

# *annual report*



*british columbia power corporation  
limited*

# 1946

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The fiftieth anniversary of the B. C. Electric finds the company matching the development of the areas it serves, with its fifty million dollar post-war program of rehabilitation and extension of electric, gas and transportation facilities well under way.



## *50th Year of Progress*

*the board of directors of british columbia  
power corporation, limited presents its  
report for the year 1946 for the inform-  
ation of shareholders, employees, cus-  
tomers and the community which has  
entrusted to free enterprise the respon-  
sibility for carrying on these essential  
services under public regulation*

# *british columbia power corporation, limited 1946*

## *officers*

A. E. GRAUER - - - - - President  
E. W. ARNOTT - - - Vice-President  
T. INGLEDOW - - - Vice-President  
W. C. MAINWARING - - Vice-President  
LORN McLEAN - Vice-President and Treasurer  
T. M. MORAN - - - Vice-President  
J. A. BRICE - - - - - Secretary  
P. W. BROWN - - Assistant Secretary

## *directors*

E. RONALD CRAMMOND	BYRON I. JOHNSON, M.B.E., M.L.A.
G. T. CUNNINGHAM	W. G. MURRIN
S. G. DOBSON	A. J. NESBITT
SEVERE GODIN	P. A. THOMSON
A. E. GRAUER	J. L. TRUMBULL, C.B.E.
J. H. GUNDY	J. B. WOODYATT
ANDREW P. HOLT	N. A. YARROW
R. H. B. KER	

THE ROYAL BANK OF CANADA - - Bankers

MONTREAL TRUST COMPANY - Transfer Agent

THE ROYAL TRUST COMPANY - - Registrar

PRICE, WATERHOUSE & CO. - - - Auditors

Head Office of the Corporation, B. C. ELECTRIC BUILDING, 425 Carrall Street, Vancouver, British Columbia, Canada.

# *annual report of the directors of the british columbia power corporation for the year ending december 31, 1946*

The 1945 annual report referred to the Companies' \$50,000,000 programme for the betterment and extension of properties and services. Delays in deliveries of materials and equipment, caused by strikes in the country's basic industries, hampered the progress of the programme in 1946. Nevertheless, a substantial beginning has been made, as will be seen by comparing the capital expenditures, amounting to \$9,155,330, in 1946 with the corresponding expenditures of \$2,420,383 in

1945. The solid progress that has been made on various major projects is shown by the photographs at the middle of this report.

The prospects are good for carrying out a substantially increased instalment of the Companies' development programme in 1947.

During 1946, also, an important bond refunding was successfully undertaken, which took advantage of lower interest rates and the reduced cost of retiring sterling issues.

## *results of operations*

The earnings on the "A" shares were \$1,987,917, which represents \$1.99 per share as compared with \$1,525,490 or \$1.52 per share in 1945. Dividend payments during 1946 were at the rate of \$1.60 per share.

### *Gross Revenues*

The gross revenues from operations for the year amounted to \$30,344,589, an increase of \$3,552,212, or 13.3 per cent, over 1945. The various services contributed as follows:









	1945	1946
Electric .....	\$11,500,152	\$13,376,919
Railway—Passenger and Freight .....	10,869,934	11,638,514
Stages, Taxis and Motor Freight .....	1,653,433	2,349,446
Gas .....	2,392,907	2,590,786
Miscellaneous .....	375,951	388,924
<b>Total .....</b>	<b>\$26,792,377</b>	<b>\$30,344,589</b>

The corresponding figures for the volume of services rendered are as follows:

	1945	1946
Kilowatt Hours .....	743,051,415	794,075,011
Passengers—		
Railway .....	144,376,774	156,091,301
Stages and Taxis ..	3,723,590	5,410,758
Railway Freight		
Tonnage .....	833,017	786,099
Cubic Feet of Gas.....	2,494,695,000	2,740,622,000

