

WINNIPEG
ELECTRIC
COMPANY

THIRTY-FOURTH
ANNUAL REPORT
NINETEEN TWENTY-SIX

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THE
ANNUAL REPORT

OF

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

*Submitted at the Thirty-fourth Annual Meeting
held on the fourth day of April
Nineteen twenty-seven*

DIRECTORS:

A. W. McLIMONT, *President*

W. R. BAWLF, *Vice-President*

G. V. HASTINGS

S. L. FULLER

W. J. BULMAN

W. H. CARTER

D. N. FINNIE

J. B. WOODYATT

A. J. NESBITT

N. J. BREEN

J. B. COYNE, K.C.

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, 1926.

To the Shareholders:

Your Directors beg to submit a statement of the operations for the year ended the 31st of December, 1926, as follows:

Gross Earnings from Operation.....	\$5,566,034.83
Operating Expenses before charging Depreciation..	3,408,550.45

Net Operating Income.....	\$2,157,484.38
Miscellaneous Income.....	111,721.20

Gross Income available to meet Fixed Charges, etc.....	\$2,269,205.58
From which the following deductions are made:	
Interest Charges on Mortgage Stock, Bonds, Bank Loans, etc....	\$915,962.00
Extinguishment of Discount on Securities.....	30,253.47
City Percentage and Car License Taxes.....	163,343.68
Property and Other Taxes.....	170,550.50
Miscellaneous Non-Operating Taxes.....	2,678.40
Other Income Deductions.....	28,298.40

	1,311,086.45

Net Income as shown on accounts submitted here- with, excluding Depreciation.....	\$ 958,119.13

The Gross Earnings for the year 1926 show an increase of \$354,369.46 over the year 1925 earnings, while the Operating Expenses show an increase of \$106,646.53. Miscellaneous Income decreased by \$47,883.30.

After setting aside out of Net Income, \$958,119.13, a total of \$388,588.52 for Depreciation, the balance of \$569,530.61 is carried forward to Surplus Account, bringing the total Surplus up to \$904,283.22 before providing for payment of dividends. After the payment of the regular 7% dividend on the Preferred Stock and a 2% dividend on the Common Stock of the Company, there was a balance in the Surplus Account of \$474,283.22.

The same procedure that was followed during the years 1924 and 1925 of writing off a proportion of certain items carried in Discount and Expense, Bond and Stock Issues, representing discount on stock issues, for the purpose of improving the Balance Sheet, was continued during the year 1926, \$58,355.43 of the balance in the account being written off.

UTILITIES

The Street Railway—As was predicted in last year's report, the past year has been marked by a continuance of general improvement in business conditions. As a result, the Railway Utility registered further improvement in 1926. It carried 57,985,000 revenue passengers, as compared with 55,096,000 in 1925. Its Gross Receipts increased \$179,000.

Operating or Working Expenses of the Railway Utility showed an increase of \$97,000 over the preceding year. This increase was due to several factors, among which are: the operation of a greater number of street cars and buses to take care of the increased traffic, and extensions to service required by the City of Winnipeg and municipalities served; a wage increase for trainmen which was made effective May 1st, and increased expense for fuel to heat street cars and removal of snow from tracks on account of the severe climatic conditions experienced in November and December.

Light and Power—Gross Receipts of the Electric Utility showed an increase of \$152,000 over the preceding year, as compared with an increase of not quite \$100,000 reported for 1925. Kilowatt hours generated were increased 13.3% over 1925. Included among the new customers obtained during the year was the newly erected departmental store of the Hudson's Bay Company, which was connected in November and is a large user of light and power.

Gas—Gross Receipts of the Gas Utility in 1926 showed an increase of \$23,000, and at the same time economies in operation made it possible to reduce Operating Expenses of this utility to the extent of \$69,000. From the viewpoint of Net Earnings this particular utility made the most satisfactory showing it has experienced for many years.

The gas sendout for the year totalled 522,327,000 cubic feet, which represented an increase of approximately 3½% over the 1925 sendout. New business in the form of industrial installations and furnaces for house heating was taken on which more than offset losses in business from domestic cooking ranges replaced with electric ranges.

