

WINNIPEG
ELECTRIC
COMPANY

THIRTY-FIFTH
ANNUAL REPORT
NINETEEN TWENTY-SEVEN

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THE
ANNUAL REPORT

OF
WINNIPEG ELECTRIC COMPANY
FOR THE FISCAL YEAR ENDED
THIRTY-FIRST OF DECEMBER
NINETEEN TWENTY-SEVEN

*Submitted at the Thirty-fifth Annual Meeting
held on the second day of April
Nineteen twenty-eight*

DIRECTORS:

A. W. McLIMONT, *President*

W. R. BAWLF, *Vice-President*

G. V. HASTINGS

W. H. CARTER

W. J. BULMAN

J. B. WOODYATT

A. J. NESBITT

N. J. BREEN

S. L. FULLER

J. B. COYNE, K.C.

P. A. THOMSON

A. W. McLIMONT, *President and General Manager*

J. S. MACKENZIE, *Treasurer*

L. PALK, *Secretary*

S. N. CURRIE, *Assistant Secretary*

Report of the President and Directors Winnipeg Electric Company

For the Year ended December 31, 1927.

To the Shareholders:

Your Directors beg to submit a statement of the operations for the year ended the 31st of December, 1927, as follows:

Gross Earnings from Operation.....	\$5,868,142.42
Operating Expenses before charging Depreciation..	3,661,707.81
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Net Operating Income.....	\$2,206,434.61
Miscellaneous Income.....	291,853.19
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Gross Income available to Meet Fixed Charges, etc.....	\$2,498,287.80
From which the following deductions are made:	
Interest Charges on Mortgage Stock, Bonds, Bank Loans, etc....	\$937,158.97
Extinguishment of Discount on Securities.....	32,379.06
City Percentage and Car License Taxes.....	167,818.48
Property and Other Taxes.....	178,267.91
Miscellaneous Non-Operating Taxes	2,437.48
Other Income Deductions.....	29,018.70
<hr/>	
	\$1,347,080.60
Net Income as shown on accounts submitted here- with, excluding Depreciation.....	<u>\$1,151,207.20</u>

Miscellaneous Income shows a large increase over last year, which is partly accounted for by dividends amounting to \$120,-836 received from Manitoba Power Company Limited Stock held by Winnipeg Electric Company.

After setting aside out of Net Income of \$1,151,207.20 a total of \$418,873.05 for Depreciation, the balance of \$732,-334.15 is carried forward to Surplus Account, bringing the total Surplus up to \$949,139.65 before providing for payment of dividends. After the payment of the regular quarterly dividends at the rate of 7% per annum on the Preferred Stock and two dividends each of \$1.00 per share on the Common Stock of the Company, there was a balance in the Surplus Account of \$448,860.37.

GENERAL CONDITIONS IN TERRITORY SERVED

The year 1927, as was predicted in last year's report, has been one of gradual improvement in business conditions and the outlook is good. Building construction during the year was on a large scale and building permits issued up to the present time in 1928 indicate that this year will show a substantial gain over 1927.

The survey of industrial development made by the Manitoba Industrial Development Board shows a continuance during 1927 of the increase and progress which made the record for 1926 so remarkable. There were 39 new industries established in Manitoba during the year 1927, 64 Companies expanded their factories, 30 Companies added new lines, 47 Companies are contemplating extensions and there has been an average increase over 1926 in the total output amounting to about one-fifth. This expansion has been reflected in increased earnings in all three utilities of this Company. During the past year the Railway Utility carried 60,045,833 revenue passengers as compared with 57,985,144 during the year 1926, or an increase of 2,060,689. The Gross Receipts of this utility increased \$124,000. The Gross Receipts of the Electric Utility show an increase of \$162,000 over the preceding year, or on a percentage basis 11.1%. The Gross Receipts for the Gas Utility show an increase of \$17,000, due to new business in the form of industrial installations and furnaces for house heating.

The year before last saw the establishment at Pine Falls of the first paper mill between Ontario and British Columbia. Last year saw the extension of that industry to double its previous capacity. Inasmuch as this industry is served by the Manitoba Power Company, the capital stock of which is controlled by Winnipeg Electric Company, expansion in this field has directly benefited the earnings of Winnipeg Electric Company.