The comparison of Electric service gross revenues should allow for the "free billing" ordered by the Public Utilities Commission of British Columbia in the year 1945. This matter is referred to again under the heading of Rates. In the Railway passenger service the comparison between the two years should take into account the 10-day strike which occurred in January, 1945. The sharp increase in stage revenues reflects the opening of new routes and the increasing of service on existing

## source and disposition of 1946 revenue

THE YEAR'S GROSS REVENUES		100%	\$30,970,121
EMPLOYEES' SALARIES, WAGES, PENSIONS, Etc.		43%	\$13,237,462
MATERIALS & SERVICES PURCHASED		22%	6,695,683
WEAR & EXHAUSTION OF PROPERTY		10%	3,023,660
REQUIRED FOR GOVERNMENT		11%	3,547,696
INTEREST ON BONDS, Etc., OF 4.12%		6%	1,886,827
DIVIDENDS ON PREFERRED STOCKS - AV. RATE 4.93%		2%	590,876
DIVIDENDS ON COMMON STOCK, RATE \$1.60 PER SHARE		5%	1,600,000
RETAINED FOR EXPANSION OF SERVICES AND IMPROVEMENTS		1%	387,917

lines made possible by the removal of wartime restrictions on interurban travel and the placing in service of new equipment delivered in 1946. The freight revenues were maintained despite lower tonnage; the loss in lumber traffic, which again moves by water from the coast, was virtually offset by an increased westbound movement of diversified commodities on which the rates are higher. In the Gas service the increase resulted from natural growth coupled with the coldest winter in many years; the completion of new manufacturing capacity was delayed beyond the end of 1946 by strikes in the steel industry, but ingenious improvisations and the tireless efforts of the members of the gas workers' union were successful in meeting the increased demands.

In September, 1946 the Companies announced their final withdrawal from the direct sale of gas and electric appliances, leaving this field completely to retail appliance dealers. This withdrawal was accompanied by increased activities to strengthen the dealers' organizations, in the form of training courses for their salesmen and business management courses for the dealers.

### Rates

In the years 1943, 1944 and 1945 the Public Utilities Commission of British Columbia ordered that electrical energy be supplied for a period without charge to domestic users and other specified classes of consumers. This was recognized by the Commission to be a wartime device suitable for a time when taxation made the usual processes of regulation impossible. No such order, therefore, was made in 1946.

During that year the Companies decided, in respect of domestic consumers, to discontinue taking security deposits and to refund those on hand. Approximately 50,000 customers are affected and the refunding should be completed during the current year.

The study of rate structures, referred to in last year's report, has now reached the stage where it is expected that the experts of the Public Utilities Commission will, later in the year, be able to begin their investigation of the study, which step will precede the formal review of the Companies' rates by the Commission.

During 1946 the structure of street lighting contracts was simplified to a pattern of four basic contracts in place of the previous multitude which had been for varying terms with varying methods of calculating charges. The new contracts distinguish only urban areas, where there are two rates, and suburban and rural areas, and provide reduced rates of a promotional character to encourage higher wattage and better illumination.

#### *Operating Expenses*

The total cost of operation amounted to \$26,504,501, an increase of \$3,386,359, or 14.6 per cent, over 1945.

The largest single item in this increase was wage costs, resulting from the fact that all union agreements were renegotiated during 1946. . . . Maintenance costs in the railway operations have continued to increase, as the delays in deliveries of new equipment necessitated keeping old equipment in service. . . . Cost of coal for the gas operations was again on a mounting scale, and the operating costs of this service were further increased by the emergency measures which had to be taken when

the completion of the new manufacturing capacity was delayed.

The amount provided for depreciation in 1946 is, as in former years, based on the allowances authorized by the Public Utilities Commission of British Columbia. That Commission has completed its investigation of the Companies' operating results, as reported to it, to the end of the year 1945.

On the accounting treatment of operating practices, including depreciation accounting, the broad policies followed by the Companies have been directed and approved by the Public Utilities Commission. The Company's returns for taxes on income have not yet been reviewed by the taxation authorities for the years subsequent to 1939 and those of some important subsidiary companies have not yet been reviewed for the years subsequent to 1940. Provision for taxes on income has been made by the Companies on the basis of the operating results as stated in the annual accounts, and the reserves for taxes on income carried in the attached Consolidated Balance Sheet reflect this position.

