

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re:

APPLICATION OF NORTHERN PENNSYLVANIA
POWER COMPANY AND VALLEY CITIES GAS
COMPANY FOR APPROVAL OF THE TRANSFER
BY SALE OF ALL OF THE GAS PROPERTIES
OF NORTHERN PENNSYLVANIA POWER COMPANY
TO VALLEY CITIES GAS COMPANY.

APPLICATION DOCKET

NO. **AG 1233**

1945.

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION,
Harrisburg, Pennsylvania.

The application of Northern Pennsylvania Power
Company and Valley Cities Gas Company respectfully represents
that:

1. The names and addresses of the applicants are:

Northern Pennsylvania Power Company
(herein called "North Penn"), Towanda, Pa.

Valley Cities Gas Company
(herein called "Valley"), Sayre, Pa.

2. The names and addresses of the applicants' at-
torneys are:

Joseph F. Monaghan, Esquire, 61 Broadway, New York
6, N. Y., for North Penn.

McCormick, Herdic & Furst, Esquires, Williamsport,
Pa., for Valley.

3. North Penn, a public utility as defined in the
Pennsylvania "Public Utility Law", was duly incorporated under
the laws of the Commonwealth of Pennsylvania on May 7, 1923,
under the name of Sullivan County Electric Company, through
merger and consolidation of a number of electric light, heat

*PA. C. 5-66-104. Pa. P.U. Utilities Company
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and power companies. Under date of February 19, 1931, the name of Sullivan County Electric Company was changed to Northern Pennsylvania Power Company. North Penn has acquired by purchase all the property and franchises of various electric, gas and water power companies and has valid charter rights to furnish, and does furnish, light, heat and power by means of electricity to the public in various communities in the counties of Bradford, Lycoming, Potter, Sullivan, Susquehanna, Tioga, Wayne and Wyoming, all in Pennsylvania, and (under lease) in a small adjoining area in and around the Village of Waverly, New York; and also light, heat and fuel by means of gas in Towanda and vicinity, Bradford County, Pa.; and also steam heat in the Borough of Towanda, Bradford County.

4. Valley, a public utility as defined in the Pennsylvania "Public Utility Law", was duly incorporated under the laws of the Commonwealth of Pennsylvania on March 10, 1944, succeeding the Athens and Sayre Gas Company. Valley acquired by purchase all the gas property and franchises of the Athens and Sayre Gas Company and has valid charter rights to furnish, and does furnish, gas to the public in the Boroughs of Athens, Sayre and South Waverly, and adjacent territories of Bradford County, all in Pennsylvania.

5. The number of consumers by classes to whom North Penn furnishes public service is as follows (as of March 31, 1945):

NUMBER OF CUSTOMERS

<u>Classification</u>	<u>Electric Service</u>	<u>Gas Service</u>	<u>Steam Service</u>
Residential	24,269	386	146
Commercial	3,426	54	
Industrial	188	4	
Public street lighting	56		
Other public authorities	295		
Other utilities:			
Affiliated companies	1		
Other electric companies	5		
	<hr/>	<hr/>	<hr/>
Totals,	28,240	444	146

6. The number of consumers by classes to whom Valley furnishes gas service is as follows (as of March 31, 1945):

NUMBER OF CUSTOMERS

<u>Classification</u>	<u>Electric Service</u>	<u>Gas Service</u>	<u>Steam Service</u>
Residential	None	2,208	None
Commercial	None	140	None
Industrial	None	3	None
Public street lighting	None	None	None
Other Gas Utilities Affiliated Company	None	1	None
		<hr/>	
Total,		2,352	

7. There are attached hereto balance sheets of North Penn and Valley, each as at March 31, 1945, and marked respectively Exhibit A-1 and Exhibit A-2.

8. There are attached hereto income accounts of North Penn and Valley, each for the twelve months ended March 31, 1945, and marked respectively Exhibit B-1 and Exhibit B-2.

9. All the annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of securities and securities certificates filed with your Honorable Commission by North Penn and Valley and by their respective predecessor and constituent companies, to the extent relevant and material in this proceeding, are made part hereof by reference.

10. North Penn proposes to sell, and Valley proposes to buy, all of the real estate, physical facilities, rights, privileges, assignable charter rights in the nature of franchises and local consents of North Penn (with certain minor exceptions more specifically referred to in its agreement with Valley, infra) (hereinafter called the "Towanda gas properties"), relating to the manufacture, transmission, distribution and sale of gas located in Towanda and vicinity, Bradford County. The property to be transferred, and the terms and conditions of the proposed sale and transfer are more fully set forth in an agreement between North Penn and Valley dated May 4, 1945, a true and correct copy of which is attached hereto as Exhibit C and to which reference is hereby made. It is proposed that the transfer be made pursuant to the provisions of the Act of the General Assembly of the Commonwealth of Pennsylvania, approved April 12, 1927, P.L. 297 (15 P.P.S.A. Sec. 3021 et seq.).

The Towanda gas properties comprise all of the properties of North Penn (with the exceptions heretofore noted) pertaining or relating to its business of manufacturing, transmitting, distributing and selling gas. When and if the

proposed transaction has been approved and consummated, North Penn will no longer have any rights, powers, franchises or privileges to manufacture and supply gas to the public in the territory referred to in this paragraph.

11. The base price to be paid to North Penn by Valley for the Towanda gas properties is the sum of \$12,139 in cash plus adjustments as provided in the Agreement (Exhibit C).

The consideration for the proposed sale and transfer was determined through arm's-length negotiations between representatives of North Penn and Valley.

12. There is attached hereto as Exhibit D a statement as at March 31, 1945, of the utility plant to be transferred, showing book value and cost thereof to North Penn, and amounts of depreciation reserve applicable thereto. North Penn has not completed the analysis of original cost when first devoted to public use of the facilities proposed to be transferred.

13. The transactions covered by this application do not involve the transfer of any investment securities of North Penn.

14. There is attached hereto as Exhibit E a pro forma balance sheet as at March 31, 1945 of Valley giving effect to the transfer referred to in Paragraph 10 hereof.