Increased use of non-metallic mineral resources of the province is indicated by the announcement by the Canada Cement Company of a \$1,000,000 addition to its Winnipeg plant, from which large quantities of cement will be shipped for use in the extensive mining and industrial undertakings now under way in the Flin Flon area of Northern Manitoba. The Winnipeg plant of the Canada Cement Company is served by Winnipeg Electric Company.

Mention was made in last year's report of the activity in the mining area within a radius of 100 miles from Winnipeg. During 1927 great strides have been made in the Central Manitoba mining field, and as it is served with power by the Manitoba Power Company, increased demand for power will reflect itself in increased earnings of this Company and, in turn, of Winnipeg Electric Company.

In addition to the favorable conditions outlined above, mention must be made of the excellent crop returns in Western Canada in 1927, which augurs well for the future. The total value of grain crops produced in Western Canada in 1927 was \$612,646,000 as compared with \$556,713,000 in the preceding year. The five year average value was \$533,526,860.

EXTENSIONS TO COMPANY'S PROPERTY

In accordance with franchise agreements and to meet service requirements, the Company made certain additions and improvements to its railway property in 1927. Among the principal additions are:

Construction of a second track through St. James Subway. A second track of 7,000 lineal feet on McGregor Street between Selkirk and Mountain Avenues.

Laying second track of 3,000 lineal feet in East Kildonan to provide better facilities to handle increased traffic in that municipality.

Laying of 1,100 lineal feet of second track on St. Mary's Road between Park Road and Richmond Street.

During the year an extensive track rehabilitation programme was carried out which has materially improved the Company's roadbed.

The Company also added to its fleet of motor buses: 3 Reo 21-passenger buses, 3 Studebaker, 21-passenger buses, and 10 Mack 25-passenger buses.

The old steam plant building on Assiniboine Avenue was reconstructed in order to provide garage facilities for buses and trucks, and is modern in every respect.

The chief extension to the Electric Utility was the construction of the McPhillips Street Terminal Station. The increased industrial load in the northwestern section of Winnipeg, together with the necessity of relieving the overloaded condition of our Mill Street Terminal Station, made it necessary to construct this station as a receiving point for much of the future power from the Great Falls plant. The St. Boniface Substation was also enlarged and additional equipment installed to handle the increase in business in that section. There were also the usual extensions to take care of new customers.

The Company's property as a whole has been maintained in good operating condition and it continues to serve its patrons efficiently.

FINANCIAL OPERATIONS **Additional Common Stock Issued**

On October 1st a by-law was passed creating an additional 40,000 shares of Common Stock, which was offered to share-

holders of record as at October 15th at a price of \$60.00 per share in the ratio of four new shares to 11 shares already held. All of this new issue was taken up within the allotted time. The proceeds from the sale of this issue of Common Stock and that from the Preferred Stock mentioned below were used to pay for property extensions during 1927 and for taking up the Winnipeg Electric Company's proportion of the new issue of Common Stock of Manitoba Power Company Limited, the balance to be used in connection with the 1928 construction programme.

Stock of No Par Value

The outstanding Common Stock of the Company has been changed from shares of \$100.00 par value to shares of no par value. The authority to make this conversion was granted by the Manitoba Legislature on March 9th, 1928, and a by-law effecting the change was passed at a meeting of your Directors on March 14th, 1928. The change will have no effect upon the value of the Stock or upon its earning power, the number of shares being exactly the same and carrying the same voting rights as did the Par Value Stock.

Customer Ownership Campaign

Demonstrations of the value in customers' goodwill due to the policy of distributing the Company's securities through the medium of Customer Ownership Campaigns were so many during the year 1927 that the Company decided to conduct a further campaign, and on December 5th offered 5,000 shares of its 7% Cumulative Preference Stock. This stock was offered at a \$5.00 premium—\$105 a share—and, we are advised, marked the first time in the history of customer ownership that a security was sold above its par value.

The outstanding success of the 1926 sale was repeated. Within three hours of the opening of the sale, applications had been received for 11,129 shares from 2,578 subscribers. In order, as far as practicable, to avoid disappointing these subscribers, it was decided to issue all of the unissued preference stock which had previously been approved for listing by the stock exchanges, namely, 8,623 shares, and this enabled us to fill the smaller orders and to allot six shares per purchaser to those who applied for more than that number of shares.

