	1,855.16	101,613.22		101,613.22

Italic figures denote decrease.

Operating expenses showing adjustments for the year 1940—Continued

Account No.	Account	Per books	Less former reserve gas company (agreed)	Hope Natural Gas Company (stipulation)	F. P. C. adjustments		As adjusted
					Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Miscellaneous:						
776	Rents.....	\$732.00		\$732.00			\$732.00
	Direct distribution expenses—transferred.....				\$251,505.20		251,505.20
	Total distribution expenses.....	218,760.50	\$3,632.53	215,127.97	251,505.20		466,633.17
	<i>Customers' Accounting and collecting expenses</i>						
779	Supervision.....	22,197.29	442.38	21,754.91			21,754.91
780.1	Customers' contracts and orders.....	9,904.66		9,904.66			9,904.66
780.2	Credit investigation and records.....	35.00		35.00			35.00
20 780.3	Meter reading.....	37,751.78	2,592.12	35,159.66			35,159.66
780.4	Collecting.....	37,231.37	823.67	36,407.70			36,407.70
781	Customers' billing and accounting.....	37,656.82	53.56	37,603.26		\$588.69	37,014.57
782	Miscellaneous expenses.....	7,025.00	524.09	6,500.91		420.32	6,080.59
783	Uncollectible accounts.....	8,131.37		8,131.37			8,131.37
784	Rents.....	331.50		331.50			331.50
	Total customers' accounting and collecting expenses.....	160,264.79	4,435.82	155,828.97		1,009.01	154,819.96
	<i>Sales promotion</i>						
785	Supervision.....						
786	Salaries and commissions.....	5,593.46		5,593.46			5,593.46
787.1	Demonstration.....						
787.2	Advertising.....	63.00		63.00			63.00
787.3	Miscellaneous sales expenses.....	432.34		432.34			432.34

	Total sales promotion expenses.....	6,088.80		6,088.80		6,088.80
	<i>Administrative and general expenses</i>					
790	Salaries of general officers and executives.....	70,359.34		70,359.34	15,534.74	54,824.60
791	Other general office salaries.....	350,322.58		350,322.58	62,948.11	287,374.47
792.1	Expenses of general officers.....	4,844.26		4,844.26	1,979.60	2,864.66
792.2	Expenses of general office employees.....	36,686.29	8,262.10	28,424.19	23,531.54	4,892.65
793	General office supplies and expenses.....	80,142.44	2,379.90	77,762.54	18,134.89	59,627.65
794	Management and supervision fees and expenses.....	82.56	35,562.29	35,479.73		35,479.73
795	Special services.....	7,695.96		7,695.96	46.20	7,649.76
796	Special legal services.....	16,983.82		16,983.82		16,983.82
797	Regulatory commission expenses.....	359,475.35		359,475.35	341,978.25	17,497.10
798	Insurance.....	7,981.08	397.20	7,583.88		7,583.88
799	Injuries and damages.....	2,571.92		2,571.92		2,571.92
800.1	Employees' welfare expenses.....	356,492.21	20,049.21	336,443.00	4,081.83	332,361.17
800.2	Pensions.....	123,269.13	3,305.09	119,964.04		119,964.04
801	Miscellaneous general expenses.....	389,606.39	3,557.64	386,048.75	322,482.97	63,565.78
802.1	Maintenance of structure and improvements.....	6,023.97		6,023.97		6,023.97
802.2	Maintenance of office furniture and equipment.....	3,341.14		3,341.14		3,341.14
802.3	Maintenance of communication equipment.....	29,727.32	3,251.95	26,475.37	598.29	25,877.08
803	Rents.....	9,570.24		9,570.24	9,570.24	
805	Franchise requirements.....	12,230.55		13,230.55	13,230.55	
807	Administrative and general expenses transferred—Cr.....	141,092.78	3,075.00	138,017.78		138,017.78
	Total administrative and general expenses.....	1,727,313.77	72,690.38	1,653,623.39	814,117.21	839,506.18
	Total operating expenses.....	14,989,759.77	488,134.84	14,501,624.93	885,620.15	2,451,128.25
						12,936,126.83

Italic figures denote decrease.