15. A pro forma consolidated or combined income account of North Penn giving effect to the said transfer, is not included herein, because the operation of the facilities proposed to be transferred is integrated in the accounts of

North Penn with its other operations. A pro forma income account of Valley cannot be given because the income deduction items and many of the expense items applicable to the Towanda gas properties cannot be isolated in the North Penn accounts.

16. There are attached hereto copies of the tentative journal entries that North Penn and Valley will make to record the transfers in their respective accounts, the copies being marked respectively Exhibit F-1 and Exhibit F-2.

17. There are attached hereto certified copies of the meeting minutes of the Boards of Directors of North Penn and Valley authorizing the transfer herein proposed, said certified copies being marked respectively Exhibit G-1 and Exhibit G-2.

18-19. The rates and service to the present customers of Valley will be unaffected by the transfer. The rates and service in the area to be transferred will also be unaffected.

20. The purchase price to be paid by Valley for the properties and franchises to be acquired from North Penn will be paid in cash from its treasury.

21. The reasons for the proposed transfer are as follows:

North Penn, being primarily an electric utility (the operating revenues from the sale of gas being less than 1% of its total revenues), desires to dispose of its gas properties and devote itself wholly to the electric business.

The Towanda gas properties will become a part of the Valley system and can be economically and effectively ad-

ministered in conjunction with the nearby gas properties already owned by Valley in Athens and Sayre.

22. There is no affiliation between Valley and North Penn or its affiliates.

23. North Penn has paid all special and general assessments made against it by your Honorable Commission pursuant to Section 1201 of the Public Utility Law.

24. North Penn, after consummation of the proposed transaction, will continue to be a public utility subject to the jurisdiction of your Honorable Commission, and will pay when due all lawful special and general assessments which your Honorable Commission may make against it, pursuant to Section 1201 of the Public Utility Law.

25. Attached hereto and by this reference made a part hereof are the following Exhibits to this Application:

EXHIBIT

- A-1 Balance sheet of North Penn as at March 31, 1945.
- A-2 Balance sheet of Valley as at March 31, 1945.
- B-1 Income statement of North Penn for 12 months ending March 31, 1945.
- B-2 Income statement of Valley for 12 months ending March 31, 1945.
- C Agreement executed May 4, 1945 between North Penn and Valley.
- D Statement of utility plant to be transferred showing book value and cost, and amounts of reserve for renewals and replacements applicable thereto as at March 31, 1945.
- E Pro forma balance sheet of Valley as at March 31, 1945, giving effect of proposed acquisition.
- F-1 Tentative journal entries of North Penn to record transfer in its accounts.
- F-2 Tentative journal entries of Valley to record transfer in its accounts.

- G-1 Certified copy of resolutions of North Penn Board of Directors adopted May 3, 1945.
- G-2 Certification of action taken by Valley Board of Directors at its meeting held April 10, 1945.

WHEREFORE, Applicants pray your Honorable Commission to issue a certificate or certificates of public convenience under the provisions of Section 202 of the Public Utility Law and the Act of the General Assembly of the Commonwealth of Pennsylvania, adopted April 14, 1927, P.L. 297, evidencing its approval of:

- (a) the transfer by sale by Northern Pennsylvania Power Company of its gas properties and rights in Bradford County to Valley Cities Gas Company, and the acquisition by the latter of such property and rights, all as more particularly set forth in their agreement of May 4, 1945 (Exhibit C);
- (b) the abandonment by Northern Pennsylvania Power Company of its gas service and the surrender by it of all of its rights, powers, franchises or privileges to manufacture and supply gas to the public in the territory referred to in Paragraph 10 hereof; and
- (c) the exercise by Valley Cities Gas Company of the additional rights, powers, franchises and privileges which it is securing from Northern Pennsylvania Power Company by virtue of the transfer referred to in (a) above.

NORTHERN PENNSYLVANIA POWER COMPANY,

By R. H. Schutt
Vice President

Attest:

W. R. Miller
Assistant Secretary

VALLEY CITIES GAS COMPANY,

By W. J. Carter
President

Attest:

William Roman
Secretary

State of New York, }
County of New York, } ss.:

No. 29401

Form 2

I, ARCHIBALD R. WATSON, County Clerk and Clerk of the Supreme Court, New York County, the same being a Court of Record having by law a seal, DO HEREBY CERTIFY, that

Thomas V. Tolley
whose name is subscribed to the annexed deposition, certificate of acknowledgment or proof, was at the time of taking the same a NOTARY PUBLIC acting in and for said County, duly commissioned and sworn, and qualified to act as such; that he has filed in the Clerk's office of the County of New York a certificate of his appointment and qualification as a Notary

Thomas
Public for the County of.....with his autograph signature; that as such Notary Public he was duly authorized by the laws of the State of New York to protect notes, to take and certify depositions, to administer oaths, and affirmations, to take affidavits and certify the acknowledgment or proof of deeds and other written instruments for lands, tenements and hereditaments, to be read in evidence or recorded in this State. And further, that I am well acquainted with the handwriting of such Notary Public, or have compared the signature of such officer with his autograph signature filed in my office, and believe that the signature to the said annexed instrument is genuine.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this *15* day of *May* 194*5*.

Fee paid 25c.



Archibald R. Watson
County Clerk and Clerk of the Supreme Court, New York County

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

R. H. SCHUTT, being duly sworn according to law, deposes and says that he is a Vice President of Northern Pennsylvania Power Company, one of the applicants in the foregoing Application, that he is authorized to and does make this affidavit for it, and that the facts therein set forth as to said Company are true and correct.

R. H. Schutt

SWORN to and SUBSCRIBED :
before me this 17th day :
of May, 1945. :

Florence V. Molloy
Notary Public

FLORENCE V. MOLLOY
Notary Public, Queens County
Queens Co. Clk's No. 3036 Reg. No. 217-M-6
Bronx Co. Clk's No. 43, Reg. No. 144-M-6
N.Y. Co. Clk's No. 720, Reg. No. 420-M-6
Commission Expires March 30, 1946

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

MARK ANTON, being duly sworn according to law, deposes and says that he is President of Valley Cities Gas Company, one of the applicants in the foregoing Application, that he is authorized to and does make this affidavit for it, and that the facts therein set forth as to said Company are true and correct.

