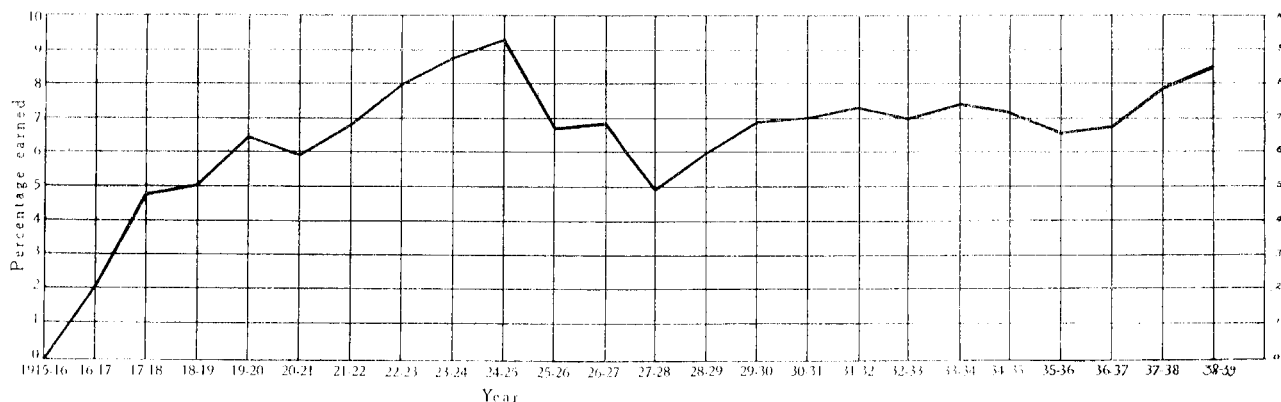


Percentage earned on Operating-capital after paying Net Operating-expenses.

In the North Island the Depreciation Reserve required by the State Supply of Electrical Energy Act—viz., $12\frac{1}{2}$ per cent. of the capital invested—has already been reached, and an amount sufficient only to maintain this $12\frac{1}{2}$ per cent. is therefore chargeable to depreciation, with a consequential credit balance of £530,170 on the year's operations. This balance has been used to reduce arrears of statutory sinking-fund provision which have been accumulated in earlier years. In the South Island the Depreciation Reserve has not yet reached the $12\frac{1}{2}$ -per-cent. limit mentioned above, and consequently the sum of £82,617 has this year been charged to Depreciation Reserve. After charging this amount the year's operations show a profit of £58,535.

The general position to date is that the Electric Supply Account has been able to meet all operating and interest charges, has provided the statutory requirement of £1,680,732 for depreciation, and, in addition, has provided £1,091,878 towards sinking-fund requirement of £1,649,954. Also, £87,199 has been paid to General Reserve from profits made from time to time on Lake Coleridge system. In other words, the electric-supply system as a whole has paid interest and operating charges and provided £2,859,809 in reserves, of which £496,364 has already been utilized by Treasury for the paying-off of loans which formed part of the original capital. There are, however, still arrears of sinking fund, amounting to £558,076, to be met.

ELECTRIC-SUPPLY OPERATING ACCOUNTS.

(a) North Island Electric-power Supply.

The Arapuni-Mangahao-Waikaremoana plants have operated satisfactorily throughout the past year, and the revenue shows an increase of £148,640 over that of the previous year.

The result of the year's operations was as follows:—

Capital investment at end of year	£	£
Revenue	1,127,132	9,710,555
Operating-expenses	200,438	
Balance	£926,694	

The balance has been used in paying interest charges (£353,676) and £33,547 as the Department's share of the capital charges on the King's Wharf generating-plant of the Auckland Electric-power Board, also £7,228 to provide the full statutory contribution to depreciation, and £2,073 has been charged against cost of raising loans.

The reserve accounts established in connection with this system show that £1,042,933 has been credited to depreciation and £741,038 to sinking fund.