HOPE NATURAL GAS COMPANY
Gas Service Revenues—per Books and as Adjusted, 1940

Account No.	Account	Total sales			Amount per books	Less-former Reserve Gas Company ¹	Hope Natural Gas Company	Examiners' adjustments		As adjusted
		Number of accounts, Dec. 31, 1940	Volume MCF ¹	Average rate per MCF				Dr.	Cr.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
600	Residential sales	40,984	4,712,841	\$0.3731	\$1,758,415.77	\$19,661.54	\$1,738,754.23			\$1,738,754.23
602.1	Commercial sales	3,523	766,198	.3742	286,733.56	657.81	286,075.75			286,075.75
602.2	Industrial sales	196	5,332,781	.2537	1,352,823.48	27.27	1,352,796.21			1,352,796.21
603	Public street and highway lighting	3	584	.3856	225.20		225.20			225.20
604	Sales to other public authorities	2	629	.3334	209.69		209.69			209.69
605.1	Sales to other gas utilities (affiliated):									
	The East Ohio Gas Company	1								
	Regular gas		29,468,639	.3850	11,345,426.05	1,088.15	11,344,337.90			11,344,337.90
	Special industrial gas		10,907,452	.3100	3,381,310.12		3,381,310.12			3,381,310.12
	The Peoples Natural Gas Company	1	9,738,612	.3850	3,749,365.65		3,749,365.65	\$292,158.36		3,457,207.29
	The River Gas Company	1	391,859	.3500	137,150.65		137,150.65			137,150.65
605.2	Sales to other gas utilities (nonaffiliated):									
	Fayette County Gas Company	1	859,106	.3150	270,618.42		270,618.42			270,618.42
	Manufacturers Light & Heat Company	1	2,241,684	.3150	706,130.48		706,130.48			706,130.48
	Northwestern Ohio Natural Gas Co.	1	4,003,570	.3000	1,201,071.00	1,201,071.00				
	The Ohio Fuel Gas Company	1	29,380	.3000	8,814.00	8,814.00				
	Other Sales to Other Gas Utilities (nonaffiliated)	4	55,726	.1915	10,933.99		10,933.99			10,933.99

608	Other sales:									
	Drillers and pumpers.....	112	368,004	.2816	103,638.60	2,818.00	100,820.60	² \$73,644.14	-----	27,176.46
	Hope Construction & Refining Company:									
	Exchange gas.....							73,644.14	³ \$73,644.14	-----
	Gasoline plants.....	1	20,001	.3000	6,000.30	-----	6,000.30	6,000.30	-----	-----
	South Penn Natural Gas Company.	1	158,704	.1229	19,503.63	-----	19,503.63	-----	-----	19,503.63
	Total gas service revenues.....	44,833	69,055,770	.3524	24,338,370.59	1,234,137.77	23,104,232.82	445,446.94	73,644.14	22,732,430.02

¹ Volumes shown are on contract basis.

² Volumes of gas applicable to former Reserve Gas Company sales:

Class of sale:	MCF
Residential.....	75,618
Commercial.....	2,532
Industrial.....	105
The East Ohio Gas Company.....	3,109
Northwestern Ohio Natural Gas Co.....	4,003,570
The Ohio Fuel Gas Company.....	29,380
Drillers and Pumpers.....	13,779
Total.....	4,128,093

³ No reclassification entry was made for this transfer of exchange gas from 1 classification to another for the purpose of this schedule. It represents the exchange of 265,444 MCF of gas.