Mark Anton

SWORN to and SUBSCRIBED :
before me this 18th day :
of May, 1945. :

Florence V. Molloy
Notary Public

FLORENCE V. MOLLOY
Notary Public, Queens County
Queens Co. Clk's No. 3036 Reg. No. 217-M-6
Bronx Co. Clk's No. 43, Reg. No. 144-M-6
N.Y. Co. Clk's No. 720, Reg. No. 420-M-6
Commission Expires March 30, 1946

ASSETS AND OTHER DEBITS

UTILITY PLANT:

Electric Department \$ 9 087 217 44
Gas Department 121 395 67
Heating Department 50 039 70
Total Utility Plant (Note 1) \$ 9 261 652 81

INVESTMENT AND FUND ACCOUNTS:

Investments: \$ 121 380 00
Securities of Associated Companies
Special Funds:
Funds restricted to new construction or bond
acquisitions 358 500 00
Deposit in Escrow in accordance with consolidated
tax liability apportionment agreement (Note 2) 21 602 82
Total Investment and Fund Accounts 501 482 82

CURRENT AND ACCRUED ASSETS:

Cash \$ 111 539 97
Special Deposits 737 28
Working Funds 3 648 85
Notes Receivable 1 762 29
Accounts Receivable 201 728 25
Receivables from Affiliated Companies 21 509 83
Materials and Supplies 139 359 20
Prepayments 19 406 37
Total Current and Accrued Assets 529 688 02

DEFERRED DEBITS:

Other Preliminary Survey and Investigation Charges \$ 5 477 15
Clearing Accounts 4 432 59
Retirement Work in Progress 8 325 40
Other Work in Progress 173 53
Other Deferred Debits 66 335 51
Total Deferred Debits \$4 744 18

LIABILITIES AND OTHER CREDITS

CAPITAL STOCK:

Common Stock, no par value, 50,000 shares
authorized, 22,130 shares issued and outstanding

LONG-TERM DEBT:

First Mortgage bonds, 2-3/4% series due 1977

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable \$ 56 634 62
Payables to Affiliated Companies 69 869 85
Customers' Deposits 55 057 76
Taxes Accrued: Federal Income 56 873 66
Other 62 444 30
Interest Accrued 41 431 55
Other Current and Accrued Liabilities 15 883 72
Total Current and Accrued Liabilities \$ 358 195 46

DEFERRED CREDITS:

Unamortized Premium on Debt \$ 5 656 00
Customers' Advances for Construction 15 65
Total Deferred Credits \$ 5 671 65

RESERVES:

Reserve for Depreciation of Utility Plant: \$1
Electric Department 79 769 60
Gas Department 00 879 04
Heating Department 26 582 04
Amounts in excess of original cost of
electric property, plant and equipment (Note 1) \$2 007 230 68
Stated amounts for investments and property
and equipment other than electric 955 000 00
Reserve for Uncollectible Accounts 115 000 00
Additional Federal Income Taxes (including
\$21,602.82 deposited in escrow) (Note 2) 33 903 04
Other Reserves 66 989 57
Total Reserves 22 814 88

CONTRIBUTIONS IN AID OF CONSTRUCTION

SURPLUS:

Capital Surplus \$ 71 500 00
Earned Surplus 513 178 96
Total Surplus \$4 678 96

3 200 938 17

18 083 59

\$ 2 213 000 00

4 000 000 00

358 195 46

5 671 65

\$2 007 230 68

955 000 00

115 000 00

33 903 04

66 989 57

22 814 88

\$ 71 500 00

513 178 96

\$4 678 96

NORTHERN PENNSYLVANIA POWER COMPANY

NOTES TO BALANCE SHEET
AS AT MARCH 31, 1945

1. Property, plant and equipment, including intangibles, are stated mainly at cost to the Company, based on par or stated values of securities issued and cash paid therefor. It includes a relatively small amount of property, including intangibles, carried on the basis of revaluations made in 1923 and 1927.

The Pennsylvania Public Utility Commission and the Public Service Commission of the State of New York prescribed new uniform systems of accounts for electric utilities (effective January 1, 1937, and January 1, 1938, respectively). These systems require, among other things, that properties be stated at original cost (i.e., cost to the person first devoting such properties to public service), that the difference between such original cost and the amount at which the properties are now being carried be transferred to the applicable plant adjustments accounts, and that such difference be depreciated, amortized or otherwise disposed of as the Commission having jurisdiction may approve or direct. Studies relating to the reclassification of the accounts are being made by the companies and while such studies are not complete and are subject to review by the Commissions having jurisdiction, preliminary results thereof indicate that of the amount shown for electric property (\$9,087,217.44) approximately \$310,000.00 may be classified as "Plant Acquisition Adjustments" Account 100.5 and approximately \$645,000.00 may be classified as "Plant Adjustments", Account 107.

The Company has provided a reserve of \$955,000.00 by charges to capital surplus and earned surplus of \$364,359.16 and \$590,640.84, respectively, for the purpose of absorbing such write-off, as may be lawfully required by regulatory authorities, of amounts in excess of original cost of electric property, plant and equipment.

2. See Note 2 to statement of income.

3. The Company has covenanted that so long as any of the 1975 series bonds are outstanding, it will not declare or pay any dividends (except a dividend in its own stock) upon its own common stock or make any other distribution (by way of purchase or otherwise) to the holders thereof, except a payment or distribution out of surplus of the Company accumulated subsequent to December 31, 1944.

4. Contingent liability:

See Note 2 to statement of income regarding contingencies arising in connection with the consolidated Federal tax returns.