Extensions—Company again made substantial additions and improvements to its property in 1926. Among the princi-

pal additions are: the construction of a new double track on Osborne Street and Memorial Boulevard opened up by the City between Broadway and Portage; construction of a single track extension on St. Anne's Road to the extent of 8,200 lineal feet; laying a second track of 1,100 lineal feet in East Kildonan to provide better facilities for increasing traffic in that municipality; alterations and equipping with treadles sixty of the street cars to make them adaptable for one-man two-men operation, and the purchase of four new buses. There were also the usual additions to electric extensions to take care of new customers.

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

General Conditions—During the past year there has developed a great deal of activity in mining areas within a radius of one hundred miles from Winnipeg; a large paper mill has been constructed and is now in operation at Pine Falls, which is sixty-five miles from Winnipeg, and the Province of Manitoba, in which Winnipeg is located, has experienced one of its best grain crops in recent years. These factors make for increased activity, which will, no doubt, be reflected in the 1927 operations of the Company.

FINANCIAL OPERATIONS

Bonds Retired

The retiring of the outstanding balance of 5% First Mortgage Bonds of the Winnipeg Street Railway Company which matured January 1st, 1927, amounting to \$468,000, was largely taken care of by selling an equal amount at par value of First Refunding Thirty-year 5% Sinking Fund Gold Bonds, due January 1st, 1935, that were being held in escrow by the Trustees.

Customer Ownership Campaign Additional Preference Stock Authorized

The first Customer Ownership Campaign undertaken by the Winnipeg Electric was held in March, 1925, and 2,845 shares were sold to 1,280 purchasers.

In line with its policy of enlisting as many local shareholders as possible, the Company conducted its second Customer Ownership Campaign on December 13th, 1926. The success which attended this sale marked the campaign as one of the most outstanding Customer Ownership Campaigns ever held in Canada. Only 2,500 shares of the Company's 7% Cumulative Preference Stock were offered, and the campaign was advertised to run for ten days, but so great was the demand that the

sale closed within forty-eight hours with 11,377 shares (\$1,137,700) applied for by 2,222 customers and cash receipts of over \$635,000.

The success of the campaign was due not only to the worth of the security offered, but also to the energetic efforts of the Company's employees, together with a well-planned publicity programme conducted by the Company. The number of shares applied for averages five shares to each customer.

At a meeting of shareholders held on January 20th, 1927, an increase in the 7% Preference Shares of the Company from \$3,000,000 to \$10,000,000 was authorized. This stock is not to be offered for sale at one time, but is to be held in the treasury and sold from time to time as the Company requires funds for extensions and improvements. At this meeting the call price of the existing \$3,000,000 of Preference Stock, as well as the additional \$7,000,000 authorized, was increased to 105 and accrued dividend. One object in increasing the call price to 105 was that the Company might be in a position to sell the new stock at above par, if it considers it advisable to do so.

In all probability most of these shares will be sold by the Company to its customers from time to time, as it is very desirable that the customers of the Company have a direct interest in the success of the Company.

\$10,000,000 Bond Issue of Manitoba Power Company Limited

This Company owns a controlling interest in the Manitoba Power Company Limited, and in October, 1921, the shareholders of the Winnipeg Electric Company authorized the guaranteeing of the principal and interest of an issue of \$7,500,000 Manitoba Power Company Limited 7% Bonds, due 1941, the proceeds of which were used to construct a modern hydro-electric plant at Great Falls, on the Winnipeg River.

The new plant was first turned over for operation in November, 1923, and has been in regular operation ever since. At that time the entire substructure of the hydro-electric plant, designed for a capacity of 168,000 h.p., was constructed and the super-structure for three units was completed, with two units installed aggregating 56,000 h.p. In order to provide for the supply of electric power for the contract with the Manitoba Pulp & Paper Company Limited, it was necessary to install a third unit at the Great Falls plant, together with a transmission line to the site of the paper mill in Fort Alexander, and for this purpose additional capital was required by the Manitoba Power Company Limited. As money market conditions were favourable at the beginning of 1926, it was considered opportune to call the \$7,500,000 issue of bonds which

bore interest at the rate of 7%, and replace it with a \$10,000,000 issue bearing interest at the rate of 5½%, and, after being authorized by the shareholders at a special general meeting held on March 6th, 1926, this was done and the third unit installed.