HOPE NATURAL GAS COMPANY
Gas Purchased, 1940

Vendor	Contract number	Per books			Examiners' adjustments				As adjusted		
		MCF	Rate per MCF	Amount	Debit		Credit		MCF	Rate per MCF	Amount
					MCF	Amount	MCF	Amount			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Boone County Coal Corporation.....	1048	912,081	0.1468	\$133,873.99					912,081	0.1468	\$133,873.99
Godfrey L. Cabot, Inc.....	384	6,275,933	.14032	880,638.92					6,275,933	.14032	880,638.92
Do.....	666	3,594,782	.1775	638,022.37					3,594,782	.1775	638,022.37
Do.....	800	323,693	.2500	80,923.25					323,693	.2500	80,923.25
Do.....	989-1019	31,623	.1200	3,794.76					31,623	.1200	3,794.76
Do.....	1084	16,636	.0700	1,164.52					16,636	.0700	1,164.52
Do.....	1107	954,579	.1350	128,868.18					954,579	.1350	128,868.18
Total.....		11,197,246	.1548	1,733,412.00					11,197,246	.1548	1,733,412.00
Columbia Carbon Company.....	1046-1047	64,752	.1200	7,770.24					64,752	.1200	7,770.24
Do.....	618	1,029,095	.2449	252,062.12					1,029,095	.2449	252,062.12
Do.....	657	6,505,094	.1664	1,082,760.34					6,505,094	.1664	1,082,760.34
Do.....	759	70,590	.2000	14,118.00					70,590	.2000	14,118.00
Total.....		7,669,531	.1769	1,356,710.70					7,669,531	.1769	1,356,710.70
Delaware Gas Company.....	1002	395,014	.2000	79,002.80					395,014	.2000	79,002.80
Domestic Coke Corporation.....	452	1,585,058	.1800	285,310.44					1,585,058	.1800	285,310.44
South Penn Natural Gas Co.....	587	10,953,518	.2200	2,409,773.96					10,953,518	.2200	2,409,773.96
Hamilton Gas Corporation.....	658-767	1,539,001	.2000	307,800.20					1,539,001	.2000	307,800.20
V. L. and J. H. Horner.....	871	253,964	.2500	63,491.00					253,964	.2500	63,491.00
Pond Oil and Gas Co.....	819-792	844,504	.1800	152,010.72					844,504	.1800	152,010.72
Pure Oil Company.....	656	2,106,518	.2500	526,629.50					2,106,518	.2500	526,629.50

308

United Carbon Company.....	659-780	327,264	.2000	65,452.80					327,264	.2000	65,452.80
Do.....	1106	1,051,502	.1350	141,952.78					1,051,502	.1350	141,952.78
Total.....		1,378,766	.1504	207,405.58					1,378,766	.1504	207,405.58
West Virginia Gas Corp.....	613	1,154,061	.1800	207,730.98					1,154,061	.1800	207,730.98
Do.....	1097	2,716,691	.1312	356,365.96					2,716,691	.1312	356,365.96
Total.....		3,870,752	.1457	564,096.94					3,870,752	.1457	564,096.94
Hope Construction and Refining Company.....	198	1,440	.0900	129.60							
Do.....	456	1,052,630	.1909	200,976.78							
Do.....	676	5,673	.2114	1,199.25							
Do.....	1027	716	.1050	75.21							
Do.....	1098	34,139	.1700	5,803.63							
Total.....		1,094,598	.1902	208,184.47							
Less Reserve Gas Company Stipulation.....		36,295	.1655	6,008.44							
Net.....		1,058,303	.1910	202,176.03	792,859	\$95,143.08	1,058,303	202,176.03	792,859	.1200	95,143.08
Total 32 contracts.....		43,764,256	.1833	8,021,693.86	792,859	95,143.08	1,058,303	202,176.03	43,498,812	.1820	7,914,660.91
All others.....		5,730,280	.1324	758,473.65					5,730,280	.1324	758,473.65
Less Reserve Gas Company Stipulation.....		144,292	.1152	16,625.37					144,292	.1152	16,625.37
Net.....		5,585,988	.1328	741,848.28					5,585,988	.1328	741,848.28
Total Gas Purchased.....		49,350,244	.1776	8,763,542.14	792,859	95,143.08	1,058,303	202,176.03	49,084,800	.1764	8,656,509.19
Less Adjustment on Domestic Coke Corporation.....		1,585,058	.1800	285,310.44					1,585,058	.1800	285,310.44
Gas purchased for resale.....		47,765,186	.1775	8,478,231.70	792,859	95,143.08	1,058,303	202,176.03	47,499,742	.1762	8,371,198.75