VALLEY CITIES GAS COMPANY
Balance Sheet as of March 31, 1945

ASSETS

Utility Plant		475,941.47
Other Physical Property		1,755.19
Cash		6,267.91
Accounts Receivable		17,384.31
Appliances on Rental		23.29
<u>Materials and Supplies</u>		
General	4,079.32	
Merchandise	1,878.99	
Fuel	5,054.02	
Residuals	<u>771.10</u>	
Total Materials and Supplies		11,783.43
<u>Prepayments</u>		
Taxes	150.02	
Insurance	1,905.27	
Miscellaneous	<u>79.51</u>	
Total Prepayments		2,134.80
<u>Deferred Debits</u>		
Unamortized Debt Discount Expense	6,887.98	
Other Deferred Debits-Miscellaneous	<u>312.50</u>	
Total Deferred Debits		<u>7,200.48</u>
TOTAL ASSETS		<u><u>522,490.88</u></u>

LIABILITIES and OTHER CREDITS

<u>Capital Stock</u>		
1,000 Shares Common @ \$10		10,000.00
<u>Long Term Debt</u>		
Bond and Mortgage		85,000.00
<u>Advances From and Payable to Associated Companies</u>		
Notes	68,000.00	
Open Accounts	<u>4.17</u>	68,004.17
Accounts Payable		6,920.66
Customers' Deposits		1,083.87
Taxes Accrued		976.84
Interest Accrued		1,049.44
<u>Other Current and Accrued Liabilities</u>		
Audit Fees	300.00	
Insurance	70.92	
Appliances Loaned	<u>357.30</u>	728.22
<u>Deferred Credits</u>		
Cashiers' Over and Shorts		1.00
Retirement Reserve - General		187,408.48
<u>Other Reserves</u>		
Uncollectible Accounts	824.46	
Utility Plant Acquirement)	148,130.29	
Adjustment Account)	<u>1,623.60</u>	150,578.35
Miscellaneous		5,129.41
Contributions in Aid of Construction		5,610.44
Earned Surplus		<u>522,490.88</u>
<u>TOTAL LIABILITIES and OTHER CREDITS</u>		<u>522,490.88</u>

NORTHERN PENNSYLVANIA POWER COMPANY

STATEMENT OF INCOME

For the Twelve Months ended March 31, 1945
Preliminary - Subject to Audit

	Electric	Gas	Steam Heat	Total
Operating Revenues	<u>\$2,475,748.95</u>	<u>\$11,832.25</u>	<u>\$26,538.30</u>	<u>\$2,517,119.50</u>
Operating Revenue Deductions:				
Depreciation	\$1,427,849.12	\$18,121.07	\$27,024.32	\$1,472,994.51
Taxes (excluding reductions shown separately below and a further reduction of \$50,000 related to and applied against items charged directly to earned surplus)	212,800.00	3,000.00	3,200.00	219,000.00
Total Operating Revenue Deductions	<u>285,569.70</u>	<u>235.76</u>	<u>209.31</u>	<u>284,014.77</u>
Operating Income	<u>\$1,924,218.82</u>	<u>\$21,356.83</u>	<u>\$30,453.63</u>	<u>\$1,976,009.28</u>
Other Income:				
Income from merchandising, jobbing and contract work				884.77
Interest revenues				1,341.58
Miscellaneous non-operating revenues				30.18
Total Other Income	<u>\$ 551,530.13</u>	<u>\$ 6,521.58*</u>	<u>\$ 3,895.33*</u>	<u>\$ 541,110.22</u>
Gross Income				\$ 2,256.85
Income Deductions:				
Interest on long-term debt				\$ 187,880.56
Amortization of Debt Discount and Expense				16,797.22
Taxes assumed on interest				7,991.50
Other interest charges				5,210.20
Interest charged to construction - credit				707.00*
Miscellaneous income deductions				1,496.00
Total Income Deductions				<u>\$ 218,668.48</u>
Net Income				<u>\$ 324,698.57</u>
Reduction in Federal Income taxes resulting from deductions in consolidated returns for interest and amortization charges on securities of indirect parents (in process of reorganization under Chapter X of the Bankruptcy Act), which deductions will not be available after consummation of a Plan of Reorganization of such parents				\$ 79,000.00
Balance transferred to Earned Surplus				<u>\$ 403,698.57</u>

NORTHERN PENNSYLVANIA POWER COMPANY

NOTES TO STATEMENT OF INCOME

For the Twelve Months Ending March 31, 1945

1. The systems of accounts prescribed by the regulatory commissions having jurisdiction require that provision be made for loss in service value of electric and gas plants which is not restored by current maintenance and mention various causes of depreciation which are to be considered. Pending completion by the Company and review by the Commissions of the data pertaining to the original cost of plant (see Note 1 to the balance sheet), it cannot be presently foreseen what changes in the Company's accounts or depreciation policies may be necessitated.

For the periods covered by this statement of income, the Company made provisions for retirement (depreciation) of property, plant and equipment (other than automotive equipment; provision for which was made on the basis of estimated service lives) in amounts determined by the management. The amounts provided for such periods are approximately the same as the depreciation deductions claimed or to be claimed on Federal income tax returns, which deductions are based on a straight-line method.

2. The Company joined or proposes to join with its indirect parents (in process of reorganization under Chapter X of the Bankruptcy Act) and others in consolidated Federal income and excess profits tax returns for the years 1942 to 1945, inclusive. In the event that the consolidated excess profits tax returns filed for the years 1942 to 1944, inclusive, and the return which it is anticipated will be filed for the year 1945 are accepted as filed, the Company will have no liability for such taxes, and no provision therefore has been made in these statements.

Each of the companies joining in a consolidated return, other than a company in bankruptcy, is severally liable to the Federal Government for the full amount of any income or excess profits tax, including any deficiencies, penalties or interest, which may be assessed against the affiliated group.

Agreements have been made by the companies which joined in the consolidated returns for the years 1942 and 1943 which provide that any tax liability of the group shall be allocated to each of the participants therein in the ratio that the liability of each on a separate return basis bears to the sum of the liabilities so computed for each participant, except that the amount, excluding interest, allocated to any participant other than the indirect parents shall not exceed the participant's tax liability computed on the basis of a separate return. It is anticipated that agreements containing similar provisions will be made for the years 1944 and 1945.

VALLEY CITIES GAS COMPANY

Income and Earned Surplus - April 1, 1944 - March 31, 1945.

