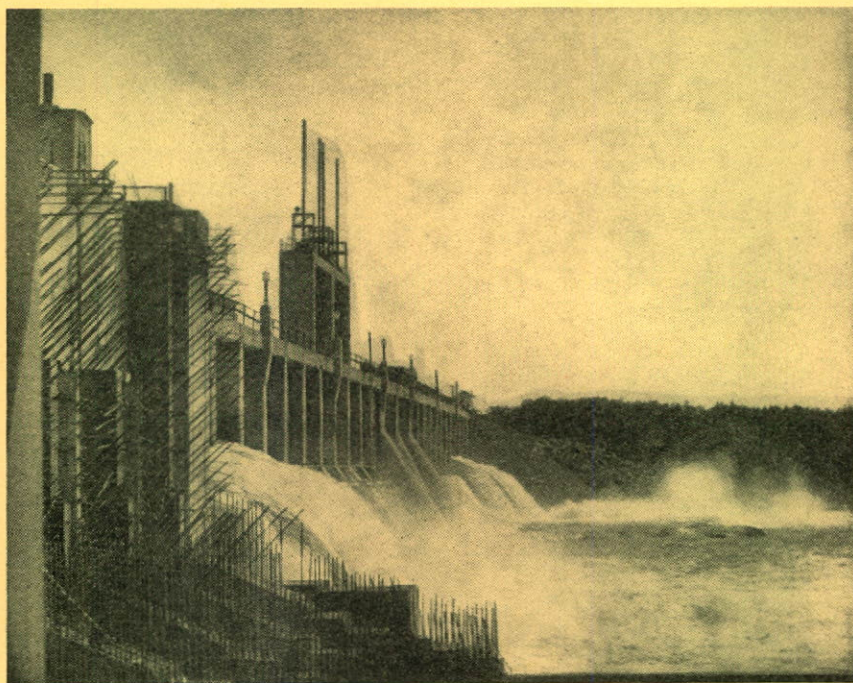


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WINNIPEG ELECTRIC COMPANY



SEVEN SISTERS FALLS DEVELOPMENT

FIFTY-FOURTH ANNUAL REPORT NINETEEN FORTY-SIX

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Winnipeg, Manitoba, Canada.
- R. D. GUY, K.C., Barrister,
Winnipeg, Manitoba, Canada.
- FRANK E. KRUESI, President, Central and South West Corporation,
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- D. H. McDOUGALL, Director, English Electric Company of Canada,
Toronto, Ontario, Canada.
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Trust Co.,
Winnipeg, Manitoba, Canada.

OFFICERS

- W. H. CARTER, *President and General Manager,*
C. S. RILEY, *Vice-President,*
W. E. BLODGETT, *Treasurer,*
S. N. CURRIE, *Secretary.*

ANNUAL REPORT

OF

WINNIPEG ELECTRIC COMPANY
FOR THE FISCAL YEAR ENDED
THIRTY-FIRST OF DECEMBER
NINETEEN FORTY-SIX

Submitted at the Fifty-fourth Annual Meeting

Held on the fifth day of May

Nineteen Forty-seven

Report of the President and Directors Winnipeg Electric Company

For the Year Ended December 31st, 1946

To the Shareholders:

The Directors of Winnipeg Electric Company are pleased to present the Fifty-Fourth Annual Report on the financial position of your Company for the year ended December 31st, 1946, and submit the following statements:

Balance Sheet and Auditors' Report

Income Account for 1946.