## *transportation franchises*

A new exclusive franchise agreement, permitting the operation of trolley coaches and motor buses as well as street cars, was signed with the City of Vancouver at the end of the year; it awaits formal ratification by the Provincial Legislature. . . . An exclusive franchise agreement was signed with the City and District of North Vancouver, providing for a bus operation to replace the existing street railway. The enabling by-law was carried in September by a large majority. . . . An exclusive bus franchise agreement was signed with the Municipality of Richmond, and the enabling by-law was similarly carried in September by a large majority. . . . Each of the above agreements is for a period of twenty years and confers upon the municipality

the right, exercisable at the end of any five-year period, to purchase at a fair price the transportation system within its boundaries. . . . An agreement for an exclusive bus franchise reached with the Council of the Municipality of Burnaby, where no such franchise had previously been held, failed to receive the necessary majority when the by-law was put to the voters. . . . Negotiations with the four municipalities comprising Greater Victoria, for an exclusive transportation franchise providing for unified operation, were carried to the point of acceptance of the agreement by the respective Councils. The by-laws failed to receive the necessary majorities, but the Companies have been approached to resume negotiations.

# *plant additions, property programmes*

The net additions to property account for the year totalled \$9,155,330, as compared with \$2,420,383 in 1945. The following table shows the major expenditures on the larger projects:

Electric Extensions—Mainland and Vancouver Island	
To connect 11,724 additional customers .....	\$2,135,864
Gas Extensions—Mainland and Vancouver Island	
To connect 1,399 additional customers .....	332,506
Bridge River Power Development .....	1,526,107
City Substation—Vancouver .....	782,539
Carburetted Water Gas Plants	
Vancouver .....	340,721
Victoria .....	189,567
Buses—Mainland and Vancouver Island	
52 units .....	888,940

Work on the Bridge River project was undertaken last June as scheduled, and satisfactory progress has been made on the construction of the diversion dam, and on preparation of foundations for the transmission line towers. Efforts are being made to have the first unit completed to permit delivery of electrical energy into the Lower Mainland system by the Fall of 1948 instead of in 1949 as previously planned. . . . A start has been made on the new distribution system for the Fraser Valley, and construction of new substations to serve as sources for the new system is about to begin.

. . . It is expected that the new carburetted water gas plant at Vancouver will be completed in July, 1947; the corresponding plant at Victoria was completed and went into operation February 21, 1947. . . . 254 free wheeling transportation vehicles comprising 42 trolley coaches and 212 motor buses are scheduled to arrive in 1947. . . . Towards the close of the year construction was begun on a new bus terminal at Larwill Park in downtown Vancouver. Its completion will bring great benefit to the stage and bus services as well as to other vehicles using the city streets.

During the year several important steps were taken for the purpose of simplifying the operations and confining them to our basic areas and services. One example has already been referred to, namely, the withdrawal from the direct sale of gas and electric appliances. An important example was the disposal to the B. C. Power Commission of outlying electrical properties at Kamloops and in the central portion of Vancouver Island, which are our only properties completely separated from the main systems. This disposal, which took the form of an expropriation as required by the Electric Power Act under which B. C. Power Commission operates, was worked out in co-operation with the Commission, and the properties and operations were taken over as of January 1, 1947. A third example was the sale of our investment in coffee shops and news-stands to concessionaires who pay rentals for the right to operate.

## *power supply*

Total kilowatt-hours generated and purchased for the whole system increased by 6.1 per cent over 1945, but peak loads show an even higher rate of increase. On the Lower Mainland system the maximum one-hour peak load was 12.4 per cent higher than in 1945.