<u>OPERATING REVENUES</u>		\$126,914.03
<u>OPERATING REVENUE DEDUCTIONS</u>		
Operation	\$96,446.64	
Maintenance	5,616.77	
Taxes - General	<u>1,813.26</u>	
Total Operating Revenue Deductions		<u>103,876.67</u>
<u>UTILITY OPER. INCOME BEFORE RET. RES. ACCRUALS</u>		23,037.36
<u>OTHER INCOME</u>		
Merchandising, Jobbing & Contract Work	677.95	
Dividend Revenues	75.36	
Miscellaneous Non-Operating Revenues	239.75	
Non-Operating Revenue Deductions	<u>298.31</u>	
<u>OTHER INCOME - NET</u>		<u>694.75</u>
<u>GROSS INCOME BEFORE RET. RES. ACCRUALS</u>		23,732.11
<u>RETIREMENT RESERVE ACCRUALS</u>		
Retirements		<u>9,625.87</u>
<u>GROSS INCOME</u>		14,106.24
<u>INCOME DEDUCTIONS</u>		
Interest on Long Term Debt	3,600.00	
Amortization of Debt Discount & Expense	336.35	
Interest on Debt to Associated Companies	4,080.00	
Other Interest Charges	210.20	
Miscellaneous Income Deductions	<u>279.25</u>	
Total Income Deductions		<u>8,505.80</u>
<u>NET INCOME</u>		<u>\$ 5,610.44</u>

THIS AGREEMENT made and entered into this 4th day of May, 1945, by and between NORTHERN PENNSYLVANIA POWER COMPANY (hereinafter called "Seller"), party of the first part, and VALLEY CITIES GAS COMPANY (hereinafter called "Purchaser"), party of the second part, both parties being corporations duly organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania,

W I T N E S S E T H

That for and in consideration of the mutual covenants and agreements of the parties hereto, as hereinafter set forth, the parties hereto hereby covenant and agree to and with each other as follows:

(1) Seller shall sell, convey, assign, transfer and deliver to Purchaser and Purchaser shall purchase from Seller the real estate described in Appendix A attached hereto and made part hereof, and all plants, facilities and other physical properties and assets (except the properties and assets referred to in paragraph (6) hereof and except the accounts receivable of Seller), together with all assignable charter rights in the nature of franchises and local consents, if any, now held or owned by Seller, and easements and rights-of-way and any other rights and privileges of Seller pertaining or relating to the business of the manufacture, transmission, distribution and sale of gas in the Borough of Towanda, Bradford County, Pennsylvania (hereinafter called the "Towanda gas properties"), for the base price of Twelve Thousand One Hundred Thirty-Nine (\$12,139) in cash. Seller will in all respects comply with the provisions of the Act of the General Assembly of the Commonwealth of Pennsylvania, approved April 14, 1927, P. L. 297 (15 P. P. S. A. Sec. 3021 et seq.) to the end that the charter rights in the nature of franchises, local consents etc.

hereinabove referred to shall be effectively transferred to Purchaser.

(2) The agreement of Seller to sell, convey, assign, transfer and deliver the Towanda gas properties and the agreement of Purchaser to purchase the same are expressly conditioned upon and made subject to the following:

(a) The obtaining by both parties hereto of all consents, approvals and authorizations of governmental bodies or agencies having jurisdiction over the consummation of this agreement.

(b) The obtaining of the written acquiescence of Denis J. Driscoll and Willard L. Thorp, Trustees of Associated Gas and Electric Corporation, Debtor, pursuant to appropriate order of the United States District Court for the Southern District of New York, to the sale by Seller (which is an indirect subsidiary of said Trustees), such acquiescence to be obtained after all other consents, approvals and authorizations have been obtained.

(3) The parties hereto shall promptly and expeditiously take such action and give each other their assistance and cooperation, and give such consents, as may be reasonably necessary in order that the conditions expressed in paragraph (2) hereof may be fulfilled as soon as possible but neither of the parties hereto shall be under any liability for the nonfulfillment of any such condition, provided such action, assistance, cooperation and consents shall have been taken and given.

Each party hereto shall promptly give notice to the other when the conditions expressed in sub-paragraph (2) (a) hereof have been fulfilled. Seller shall promptly give notice

to Purchaser when the condition expressed in paragraph (2) (b) hereof shall have been fulfilled.

(4) Seller covenants, warrants and agrees--

(a) That, until the time of closing, Seller will keep and maintain the Towanda gas properties in substantially their present operating condition and repair; will not dispose of any of said properties other than retirements or other disposition in the normal and ordinary course of business; will operate said properties as they are at present being operated, except for changes in the normal and ordinary course of business and will not enter into any contracts or commitments in connection therewith, except in the normal and ordinary course of business.

(b) From the date hereof until the date of closing, Seller shall give or cause to be given or make available to Purchaser, at reasonable hours during the day, its agents, accountants, attorneys and engineers, access to said properties and to its books and records, franchises, deeds, contracts, documents, information, files, correspondence and memoranda relating in any manner to its gas business.

(c) That as soon as possible after the date of closing, Seller will take all necessary steps and action to surrender and give up any charter rights or powers it may possess to manufacture or supply gas to the public in the territory referred to in paragraph (1) hereof.

(5) At the closing date Seller will undertake to convey title to the real estate described in Appendix A in fee simple,

free and clear of all liens and encumbrances, except as therein set forth, and will give a deed of special warranty therefor. Seller, at the closing date, will undertake to assign to Purchaser all assignable rights which Seller may have to maintain and operate its gas mains, pipes and appurtenances in the public streets, highways and other public places in the territory referred to in paragraph (1) hereof.

Purchaser may, during the period that this agreement remains in force, make such investigations and examinations into the status of the title of Seller to the Towanda gas properties as it sees fit and will, prior to the date of closing, undertake to notify Seller of any liens, encumbrances or defects in the title of Seller to the Towanda gas properties which, in its judgment, would prevent Seller from delivering, at the closing, the kind of title contemplated by this agreement. Upon receipt of such notice, Seller may, if it so desires, take such steps as are, in its judgment, necessary to remove the objections so raised. In the event Seller shall not do so at or prior to the closing, Purchaser shall have the option either to purchase the Towanda gas properties, subject to such liens, encumbrances or defects or to refuse to do so, and in the event of such refusal, this agreement shall automatically be terminated and neither party shall be under any further obligation to the other by reason thereof.