Original applications were accompanied by the large sum of \$697,409 in cash, of which amount \$154,150 had to be refunded when the individual allotments were reduced.

The success of the sale is interpreted as a further indication of the high esteem in which the Company is held in the territory in which it operates. The advantages accruing to the

Company through such a widespread distribution of the securities are manifest. It is interesting to point out that, whereas in 1924 there were only a few local preferred shareholders, today there are 4,014 of these.

The shares were sold through employees, who again responded wholeheartedly in this endeavor.

**Guarantee by Winnipeg Electric Company of additional
\$1,500,000 Bond Issue of Manitoba Power Co. Limited**

On July 1st Manitoba Power Company Limited issued \$1,500,000 5½% Sinking Fund Gold Bonds, Series "B," in accordance with the Mortgage and Deed of Trust entered into on the first day of January, 1926. As Winnipeg Electric Company had guaranteed the original \$10,000,000 Series "A" of these bonds, and as a better price could be obtained if the Series "B" Bonds carried the guarantee, your Board of Directors, by resolution on July 6th, authorized the guarantee.

CHANGES IN DIRECTORATE OF COMPANY

On April 4th, 1927, Mr. P. A. Thomson, of Nesbitt, Thomson & Company Limited, Montreal, was elected a Director, following the resignation of Mr. D. N. Finnie from the Board.

A. W. McLIMONT,
President.

WINNIPEG ELEC
BALANCE
At 31st Dece

ASSETS

PHYSICAL PROPERTIES at Reproduction Cost as appraised by the J. G. White Engineering Corporation, as of 31st December, 1916, and additions since.....\$30,661,420.18

SINKING FUNDS:

First Refunding Mortgage 30-Year 5% Sinking Fund Gold		
Bonds at par value	\$	996,000.00
Cash in hand of Sinking Fund Trustees.....		25,023.20
		1,021,023.20

ADVANCES TO AND STOCK AND BONDS HELD IN SUBSIDIARY AND OTHER COMPANIES AT BOOK VALUE	4,567,142.07
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CURRENT ASSETS:

Cash in Bank and on Hand.....	\$1,013,441.32
Cash in Bank—Special Accounts (held for Bond Interest, etc.).....	505,485.34
Consumers' and other Accounts Receivable, less Reserve for Doubtful Accounts.....	481,122.63
Working Funds and Deposit with Workmen's Compensation Board, etc.....	48,526.66
Material and Supplies.....	595,860.18
	2,644,436.13

ACCRUED ASSETS:

Dividend on Stock of Manitoba Power Company Limited (Payable 16th January, 1928).....	120,836.00
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PREPAID ACCOUNTS, ETC.:

Prepaid Accounts, Prepaid Insurance Premiums, etc.....	173,575.64
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\$39,188,433.22

AUDITORS' REPORT

To the Shareholders of Winnipeg Electric Company, Winnipeg.

We have examined the books and accounts of Winnipeg Electric Company, for the year ended 31st December, 1927, and we report that we have obtained all the information and explanations we have required, and that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at 31st December, 1927, according to the best of our information, the explanations given to us, and as shown by the books of the Company.

GEORGE A. TOUCHE & CO.
Chartered Accountants, Auditors.

Winnipeg, 26th March, 1928.

TRIC COMPANY

SHEET

ember, 1927

CAPITAL AND LIABILITIES

CAPITAL STOCK:

7% Cumulative Preferred Stock		
Authorized 50,000 Shares of \$100,00 each.		
Issued and outstanding 41,569 Shares of \$100.00 each..	\$	4,156,900.00
Common Shares of no par value as authorized by Sup-		
plementary Act assented to 9th March, 1928, and		
applied to this Balance Sheet.		
Authorized 150,000 Shares.		
Issued and Outstanding 149,798 Shares.....	10,854,135.77	
		\$15,011,035.77

FUNDED DEBT (AS PER SCHEDULE):