While a contract has been signed in 1945 with the Bonneville Power Administration, calling for

the delivery of 22,000 kilowatts of firm power in the early Autumn of 1946, delays in deliveries of equipment caused by unsettled conditions in the electrical manufacturing industry left the interconnection, by which this power is to be delivered, uncompleted at the year-end. The Bonneville interconnection is now scheduled for completion in June, 1947.



# financing

To take advantage of the lower interest rates available and of the reduced cost of sterling the 4 per cent and 4 $\frac{1}{4}$  per cent First Refunding and Collateral Trust Bonds of B. C. Power Corporation, outstanding to the amount of \$25,010,000, and the 4 $\frac{1}{4}$  per cent Perpetual Guaranteed Debenture Stock of Vancouver Power Company, outstanding to the amount of £1,500,000, were called towards the year-end for redemption early in 1947. To finance the redemption \$33,000,000 First Mort-

gage Bonds, 3 $\frac{1}{4}$  per cent Series "A" of British Columbia Electric Company Limited (the renamed British Columbia Electric Power & Gas Company Limited), were issued on January 2, 1947. This refinancing brings the system a significant saving in interest costs at a time when it is facing vast increases in its costs of operation. The new bonds are issued under a trust deed with flexible provisions for permitting its use as a continuing vehicle in financing the Companies' expansion.



In 1939 — 3810 persons belonged to the growing family of B. C. Electric employees.



In 1946 — we find 5855 persons in the B. C. Electric's still growing employee family.



# litigation

Reference has been made in the annual reports for a number of years to an action by the Crown against British Columbia Electric Railway Company, Limited, to recover tax (and interest thereon) which the Federal authorities claimed should have been withheld from dividends paid to non-resident holders of the 5 per cent Cumulative Perpetual Preference Stock of that Company. At the date of the last Annual Report the Company was

seeking leave of the Privy Council to appeal to it. On July 31, 1946, the Privy Council rendered a decision favourable to the Crown, leaving for ascertainment the amount to which the Crown was entitled. The claim has been settled for an amount of \$185,000, and the disposal of this lengthy litigation is reflected on the attached Consolidated Statement of Income and Surplus Earned.



Company safely through the very difficult periods of the depression and the war. The best wishes of the Directors go to Mr. Murrin in his well-earned retirement from the Presidency.

## *personnel*

During the year Mr. V. Laursen retired as General Solicitor of the British Columbia Electric Railway Company after thirty-seven years' service. The year also saw the retirement of Mr. M. B. Barwick, Revenue Accountant; Mr. A. C. Eddy, Chief Engineer, Maintenance of Way; Mr. W. Gordon, Purchasing Agent; Mr. A. D. King, Solicitor, Vancouver Island Division; Mr. B. de M. Mertens, Superintendent of Substation Operations; Mr. A. Richardson, Purchasing Agent, Vancouver Island Division; Mr. J. H. Wharmby, Gas Distribution Superintendent; these had given good service to the organization over a long period. The Directors also wish to record their appreciation of the long

Mr. A. E. Grauer, formerly Executive Vice-President, was elected President to succeed Mr. Murrin.

In May, 1946, Mr. T. M. Moran was appointed a Vice-President.

and faithful service of the many other employees who retired on pension during the year.

Several important appointments were made in the British Columbia Electric Railway Company during the year. Mr. T. M. Moran was appointed Vice-President and Assistant to the President; Mr. A. B. Robertson was appointed General Solicitor; Mr. L. B. Jack was made General Secretary; Mr. Harold Merilees was appointed to the new position of Public Information Manager.

The Directors desire to record their appreciation of the loyal and energetic manner in which all members of the organization have carried out their responsibilities during a difficult operating year.

## *the b. c. electric and the community*

The B. C. Electric provides numerous free services to make domestic life more comfortable and to improve the agricultural and industrial strength of the community. The following are examples: professional advice on agricultural methods given by graduate farm economists . . . advice on recipes, kitchen planning and other phases of homemaking . . . advisory service on residential and commercial lighting . . . window displays for community projects . . . research advisory service for industries to provide information on new processes

developed elsewhere and to provide solutions for production problems.