(6) At the closing hereunder, Seller shall sell, transfer and deliver to Purchaser by a proper bill of sale, with clause of general warranty, free and clear of all liens and encumbrances, and Purchaser shall purchase from Seller

- (a) the tools and equipment enumerated in Appendix B annexed hereto for the consideration of \$50.00 in cash;

- (b) all materials and supplies then on hand pertaining or relating to and usable in connection with the Towanda gas properties, at cost to Seller;
- (c) all residuals then on hand relating to the operation of the Towanda gas properties, at the fair market value of such residuals.

All of the items referred to in this paragraph (6) shall be paid for by Purchaser at the closing and such payment shall be in addition to the base purchase price referred to in paragraph (1) hereof.

(7) On the date of closing Seller will read all meters of gas customers in the territory referred to in paragraph (1) hereof and will promptly render bills for consumption by such customers to said closing date. Customers' meter deposits held by Seller will be applied by Seller to satisfy such final bills, in whole or in part, and the balance of such deposits, if any, will be refunded to such customers.

(8) The date of closing hereunder shall be mutually agreed upon between the parties hereto and shall be as soon as possible after, but not later than thirty (30) days after, the conditions set forth in paragraph (2) hereof shall have been satisfied. The closing shall take place at the office of Seller at Towanda, Bradford County, Pennsylvania.

(9) All notices in connection with this agreement shall be served at or mailed to Seller at its offices at Towanda, Bradford County, Pennsylvania, and to Purchaser, attention R. G. Morehead, 20 Exchange Place, New York 5, N. Y.

(10) At the closing, Seller shall deliver to Purchaser:

- (a) The deeds and bills of sale hereinabove specified.

- (b) All books, records, deeds, franchises, contracts, documents, information, files, correspondence and memoranda and other papers, except minute and stock books, pertaining or relating in any manner to the Towanda gas properties or the gas business conducted and operated by Seller in connection therewith which Purchaser shall inform Seller it desires; provided, however, Seller shall not be obligated to deliver to Purchaser any books, records, etc. which Seller is required by law to retain. Seller agrees, after the closing, to make available, from time to time and at all reasonable times, to Purchaser and its employees and agents, any books, records, etc. which Seller is required by law to retain and to deliver to Purchaser such books, records, etc. when Seller shall no longer be required by law to retain the same.
- (c) An opinion of counsel, satisfactory to Purchaser, to the effect that due corporate action has been taken by Seller to authorize the sale to Purchaser of the properties herein agreed to be sold to it, pursuant to the terms and provisions of this agreement and the performance by Seller of all of the other terms and conditions of this agreement on its part to be performed, to which opinion there shall be attached a certified copy of all such corporate action taken by Seller.

- (d) Certified copies of all consents, approvals, authorizations and acquiescences required to be obtained by Seller pursuant to paragraph (2) hereof, or other evidence satisfactory to Purchaser, that such consents, approvals, authorizations and acquiescences have been obtained.
- (11) At closing, Purchaser shall deliver to Seller:
- (a) Cash or an equivalent satisfactory to Seller, in an amount equal to the sums specified in paragraphs (1) and (6) hereof.
- (b) Certified copies of all consents, approvals and authorizations of governmental bodies or agencies required to be obtained by Purchaser pursuant to paragraph (2) hereof, or other evidence satisfactory to Seller that such consents, approvals and authorizations have been obtained.

This agreement shall bind and enure to the benefit of the parties hereto and their respective nominees, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their proper officers the day and year first above written.

NORTHERN PENNSYLVANIA POWER COMPANY

Attest:

By /s/ R. H. SCHUTT
Vice President

/s/ W. R. MUELLER
Asst. Secretary

(SEAL)

VALLEY CITIES GAS COMPANY

Attest:

By /s/ MARK ANTON
President

/s/ H. EMERSON THOMAS
Secretary

(SEAL)

Real Estate

Towanda Gas Plant Site

ALL THAT CERTAIN tract or parcel of land with the improvements thereon erected situate partly in the Township of Towanda and partly in the Borough of Towanda, County of Bradford and Commonwealth of Pennsylvania, bounded and described as follows, to wit:

BEGINNING at a stone monument on the boundary line of the property hereby conveyed and the right-of-way of the State Line and Sullivan Railroad Company, said monument being South $66^{\circ}56'$ East 362.98 feet from a point on the center line of State highway route 220 at the boundary line between Towanda Borough and Towanda Township, said point being State Highway Station 8 + 50,

⁵⁴
thence North $7^{\circ}32'$ West 59.37 feet to a monument (hereinafter called the "Gate Post monument"); thence North $4^{\circ}13'$ West 146.27 feet to a point; thence North $85^{\circ}47'$ East 31.5 feet to a point; thence South $4^{\circ}13'$ East 44 feet to a point; thence South $85^{\circ}47'$ West 7.5 feet to a point; thence South $4^{\circ}13'$ East 33.5 feet to a point; thence North $85^{\circ}48'$ East 54 feet to a point; thence North $4^{\circ}2'$ West 36.2 feet to a point; thence North $83^{\circ}58'$ East 83.75 feet to a point; thence South $20^{\circ}29'$ East 136 feet to a point; thence South $69^{\circ}4'$ West 138.08 feet to a point; thence North $88^{\circ}59'$ West 64 feet to the place of beginning;

BEING portions of certain properties heretofore conveyed to Northern Pennsylvania Power Company or to a predecessor of said Company, by a certain deed from Henry W. Tracy et al, dated May 11, 1871, and by another certain deed from Jenny Tracy Hale et al, dated May 4, 1916, and by another certain deed from Susquehanna & New York Railroad Company dated February 20, 1917, and by another certain deed from Susquehanna & New York Railroad Company dated November 17, 1925.