The following is a condensed consolidated summary of the operating results of all Company activities for the year ended December 31st, 1946:

Gross Earnings from Operation.....	\$12,964,157.71
Against which the following are chargeable—	
Operating Labor Costs.....	\$4,554,529.00
Materials and Supplies and other Operating Costs.....	2,228,162.60
	6,782,691.60
	\$ 6,181,466.11
To which is added Miscellaneous Income from Investments and Non-Operating Properties	177,354.28
	\$ 6,358,820.39
Making a total Gross Income of.....	
From which the following are deducted:	
Interest paid and accrued on Funded Debt.....	\$1,286,261.51
Taxes excluding Gasoline Taxes charged to Operation.....	766,932.47
Depreciation.....	2,141,847.27
Provision for Dominion Income and Excess Profits Tax.....	1,155,000.00
Amortization Bond Discount and Expense, etc.....	48,953.03
	5,398,994.28
Leaving a Net Income for the year of.....	\$ 959,826.11

The net income for the year was \$701,090.44 higher than for the previous year, principally on account of a saving of \$478,438.83 in Interest on Funded Debt and due to reduction of rates of Dominion Income and Excess Profits Taxes we were required to pay \$255,185.35 less than was paid for 1945.

The Gross Earnings of the Company show the very satisfactory increase of \$902,956.21 over the previous year but Operating Expenses also, were up \$634,151.85 due entirely to increased labour costs.

Income from Investments was \$236,808.15 less than in 1945 as a result of the disposal of Company and Government Bonds in the refinancing of Funded Debt which took place on May 1st. The new issues, which you will find described in the Balance Sheet, total \$28,000,000 and replace First Mortgage Bonds and General Mortgage Bonds and Debenture stock amounting to \$36,057,270.53. This refinancing has reduced the average rate of interest paid from 4.88% to 3.72% and effected a saving of \$478,438.83 in 1946. As this saving was applicable to only 8 months of the year, it is expected that the year 1947 will show a saving of \$729,000.00 in interest over 1945.

Our power plants generated a total of 1,220,191,700 kilowatt hours, an increase of 3.3% over the previous year. The gross revenue from the sale of electricity (excluding inter-company power sales) showed an increase of \$343,200 or 6.8% over 1945. During the year we connected 5686 new services of which 2137 were for lighting, 1636 for cooking, 1835 for water heating and 78 for power. These new services added 19,569 horsepower to our connected load.

The Company has three hydro-electric power plants on the Winnipeg River, Pinawa with a capacity of 30,000 h.p., Great Falls with 168,000 h.p., both fully developed, and Seven Sisters which has an ultimate capacity of 225,000 h.p. but which at present is capable of developing only 60,000 h.p. The present capacity of these plants is almost fully utilized and in order to provide for the steadily increasing demand for power, your directors have authorized the further development of the Seven Sisters plant. This work now under way at an estimated cost of approximately \$4,000,000, comprises the removal of about 653,000 cubic feet of rock from the river bed in a channel 140 feet in width and 3,900 feet in length, the raising of the earth dykes 14 feet and the clearing of 3,500 acres which will be flooded. This will increase the head of water from the present 38 feet to 66 feet and thereby raise the capacity of the present three units by 50,000 h.p. When this work is finished there will only remain to complete the development of the site, the extension of the superstructure of the power house, the installation of three more units when required and the diversion

of the Pinawa channel into the main channel. The photograph on the front cover of this report shows the uncompleted end of the power house.

The Transportation Utility carried 105,983,270 revenue passengers during 1946, an increase of 7,535,043 or 7.11% over the previous year. Every month, with the exception of December, showed a substantial increase over the corresponding month of 1945, while December showed a nominal decrease. During the year 27 new gasoline buses were placed in service and 11 worn out ones were disposed of as being of no further use in our operations which were still seriously hampered by shortage of vehicles.

The gasoline taxes, 7 cents per gallon to the Province and 3 cents to the Dominion are quite an important item of expense in the operation of our gasoline motor buses as they amounted to 5.2% of their gross earnings. In 1946 these buses operated 7,090,917 miles and used 1,257,185 gallons of gasoline which means that we had to pay gasoline taxes amounting to 1.77 cents for each mile operated.