1947 is the Jubilee Year of the B. C. Electric. It was founded in 1897, although the history of some of its predecessors goes back much further. Its life and those of the communities it serves had almost equally early beginnings. These communities constitute the fastest growing part of this country, and the B. C. Electric enters 1947 with accomplishments and projects to match, anticipate, and encourage the growth and expansion of the areas it serves.

## *financial statements*

A consolidated balance sheet and statement of income and earned surplus of British Columbia Power Corporation, Limited, and subsidiary companies with the report thereon of the auditors is attached. Since this report is to be mailed also

to the preferred shareholders of the British Columbia Electric Company Limited, there is included also a consolidated balance sheet of that Company and its subsidiaries.

Vancouver, B. C.  
March 27, 1947.

A. E. GRAUER,  
President.

BRITISH COLUMBIA POWER  
AND SUBSID

Consolidated Balance Sheet

after giving effect as at that date to the following

1. The issue and sale to the public by British Columbia Electric Company Limited of a principal amount of \$33,000,000 first mortgage 3¼% bonds Series "A" due January 2, 1967.
2. The discharge of all outstanding bonds of British Columbia Power Corporation, Limited amounting at par to \$25,010,000, plus a premium thereon of \$675,250.

ASSETS

CURRENT AND WORKING ASSETS:

Cash at bank and on hand.....	\$ 681,341	
Dominion of Canada bonds at cost.....	5,319,375	
(Quoted market value—\$5,564,755)		
Accounts receivable, less reserve.....	2,276,891	
Inventories of stores, materials and supplies, determined as to quantities by book inventories confirmed annually by physical count or measurement, valued at average cost.....	2,798,431	
	\$ 11,076,038	

DEFERRED ACCOUNTS RECEIVABLE:

Estimated recoverable proportion of excess profits tax (per contra).....	\$ 1,284,500	
Receivable under property sales agreement (Dominion of Canada bonds of \$100,000 par value are held as security for completion of agreement).....	600,000	
	1,884,500	

EMPLOYEES' PENSION FUND (Note 1):

Bonds and cash in hands of The Royal Trust Company as trustee (represented as to \$3,049,881 by Dominion of Canada Bonds and as to \$126,790 by other securities and cash).....	3,176,671	
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INVESTMENTS:

Shares of British Columbia Power Corporation, Limited, held by subsidiary companies, at cost (quoted market value—\$508,668).....	666,540	
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BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond refunding expenses and discounts, less amounts written off .....	1,850,448	
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DEFERRED CHARGES:

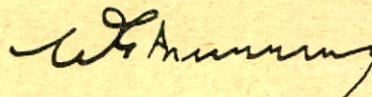
Insurance unexpired, deferred regulatory commission expenses, and other prepaid items.....	173,007	
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PROPERTY ACCOUNT (Note 2):

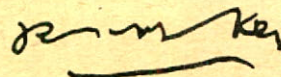
.....	\$162,517,124	
Less—Reserve for depreciation .....	43,119,705	
	119,397,419	

\$138,224,623

APPROVED ON BEHALF OF THE BOARD:



Director.



Director.

# CORPORATION, LIMITED

LIABILITY COMPANIES

as at December 31, 1946

transactions which were completed on January 2, 1947:—

3. The purchase of £1,575,000 sterling to be held for redemption on March 7, 1947, of £1,500,000 par value of 4¼% perpetual guaranteed debenture stock of Vancouver Power Company, Limited, plus a premium of £75,000 thereon.