SUBJECT, however, to an easement, right and privilege, reserved to Northern Pennsylvania Power Company, its officers,

employees, servants, licensees, invitees, successors and assigns, or any of them, to use a road, whether as now existing or as may be hereafter constituted, for ingress to and egress from certain remaining contiguous land of Northern Pennsylvania Power Company, said certain road so reserved in no event to be less than fourteen feet wide;

RESERVING, however, to Northern Pennsylvania Power Company, its successors and assigns, the right to maintain, remove, replace or repair existing poles, guys, guy stubs, wires, lines and other equipment at their present locations upon or over the above described land, and the right from time to time to install on said lines or other equipment, overhead and/or underground lightning protective wires, private communication wires and such new or additional conductors, guys, push braces and other apparatus and equipment, or any of them, as Northern Pennsylvania Power Company, its successors and assigns may deem necessary or desirable.

OFFICE, 707 MAIN STREET, TOWANDA, PA.

- 1 Calorimeter set, American No. 1366, complete with wet meter scales, etc.
- 1 Wood calorimeter cabinet, homemade, 6'4" high x 4'8" wide x 2'2" deep, 49" high with one drawer
- 1 5-foot meter prover, McDonald, complete
- 1 Storm barometer 3-1/4" dial
- 1 Galvanized steel water tank welded 12" x 60", complete with fittings
- 1 Gas analyzer, UGI Co.

GAS PLANT TOOLS, RETORT ROOM

3 7/8" x 112' long coke rakes @ 5.75
1 5/8" x 10' long fire rake
1 Bushel galv. basket
1 Tar hoe
1 Anvil, 75-lb.
1 24" pipe wrench
1 18" pipe wrench
1 10" pipe wrench
1 Spike maul
1 Hack saw
2 Pairs 24" tongs @ .68 each.
2 Trowels @ .70 each
1 Corn broom
1 12-ft. ladder
1 Wood waste box tin lined, 25" x 25" x 21" deep
1 Coal cart
1 Wheelbarrow steel tray
1 Ash shovel
2 No. 4 D handle charging scoops @ 1.53 each
1 No. 6 long handle scoop
3 No. 10 D handle scoops @ 1.53 each
1 No. 6 D handle scoop
2 Coke forks @ 2.02 each
1 5' x 1-1/4" crowbar
1 4' x 1" crowbar
1 Car bar
1 Oil torch 4" x 6"
1 Galv. water pail
1 5-gal. oil can
1 1-gal. oil can
1 1/2-pt. oil can
2 1" x 12' clinker bars
1 1-1/2" x 10' clinker bar
1 1" x 12' patching bar
1 7/8" x 9' patching bar

SHED TOOLS, GAS PLANT

- 1 Gas tapping machine, Geo. light No. 6
- 1 Gas pressure pump American
- 1 Ratchet wrench handle 20"
- 1 Combination pipe tap and drill 1-1/2"
- 1 " " " " " 1-1/4"
- 1 " " " " " 1"
- 1 " " " " " 3/4"
- 1 Wood tool box 36" long x 12" x 18"
- 2 Kerosene red flares at 1.50 each
- 3 Kerosene lanterns, Dietz @ 1.16 each
- 1 Gould drip pump
- 1 5-gal. kerosene can
- 2 Barrel augers @ 1.50 each
- 1 U gauge, scale 12" x 0 x 12"
- 1 Sand screen 25" x 63" long, 12" deep
- 2 Snow shovels @ 1.25 each
- 1 6 cu. ft. steel wheelbarrow
- 1 Wood table 31" x 42", 2 drawers with cupboard section 4" long x 25" high X 12" deep, having 2 doors
- 1 Wood work bench 24" x 10'0" long x 3" top with shelf
- 1 Bench vise 4-1/2" jaws swivel type
- 1 Pipe vise 2-1/2" capacity
- 1 Pipe cutter, Rodfield Mfg. Co. No. 4
- 1 Chain wrench No. 4
- 1 5-ft. valve wrench
- 1 5-ft. crow bar
- 1 1-1/4" drill bar
- 2 Picks complete @ 1.11 each
- 1 Shovel LH-SP
- 2 Shovels LH-RP @ 1.40
- 2 Tamps @ 5.73 each
- 1 Spike maul
- 1 Metal danger sign 9-1/2" x 13" with 48" standard
- 1 Metal danger sign 6" x 13" with 72" standard

TRUCK TOOLS

- 1 18" pipe wrench
- 1 12" pipe wrench
- 1 12" screwdriver
- 1 4" screwdriver
- 1 Claw hammer
- 1 Pr. gas pliers

NORTHERN PENNSYLVANIA POWER COMPANY
 STATEMENT OF BOOK VALUE AND COST OF GAS PROPERTY
 AND RELATED DEPRECIATION RESERVE
 AS OF MARCH 31, 1945

Book Value of Property to be transferred	<u>\$124,395.67</u>
Reserve for Depreciation applicable to Book Value	<u>\$100,879.04</u>
 Gross Cost of Property at date of acquisition	 \$124,278.85 =
Depreciation Reserve at date of acquisition	20,480.60
Net Cost at date of acquisition	<u>\$103,798.25</u>
Net Additions at cost since date of acquisition	116.82
Net Cost of Property at March 31, 1945	<u>\$103,915.07</u>
 Net Increase in Depreciation Reserve since date of acquisition	 <u>80,398.44</u>
 Depreciated cost of property to be sold to Valley Cities Gas Company	 <u>\$ 23,516.63</u>

VALLEY CITIES GAS COMPANY

Pro-forma Balance Sheet

as at

March 31, 1945

ASSETS

Utility Plant		600,337.14
Other Physical Property		1,755.19
Cash		4,128.91
Accounts Receivable		17,384.31
Appliances on Rental		23.29
<u>Materials and Supplies</u>		
General	6,689.65	
Merchandise	1,878.99	
Fuel	5,054.02	
Residuals	<u>771.10</u>	
Total Materials and Supplies		14,393.76
<u>Prepayments</u>		
Taxes	150.02	
Insurance	1,905.27	
Miscellaneous	<u>79.51</u>	
Total Prepayments		2,134.80
<u>Deferred Debits</u>		
Unamortized Debt Discount Expense	6,887.98	
Other Deferred Debits-Miscellaneous	<u>312.50</u>	
Total Deferred Debits		<u>7,200.48</u>
TOTAL ASSETS		<u><u>647,357.88</u></u>