In our last year's report reference was made to plans for the modernization of our transportation system and we had hoped to be able to report now that an agreement had been made with the City of Winnipeg amending certain clauses of our original franchise as incorporated in the City's By-law No. 543. The respective negotiating committees for the City and the Company have agreed upon terms but up to the time of this report going to the printer, the City Council had not authorized the signing of the proposed agreement.

The Gas Utility showed an increase in both cubic foot sales and revenue of approximately 7% over the previous year. Peak load sendouts have run as high as 35% over that considered possible five or six years ago, the recent addition for making liquid petroleum gas having been of considerable help in carrying these peak loads. Our domestic coke continues to be in great demand, the entire production being readily absorbed in the local market.

The gross payroll of the Company for the year amounted to \$4,714,529, an increase of \$701,535 over 1945. Of the 1946 payroll \$4,554,529 was charged to operation, an increase of \$677,122 over 1945 and \$160,007 was charged to construction, an increase of \$24,420 over 1945. There were 2,432 employees on the payroll on December 31st, 1946, an increase of 130 over the number employed on December 31st, 1945.

TAX PAYMENTS FOR THE YEAR 1946

(Excluding accrual for Dominion Income Taxes as shown
on Page 1)

The Company paid in Taxes in the year 1946:

To the City of Winnipeg in respect of its Railway Utility for 5% Gross Earnings charge, Car and Bus License, and Fixed Assessment.....	\$367,112.89	
To the City of Winnipeg for Property and other Taxes	178,662.11	\$ 545,775.00
To the Province of Manitoba and Municipalities for Property and Other Taxes, including Gasoline Tax		362,353.06
		<hr/>
		\$ 908,128.06
Taxes paid by Winnipeg, Selkirk and Lake Winnipeg Railway Company and Suburban Rapid Transit Company amounted to.....		23,355.11
		<hr/>
Making the total amount paid for Taxes before Dominion Income Taxes.....		\$ 931,483.17
		<hr/>
The same taxes for the year 1945 amounted to.....	\$ 843,311.94	
Dominion Income Taxes for the year 1946 estimated and paid.....	\$1,155,000.00	

DIVIDENDS

Dividends of $2\frac{1}{2}\%$ each were paid on June 30th and December 31st to the registered holders of the Preference Shares of the Company and an interim dividend of 50 cents per share was paid on December 16th to the registered holders of Common Shares. This Common Share dividend is the first that has been paid since August 1st, 1930.

EMPLOYEES

The wage agreements under which our organized employees were operating at the beginning of the year, expired on April 30th and though negotiations between the management and the union concerning wages and working conditions were commenced at that time, it was not until December that new agreements were finally signed. These agreements which remain in force until December 31st, 1947, provide, among other changes, for an increase in wages of 6c per hour retroactive to May 1st, 1946, a further increase of 2 cents per hour retroactive to October 1st and an additional 2 cents per hour to become effective January 1st, 1947. Unorganized employees received corresponding increases in pay.

During the year, 743 applicants were given employment. Of these, 81 were former employees returned from military service; 462 new employees had had military service and 42 students were employed during the summer.

Your Board of Directors desires to express its appreciation of the loyal and competent services rendered by the executive staff and employees during the past year.

W. H. CARTER,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES:

(Comprising the properties of Winnipeg Electric Company, Winnipeg, Selkirk and Lake Winnipeg Railway Company, and Suburban Rapid Transit Company, value based on appraisal of J. G. White Engineering Corporation as of 31st December, 1916, and additions since at cost; the properties formerly owned by Manitoba Power Company Limited, based on appraisal of R. S. Lea as of 31st December, 1927, and additions since at cost, and the properties formerly owned by North-western Power Company Limited, at cost).....\$76,772,588.63

INVESTMENTS:

Representing largely funds from Depreciation Reserve not currently expended for property replacements and extensions, invested in Dominion of Canada Bonds, etc., at cost (Market Value approximately \$4,127,000.00)..... 4,132,011.00