## LIABILITIES

### CURRENT AND ACCRUED LIABILITIES:

Accounts payable .....	\$ 4,579,926
Debenture and bond interest accrued.....	243,433
Dividends declared, since paid.....	620,440
Reserve for taxes on income and other taxes (after payment of \$1,156,782 on 1946 taxes on income) .....	2,150,777
	\$ 7,594,576

### BOND DEBT:

<i>British Columbia Electric Railway Company, Limited—</i>	
4¼% Perpetual Consolidated Debenture Stock, £2,788,170 at \$4.85.....	\$13,522,624
<i>British Columbia Electric Company Limited—</i>	
3¼% First Mortgage Bonds, Series "A", due January 2, 1967.....	33,000,000
<i>Vancouver Power Company, Limited—</i>	
4¼% Perpetual Guaranteed Debenture Stock to be redeemed March 7, 1947.....	£1,500,000
Redemption premium .....	75,000
	£1,575,000
Deduct—	1,575,000
Sterling funds held at bank for redemption.....	1,575,000

### CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

<i>British Columbia Electric Railway Company, Limited—</i>	
5% Cumulative Perpetual Preference Stock, £1,440,000 at \$4.85.....	\$ 6,984,000
<i>British Columbia Electric Company Limited—</i>	
6% Cumulative Preference Shares (Note 3).....	5,000,000
Minority shareholders of subsidiaries.....	3,446
	11,987,446

### RESERVES:

General and accident.....	\$ 976,364
Employees' pension fund.....	3,176,671
	4,153,035

### CAPITAL AND SURPLUS:

#### SHARE CAPITAL:

##### Authorized—

1,500,000 Class "A" Shares without nominal or par value entitled in each fiscal year to non-cumulative preferential dividends (when and as declared by the Board of Directors) aggregating \$2.00 per share and equal participation with Class "B" Shares up to a further \$3.00 per share, redeemable at any time on resolution of Directors at \$100.00 per share.

1,500,000 Class "B" Shares without nominal or par value.

##### Issued—

1,000,000 Class "A" Shares and 1,000,000 Class "B" Shares issued for a total cash consideration of .....

\$59,250,000

#### CAPITAL SURPLUS:

Surpluses of subsidiaries as at May 19, 1928, the date of the acquisition of their capital stocks by the Corporation (Note 2).....

6,115,765

#### DEFERRED SURPLUS:

Estimated recoverable proportion of excess profits tax (per contra).....

1,284,500

EARNED SURPLUS (as per statement attached).....

1,316,677

67,966,942

\$138,224,623

The above consolidated balance sheet and the related consolidated statement of income and earned surplus, supplemented by the notes appended thereto, are submitted with our report to the shareholders dated March 27, 1947.

PRICE, WATERHOUSE & CO.,  
Auditors.

**BRITISH COLUMBIA POWER CORPORATION, LIMITED**  
**AND SUBSIDIARY COMPANIES**

**NOTES TO CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1946**

*Note (1)—Employees' Pension Fund:*

In each of the years 1943 to 1945 inclusive, the companies made annual payments to The Royal Trust Company, as trustee, for the purpose of establishing a fund on an actuarial basis to provide for pension payments. The amount of \$3,176,671 recorded in the attached balance sheet is the sum of these payments, together with interest earned on investments made by the trustee, less a proportion of payments to pensioners.

The companies made no payments to The Royal Trust Company in 1946, but entered into a contract with the Dominion Government Annuities Branch as of October 1, 1946, for a contributory pension plan, and made payments thereto of \$735,498 in respect of employees' services in past years. It is the intention of the companies to make further substantial payments over a period of years in respect of such services. In addition, the companies made or provided for payments totalling \$487,396 to the Annuities Branch in respect of services rendered by employees during 1946.

*Note (2)—Property Account:*

The properties comprising lands, franchises, water rights, plants for the generation, transmission and distribution of electric energy and gas, electric railways, motor coaches and buses, etc., are included at cost to the subsidiary companies (which includes discount on bonds of \$728,671 charged to construction accounts), plus the excess of the cost of acquiring the shares of such companies over the net book values of such shares at date of acquisition (including an amount of \$631,721 added under this category to the consolidated property account in 1946); in addition, there is recorded in the property account on the consolidated balance sheet and per contra stated as capital surplus, an amount of \$6,115,765, which represents the surpluses of subsidiaries as at the date of the acquisition of their capital stocks by British Columbia Power Corporation, Limited at May 19, 1928.