VALLEY CITIES GAS COMPANY

Pro-forma Balance Sheet

as at

March 31, 1945

LIABILITIES and OTHER CREDITSCapital Stock

1,000 Shares Common @ \$10 10,000.00

Long Term Debt

Bond and Mortgage 85,000.00

Advances from and Payable to
Associated CompaniesNotes 68,000.00
Open Accounts 4.17 68,004.17

Note Payable - Short Term (11 Months) 10,000.00

Accounts Payable 9,530.99

Customers' Deposits 1,083.87

Taxes Accrued 976.84

Interest Accrued 1,049.44

Other Current and Accrued LiabilitiesAudit Fees 300.00
Insurance 70.92
Appliances Leaned 357.30 728.22Deferred Credits

Cashiers' Over and Shorts 1.00

Retirement Reserve - General 288,287.52

Other ReservesUncollectible Accounts 824.46
Utility Plant Acquirement)
Adjustment Account) 159,507.92
Miscellaneous 1,623.60 161,955.98

Contributions in Aid of Construction 5,129.41

Earned Surplus 5,610.44

TOTAL LIABILITIES and OTHER CREDITS 647,357.88

NORTHERN PENNSYLVANIA POWER COMPANYPROPOSED JOURNAL ENTRY
SALE OF GAS PROPERTY

Cash	\$ 12,139.00	
Reserve for Depreciation of Utility Plant (Gas Department)	100,879.04	
Reserve for stated amounts for investments and property, plant and equipment other than electric	11,377.63	
To Utility Plant, Gas		\$124,395.67

To record the sale to Valley Cities Gas Company of the gas utility property of this Company in accordance with agreement dated May 4, 1945.

VALLEY CITIES GAS COMPANY
 Tentative Journal Entries
 To Record the Purchase of Gas Properties
 of Northern Pennsylvania Power Company

Cash in Bank	10,000.00	
§ Short Term Note (11 Months)		10,000.00
Book Value of Towanda Plant	124,395.67	
Retirement Reserve		100,879.04
Utility Plant Acquisition) Acquirement Adjustment Account)		11,377.63
Purchase Price (Plant)	12,139.00	
* Materials and Supplies	2,610.33	
Cash		12,139.00
Accounts Payable) Northern Penn. Power Co.)		2,610.33

* Materials and Supplies to be inventoried after acquirement and paid for when inventory completed.

§ Short term loan made by Messrs. Anton, Smith, Thomas and Morehead, owners of 100% Valley Cities Gas Company Common Stock.

NORTHERN PENNSYLVANIA POWER COMPANYCertified Resolutions

RESOLVED, that the President or a Vice President of this Company be and he hereby is authorized to execute in the name and on behalf of this Company an agreement with Valley Cities Gas Company providing for the sale by this Company and the purchase by Valley Cities Gas Company of all this Company's gas property and business for the base price of \$12,139, in cash.

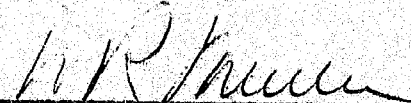
RESOLVED, that such agreement shall be in substantially the form presented to this meeting with such changes therein as may be approved by the officer executing the same (his approval thereof to be evidenced by his execution of the agreement) and the Secretary or the Assistant Secretary of this Company be and he hereby is authorized to affix the corporate seal to such agreement and to attest the same, and the proper officers of this Company be and they hereby are authorized to deliver a counterpart of such agreement, as so executed, to Valley Cities Gas Company.

RESOLVED, that the proper officers of this Company be and they hereby are authorized to execute, verify and file, or cause to be filed, any and all applications, petitions and/or declarations, and to conduct any and all proceedings which may be necessary or desirable to obtain the approval or acquiescence of any federal or state regulatory commission or other body having jurisdiction over the transaction authorized by the foregoing resolutions.

RESOLVED, that the proper officers of this Company be and they hereby are authorized to do all such acts and things and to execute in the name and on behalf of this Company and under its corporate seal or otherwise, and to deliver, any and all such additional instruments and documents as in the opinion of such officers may be necessary or desirable in order to effectuate the purposes of the foregoing resolutions.

THIS IS TO CERTIFY that the undersigned is Assistant Secretary of NORTHERN PENNSYLVANIA POWER COMPANY, a corporation of the Commonwealth of Pennsylvania; that the above and foregoing is a true and correct copy of certain resolutions duly and regularly adopted by the Board of Directors of said Company at a meeting thereof duly convened and held on May 3, 1945, at which meeting a quorum was present and voted, and that said resolutions have not been annulled, revoked or amended in any way whatsoever and are in full force and effect.

WITNESS the signature of the undersigned as such officer of the Company and its corporate seal hereunto affixed this 7th day of May, 1945.


Assistant Secretary

(Seal)

Certification of Action Taken
at Board of Directors Meeting
of Valley Cities Gas Co. at a
Meeting Held April 10, 1945 at
an Office of the Corporation
Located at 20 Exchange Place,
New York City

Upon motion duly made and seconded, it was unanimously passed that the officers of the corporation are hereby authorized to purchase all of the assets (fixed) of the Towanda Gas property at a price of \$12,139. plus the inventory, material and supplies on hand at the closing. Further, that the officers are empowered to sign the necessary documents to effectuate such purchase, the purchase to be made from the Northern Pennsylvania Power Co.

I hereby certify that the above is a true copy of action taken at the Board of Directors meeting held on April 10, 1945 at the company's offices, 20 Exchange Place, New York City.

STATE OF NEW JERSEY
COUNTY OF UNION



Notary Public



Secretary

May 8, 1945 PUBLIC OF NEW JERSEY
My Commission Expires July 20, 1949