HOPE NATURAL GAS COMPANY

Summary of taxes paid and accrued for year 1940, showing adjustments for taxes over or under accrued as per final settlements

Kind of tax	Paid or accrued during year			Less Reserve Gas Co. taxes	Balance	Examiners' adjustments	Total charge- able to tax expense	Other ad- justments	Adjusted taxes
	Applicable to—		Total						
	Current year	Other years							
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Federal:									
Income.....	\$1,000,000.00		\$1,000,000.00	\$71,207.16	\$928,792.84	\$16,480.00	\$912,312.84		\$912,312.84
Capital stock.....	55,000.00	\$13,015.00	68,015.00		68,015.00	13,015.00	55,000.00		55,000.00
Old-age insurance, 1939.....		800.28	800.28		800.28	800.28			
Old-age insurance.....	39,491.64		39,491.64	2,644.47	36,847.17		36,847.17		36,847.17
Unemployment comp., 1937.....		757.97	757.97		757.97	757.97			
Unemployment comp., 1938.....		788.07	788.07		788.07	788.07			
Unemployment comp.....	11,847.49		11,847.49	816.19	11,031.30		11,031.30		11,031.30
West Virginia:									
Unemployment comp.....	106,938.73		106,938.73	7,649.07	99,289.66		99,289.66	\$11,164.29	99,289.66
Property	814,546.06		814,546.06	61,882.06	752,664.00		752,664.00	2,980.18	738,519.53
Public service comm. fee.....	15,315.32		15,315.32	709.69	14,605.63	55.03	14,550.60	14,550.60	
Charter (capital stock).....	2,500.00		2,500.00		2,500.00		2,500.00		2,500.00
Gross sales, 1939.....		550.86	550.86		550.86	550.86			
Gross sales.....	442,000.00		442,000.00	44,937.05	397,062.95	¹ 41,334.28 ² 312.53	356,041.20	² 134,132.62	221,908.58
Pennsylvania:									
Unemployment comp.....	4,112.31		4,112.31		4,112.31		4,112.31		4,112.31
Corporate net income, 1935.....		361.54	361.54		361.5	361.54			
Corporate net income, 1939.....		786.52	786.52		786.52	786.52			
Corporate net income.....	2,782.13		2,782.13		2,782.13		2,782.13	2,782.13	
Foreign franchise, 1939.....		16.29	16.29		16.29	16.29			
Foreign franchise.....	1,819.20		1,819.20		1,819.20		1,819.20	1,819.20	

City taxes:									
Parkersburg license.....	10.50		10.50		10.50		10.50	10.50	
Clarksburg license.....	19.25		19.25		19.25		19.25	19.25	
Weston license.....	13.00		13.00		13.00		13.00	13.00	
Mannington sales.....	422.50		422.50		422.50		422.50	422.50	
Mercantile—Various cities.....	19.00		19.00		19.00		19.00	19.00	
Total.....	2,496,837.13	17,043.95	2,513,881.08	189,845.69	2,324,035.39	74,600.73	2,249,434.66	167,913.27	2,081,521.39
Less—Charged to other accounts.....	49,366.82		49,366.82	2,129.13	47,237.69		47,237.69		47,237.69
Total—Charged to tax expense.....	2,447,470.31	17,043.95	2,464,514.26	187,716.56	2,276,797.70	74,600.73	2,202,196.97	167,913.27	2,034,283.70

¹ Production and sales tax billed others under the terms of sales contracts.

² Underaccrued.

³ Adj. No.

	<i>Amount</i>
241 Distribution tax.....	\$133,338.30
241 Sales—Tangible material.....	503.96
241 Rents.....	52.44
236 Interest.....	237.92
Total.....	134,132.62

Italic figures denote decrease.