Mortgage Stock.....	\$	4,380,000.00	
Bonds.....	12,000,000.00		
			16,380,000.00

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable (Material and Supplies, Operating and			
Construction).....	\$	479,309.52	
Wages and Salaries Payable		105,201.00	
City of Winnipeg:			
Percentage and Car License.....		167,818.48	
Paving Charges Payable in Installments.....		13,142.27	
Consumers' Security Deposits.....		45,473.86	
Other Liabilities.....		88,646.23	
Accrued Interest Charges, etc.....		187,940.08	
Bond Interest (Payable 2nd January, 1928).....		125,000.00	
Dividend on Preferred Stock (Payable 2nd January, 1928)		74,707.75	
Dividend on Common Stock (payable 16th January, 1928)..		110,000.00	
			1,397,239.19
PREFERRED STOCK SUBSCRIPTIONS.....			534,001.41

DEFERRED LIABILITY:

Pavement Charges, payable in installments.....			182,901.46
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RESERVES:

Accrued Depreciation.....	\$	4,853,167.28	
Injuries and Damages, etc.....		235,027.74	
Sinking Fund Reserve.....		226,280.00	
			5,314,475.02

SURPLUS.....

	368,780.37
	<u>\$39,188,433.22</u>

CONTINGENT LIABILITIES:

In respect of the Principal and Interest of the Bonds of the			
Winnipeg, Selkirk and Lake Winnipeg Railway Company	\$	50,000.00	
Suburban Rapid Transit Company.....		500,000.00	
Manitoba Power Company Limited.....		11,500,000.00	
			<u>12,050,000.00</u>

WINNIPEG ELECTRIC COMPANY

FUNDED DEBT

At 31st December, 1927

MORTGAGE STOCK:

5% Refunding Mortgage Stock or Bonds, Redeemable 2nd October, 1954, total issue	£2,643,000
Less converted into dollars at \$4.87 and Issued as 30-Year Refunding Mortgage 6% Bonds.....	£1,437,371.13.3
Held in Treasury.....	305,628. 6.9
	<u>1,743,000</u>
Outstanding in Hands of Public.....	£ 900,000
	<u>\$ 4,380,000.00</u>

BONDS

First Refunding Mortgage 30-Year 5% Sinking Fund Gold Bonds, Redeemable 1st January, 1935.....	\$5,000,000.00
30-Year 6% Refunding Mortgage Bonds, Redeemable 2nd October, 1954.....	7,000,000.00
	<u>12,000,000.00</u>
TOTAL.....	<u>\$16,380,000.00</u>

WINNIPEG ELECTRIC COMPANY

INCOME ACCOUNT

For the year ended 31st December, 1927

GROSS EARNINGS FROM OPERATION.....	\$5,868,142.42
OPERATING EXPENSES before charging Depreciation.....	<u>3,661,707.81</u>
NET OPERATING INCOME.....	\$2,206,434.61
MISCELLANEOUS INCOME.....	<u>291,853.19</u>
GROSS INCOME.....	\$2,498,287.80

DEDUCT:

Interest charges on Mortgage Stock, Bonds, Bank Loans, etc.....	\$937,158.97
Extinguishment of Discount on Securities.....	32,379.06
City Percentage and Car License.....	167,818.48
Taxes.....	178,267.91
Miscellaneous Non-Operating Taxes.....	2,437.48
Other Income Deductions.....	<u>29,018.70</u>
	1,347,080.60
NET INCOME BEFORE CHARGING DEPRECIATION.....	<u>\$1,151,207.20</u>

DEDUCT:

Depreciation.....	<u>201,050.04</u>
NET INCOME TRANSFERRED TO SURPLUS.....	<u>\$ 950,157.16</u>

SURPLUS BROUGHT FORWARD FROM 1926, AS ADJUSTED.....	\$ 216,805.50
NET INCOME TRANSFERRED.....	\$950,157.16
ADDITIONAL DEPRECIATION.....	<u>217,823.01</u>
	732,334.15
	\$ 949,139.65
DIVIDENDS on 7% Cumulative Preferred Stock.....	\$280,279.28
DIVIDENDS on Common Stock.....	<u>220,000.00</u>
	500,279.28
	\$ 448,860.37

DEDUCT APPROPRIATIONS:

Sinking Fund Reserve.....	<u>80,080.00</u>
SURPLUS CARRIED FORWARD.....	<u>\$ 368,780.37</u>