CASH IN BANKS AND ON HAND.....\$1,238,063.00

CONSUMERS' AND OTHER ACCOUNTS RECEIVABLE less Reserve for Doubtful Accounts..... 750,797.69

WORKING FUNDS AND DEPOSIT WITH WORKMEN'S COMPENSATION BOARD, etc..... 71,883.10

MATERIALS AND SUPPLIES AND MERCHANDISE FOR SALE..... 875,769.71

INSURANCE PREMIUMS AND OTHER EXPENSES paid in advance.... 50,766.30

FUNDS ON DEPOSIT to meet Specific Liabilities (per contra)..... 2,987,279.80

DEFERRED CHARGES, MISCELLANEOUS..... 36,926.97

EXPENDITURE ON LEASED PREMISES (Reserved per contra)..... 46,880.81

DEFERRED ACCOUNT RECEIVABLE:

Estimated Refundable portion of Excess Profits Tax (per contra)..... 219,800.00

\$84,433,791.26

AUDITORS' REPORT

To the Shareholders, Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of Winnipeg Electric Company and its subsidiaries, Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company, for the year ended 31st December, 1946, and report that we have obtained all the information and explanations we have required.

Depreciation for the year has been provided for at the rates recognized by the Municipal and Public Utility Board of the Province of Manitoba, applied to the Company's book values. Subject to the question of the sufficiency of the depreciation reserve as a whole, the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company, according to the best of our information and the explanations given us, and as shown by the books.

GEORGE A. TOUCHE & CO.,

Chartered Accountants, Auditors.

Winnipeg, 19th March, 1947.

AND SUBSIDIARY COMPANIES

AS AT 31st DECEMBER, 1946

CAPITAL AND LIABILITIES

CAPITAL STOCK:

Preferred 50,000 Shares of \$100.00 each, 5% non-cumulative.....	\$ 5,000,000.00	
Common Shares of no par value, 564,989 shares.....	\$13,754,521.07	
Less Adjustments in Property Accounts.....	2,088,322.02	
		<u>11,666,199.05</u>
		\$16,666,199.05

FUNDED DEBT:

2 $\frac{3}{4}$ % Serial First Mortgage Bonds, \$400,000.00 maturing annually 1st May, 1947 to 1956, inclusive.....	\$ 4,000,000.00	
3 $\frac{3}{4}$ % Series First Mortgage Bonds, due 1st May, 1971.....	11,000,000.00	
4% Series First Mortgage Bonds, due 1st May, 1971.....	13,000,000.00	
		<u>28,000,000.00</u>

CURRENT ACCOUNTS PAYABLE, including Wages and Salaries.....	\$ 1,110,337.40	
CONSUMERS' SECURITY DEPOSITS AND ACCRUED INTEREST.....	134,725.65	
BOND INTEREST ACCRUED.....	173,750.00	
TAXES ACCRUED (estimated).....	812,456.48	
OTHER LIABILITIES.....	187,363.60	
		<u>2,418,633.13</u>

LIABILITIES for which funds are specially earmarked:

Matured Interest Coupons.....	\$ 132,219.09	
Scrap Certificates (Northwestern Power Company Limited).....	1,800.50	
Contingent Certificates.....	104,284.46	
		<u>238,304.05</u>

DEFERRED LIABILITIES (payable in instalments)

Lake of the Woods and Lac Seul Storage Charges, etc.....	566,834.02
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DEFERRED CREDITS TO INCOME.....	72,824.16
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MISCELLANEOUS RESERVES for Injuries and Damages, Deferred

Maintenance, Reconversion, Leased Premises, Contingencies, etc.....	1,301,979.83
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DEPRECIATION AND PROPERTY RESERVES:

Depreciation Reserve.....	\$24,882,669.67	
Property Reserve (from Appraisal, property of Manitoba Power Company, Limited).....	7,290,947.36	
		<u>32,173,617.03</u>

DEFERRED CREDIT TO SURPLUS:

Estimated Refundable portion of Excess Profits Tax (per contra).....	219,800.00
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EARNED SURPLUS (Net Earnings from Operation and other Net Profits).....