A copy of the Annual Report of the Manitoba Power Company Limited for the year 1926 is sent to each shareholder of the Winnipeg Electric Company.

CHANGES IN DIRECTORATE OF THE COMPANY

It is with deep regret the death of Mr. Hugh Sutherland in August, 1926, is recorded. Mr. Sutherland joined the directorate on January 24th, 1906, and faithfully and continuously performed his duties until his death.

On November 15th, 1926, Mr. J. B. Coyne, K.C., secretary of the R. J. Whitla Company, Winnipeg, was elected a Director of the Company.

A. W. McLIMONT,
President.

WINNIPEG ELECTRIC

As at

ASSETS

PHYSICAL PROPERTIES at Reproduction Cost as appraised by the J. G. White Engineering Corporation, as of December 31st, 1916, and additions since.....		\$30,115,475.33
LESS DECREASE in Book Value of River Park Property due to proposed Right-of-Way through Park.....		532,858.09
		<hr/>
		\$29,582,617.24
RIVER PARK PROPERTY ADJUSTMENT.....		532,858.09
SINKING FUNDS:		
First Refunding Mortgage 30-Year 5% Sinking Fund Gold		
Bonds at par value.....	\$	877,000.00
Cash in hand of Sinking Fund Trustees.....		22,467.74
		<hr/>
		899,467.74
ADVANCES TO AND STOCK AND BONDS HELD IN SUBSIDIARY COMPANIES at Book Value.....		4,397,384.15
CURRENT ASSETS:		
Cash in Bank and on Hand.....	\$	85,973.71
Cash in Bank—Special Accounts (held for Bond Interest, Redemption of Bonds, etc.).....		693,007.45
Consumers' and other Accounts Receivable, less Reserve for Doubtful Accounts.....		515,372.99
Working Funds and Deposit with Workmen's Compensation Board, etc.....		48,912.17
Material and Supplies.....		450,263.63
		<hr/>
		1,793,529.95
UNADJUSTED DEBITS, PREPAID ACCOUNTS, ETC.:		
Discount and Expense Bond and Stock Issues in process of Amortization.....	\$1,331,940.75	
Prepaid Accounts, Unadjusted Charges, Prepaid Insurance Premiums, etc.....	211,822.26	
		<hr/>
		1,543,763.01
TOTAL.....		<hr/> <u>\$38,749,620.18</u>

To the Shareholders, Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of the Winnipeg Electric Company for the year ended 31st December, 1926, and report that we have received all the information and explanations we have required.

The same procedure followed during the year 1925 was followed during the year 1926—an item of \$210,228.20 paid to the Manitoba Power Company, Limited, under its power contract being capitalized by order of the Directors as an investment in the stock held in that Company.

The book value of "Advances to and stock and bonds held in Subsidiary Companies" appears to be in excess of the equity values as shown by the books and accounts of the Subsidiary Companies. Your Directors, how-

COMPANY—BALANCE SHEET

December 31st, 1926

LIABILITIES

CAPITAL STOCK:

Authorized and Issued:

30,000 Shares 7% Cumulative Preferred Stock of \$100 each.....	\$ 3,000,000.00	
110,000 Shares Common Stock of \$100 each.....	11,000,000.00	
		\$14,000,000.00

FUNDED DEBT as per Schedule:

Mortgage Stock.....	\$ 4,380,000.00	
Bonds.....	11,998,000.00	
		16,378,000.00

CURRENT AND ACCRUED LIABILITIES:

Notes Payable to Bankers (secured).....	\$ 565,000.00	
5% First Mortgage Bonds Winnipeg Electric Street Railway Company to be retired on or before January 2, 1927, by Funds in Special Account.....	468,000.00	
Accounts Payable (Material and Supplies, Operating and Construction).....	381,388.63	
Wages and Salaries Payable.....	100,347.30	
City of Winnipeg:		
Percentage and Car License.....	163,343.68	
Paving Charges, Payable in installments.....	133,142.27	
Consumers' Security Deposits.....	46,326.01	
Other Liabilities.....	68,721.32	
Accrued Interest Charges, etc.....	197,895.11	
Bond Interest (Payable January 2, 1927).....	125,000.00	
Dividend on Preferred Stock (payable January 2, 1927).....	52,500.00	
Dividend on Common Stock (payable February 15, 1927).....	110,000.00	
Preferred Stock Subscriptions.....	435,467.45	
		2,847,131.77

DEFERRED LIABILITY:

Payment Charges, payable in installments.....		239,188.44
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RESERVES:

Accrued Depreciation.....	\$ 4,698,844.40	
Injuries and Damages, etc.....	97,427.78	
Sinking Fund.....	146,200.00	
		4,942,472.18

SURPLUS.....

342,827.79

TOTAL.....\$38,749,620.18

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.....	10,000,000.00

ever, consider that based upon present market value of stock in the Manitoba Power Company, Limited, and the going value and potential earning power of the Subsidiaries, the actual value of the investments in such Companies is much greater than the apparent book value.

Subject to the above, in our opinion the above Balance Sheet is properly drawn up so as to present a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given us and as shown by these aid books.

(Signed) GEORGE A. TOUCHE & COMPANY,
Chartered Accountants, Auditors.

Winnipeg, 28th March, 1927.

WINNIPEG ELECTRIC COMPANY

FUNDED DEBT

As at December 31st, 1926

MORTGAGE STOCK:

5% Refunding Mortgage Stock or Bonds, Redeemable October 2, 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
	<hr/> 1,743,000
Outstanding in hands of Public.....	£ 900,000
	<hr/> \$ 4,380,000.00

BONDS:

First Refunding Mortgage 30-Year 5% Sinking Fund Gold Bonds, Redeemable January 1, 1935	\$5,000,000.00
Less held in Escrow.....	2,000.00
	<hr/> \$4,998,000.00
30-Year 6% Refunding Mortgage Bonds, Re- deemable October 2, 1954	7,000,000.00
	<hr/> 11,998,000.00
TOTAL.....	<hr/> \$16,378,000.00

WINNIPEG ELECTRIC COMPANY

INCOME ACCOUNT

For the Year Ending December 31st, 1926

GROSS EARNINGS FROM OPERATION.....	\$5,566,034.83
OPERATING EXPENSES before charging Depreciation.....	3,408,550.45
NET OPERATING INCOME.....	\$2,157,484.38
MISCELLANEOUS INCOME.....	111,721.20
GROSS INCOME.....	\$2,269,205.58
DEDUCT:	
Interest charges on Mortgage Stock, Bonds, Bank Loans, etc. \$915,962.00	
Extinguishment of Discount on Securities.....	30,253.47
City Percentage and Car License.....	163,343.68
Taxes.....	170,550.50
Miscellaneous Non-Operating Taxes.....	2,678.40
Other Income Deductions.....	28,298.40
	<u>1,311,086.45</u>
NET INCOME BEFORE CHARGING DEPRECIATION.....	958,119.13
DEDUCT:	
Depreciation.....	201,050.04
NET INCOME TRANSFERRED TO SURPLUS.....	<u>\$ 757,069.09</u>
SURPLUS BROUGHT FORWARD FROM 1925 AS ADJUSTED.....	\$ 334,752.61
NET INCOME TRANSFERRED.....	\$757,069.09
ADDITIONAL DEPRECIATION.....	187,538.48
	<u>569,530.61</u>
	\$ 904,283.22
DIVIDENDS on 7% Cumulative Preferred Stock.....	\$210,000.00
DIVIDENDS on Common Stock.....	220,000.00
	<u>430,000.00</u>
	\$ 474,283.22
DEDUCT APPROPRIATIONS:	
Sinking Fund Reserve.....	\$ 73,100.00
Deferred and Undistributed Charges such as Stock Discount and Expense.....	58,355.43
	<u>131,455.43</u>
SURPLUS CARRIED FORWARD.....	<u>\$ 342,827.79</u>