(The Bond Mortgage prohibits payment by the Company of any dividend which would reduce the Earned Surplus below \$1,250,000.00.)	2,775,599.99
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\$84,433,791.26

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1946

GROSS EARNINGS FROM OPERATION.....	\$12,964,157.71
OPERATING EXPENSES (Including net provision for Deferred Maintenance \$79,643.27 and Reconversion Reserves \$80,000.00).....	6,782,691.60
NET OPERATING INCOME.....	\$ 6,181,466.11
INTEREST ON INVESTMENTS AND OTHER MISCELLANEOUS INCOME (net).....	177,354.28
GROSS INCOME.....	\$ 6,358,820.39
Interest on Funded Debt (Inc. "B" Bonds for 1946 propn.).....	\$1,286,261.51
Other Interest.....	40,001.63
Taxes.....	766,932.47
Depreciation.....	2,141,847.27
Amortization Bond Discount and Expense.....	5,195.20
Provision for Dominion Income and Excess Profits Taxes (estimated).....	1,155,000.00
Other Income Deductions.....	3,756.20
	5,398,994.28
NET INCOME.....	\$ 959,826.11

SURPLUS ACCOUNT

Balance, 1st January, 1946.....	\$ 1,834,618.74
ADD:	
Net Income for the year 1946.....	959,826.11
Profit on sale of Dominion of Canada Bonds, etc.....	299,710.62
	\$ 3,094,155.47
DEDUCT:	
Interest on General Mortgage, Series "B" Income Bonds for the year 1945.....	\$ 297,070.00
Dividends on Preference Stock.....	250,000.00
Dividend on Common Stock.....	282,494.50
	829,564.50
	\$ 2,264,590.97
ADD:	
Net profit arising out of disposal of Company's own Bonds held as an investment, less net cost of the 1946 financing and the unamortized portion of the cost of previous financing.....	511,009.02
BALANCE, 31st December, 1946.....	\$ 2,775,599.99

FACTS ABOUT YOUR COMPANY AND ITS SUBSIDIARIES

(As at December 31st, 1946)

1. It renders service to a population of approximately 340,000.
2. It has 3 hydro-electric plants on the Winnipeg River with an ultimate capacity of 400,000 h.p.
3. It has 4 terminal stations, 9 major substations and 16 tap-off stations.
4. It has 755 miles of high tension transmission circuits.
5. The power generated by its power plants during the year totalled 1,220,191,700 kilowatt hours.
6. It carried 105,983,270 revenue passengers in 1946.
7. It operated 16,376,495 car, motor bus and trolley bus miles during the year.
8. It had 215 passenger street cars, 184 motor buses and 30 trolley buses.
9. It operates 44 miles of street car routes; 104 miles of motor bus and 11 miles of trolley bus routes.
10. It has 7 street car routes; 24 city and suburban motor bus routes; 3 trolley bus routes; and 1 interurban motor bus route.
11. It has 83.85 gross miles of track, of which 49.84 miles is paved and 33.94 open track.
12. It has a By-Product Coke Oven plant with a total daily gas capacity of 2,500,000 cubic feet, and an annual domestic coke production of 45,000 tons. A Liquid Petroleum gas plant of 500,000 cubic feet capacity per day is available for heavy peak or other emergency loads.
13. It has a water gas standby plant capable of taking over the entire load of the coke oven plant. It has 145 miles of gas mains.
14. It employs 2,432 people.
15. It had a total payroll in 1946 of \$4,714,529.00.
16. Average annual earnings per employee, excluding executives \$1,885.
17. Average weekly earnings per employee, excluding executives \$36.25.
18. It paid in taxes in 1946 a total of \$931,483.17 exclusive of Dominion Income Taxes.