As part of the programme of simplifying the operations and confining them to distinct areas, the companies agreed to the disposal to the British Columbia Power Commission of outlying electrical properties at Kamloops and in the central portion of Vancouver Island, which are the only properties completely separated from the main systems. This disposal, which took the form of an expropriation as required by the Electric Power Act under which the British Columbia Power Commission operates, was worked out in co-operation with the Commission and the

properties and operations were taken over as of January 1, 1947. As the selling price of the properties has not yet been determined, the transaction is not reflected in the accompanying financial statements.

A valuation for rate-making purposes was made by the Public Utilities Commission of British Columbia as at June 30, 1939, and this, when brought up to date, amounted at December 31, 1946, to approximately \$129,340,000; to this should be added the book value of properties outside the Commission's jurisdiction and not so valued, amounting to \$3,835,000, making a total of approximately \$133,175,000 before providing for depreciation. The existing reserves for depreciation were found adequate for rate-making purposes by the Commission as at June 30, 1939, and such reserves when brought up to date (as well as the reserves applicable to properties not valued by such Commission) amounted at December 31, 1946, to \$43,119,705. The foregoing amounts represent the valuation for rate-making purposes and neither they nor the amounts at which properties are carried in this balance sheet purport to represent present realizable or replacement value. Subsequent to June 30, 1939, the provisions for depreciation recorded in the accounts have been based on the gross property valuation made by the Public Utilities Commission.

An appraisal of the properties made by Stone & Webster Engineering Corporation of Boston, Massachusetts, as of December 31, 1936, shows a total replacement cost as at that date (after a deduction for existing physical depreciation) of \$131,802,312. This foregoing total includes an amount of \$15,000,000 for going concern value. The balance in the property account as at December 31, 1936, after deducting the reserve for depreciation, was \$113,739,799.

*Note (3)—6% Cumulative Preference Shares of British Columbia Electric Company Limited:*

The company has the right to redeem these shares at a premium of 5% at any time subject to the sanction of the Supreme Court of British Columbia.

*Note (4)—Commitments:*

As at December 31, 1946, subsidiaries of British Columbia Power Corporation, Limited had contracts and commitments for construction and other capital expenditures which aggregated approximately \$18,000,000, and covered deliveries in some cases running into two or more years.

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of British Columbia Power Corporation, Limited and subsidiary companies as at December 31, 1946, and the consolidated statement of income and earned surplus for the year ended on that date, and we have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

The Corporation's returns for income and excess profits taxes have been assessed up to and including the year 1939, and those of its important subsidiary companies up to and including the year 1940. The returns for the subsequent years have not yet been reviewed by the taxation authorities and the adequacy of the year's provision and that of the tax reserve shown in the consolidated balance sheet is subject to acceptance by the taxation authorities of the companies' returns and of the accounting policies on which they are based.

There is recorded in the property account on the consolidated balance sheet and per contra stated as capital surplus, an

amount of \$6,115,765, which represents the surpluses of subsidiaries as at the date of acquisition of their capital stocks by British Columbia Power Corporation, Limited on May 19, 1928.

Subject to the questions of income and excess profits taxes and of the accounting treatment accorded the surpluses of subsidiaries as at the date of their acquisition, referred to in the foregoing paragraphs, we report that, in our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statement of income and earned surplus, supplemented by the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the financial position of the combined companies as at December 31, 1946, and the results of the companies' operations for the year ended on that date, after giving effect to the financial transactions as set forth at the top of the said consolidated balance sheet.

PRICE, WATERHOUSE & Co.,

*Chartered Accountants.*

Vancouver, B. C.,  
March 27, 1947.

BRITISH COLUMBIA POWER CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Income and Earned Surplus  
for the Year Ended December 31, 1946*

Gross revenue from operations.....	\$30,344,589
<i>Deduct—</i>	
<i>Expenses:</i>	
Operation and maintenance, including property taxes.....	\$18,990,829
Legal fees and executive remuneration.....	188,828
Directors' fees .....	20,842
Provision for accidents.....	270,000
Employees' pensions—	
Payments to Dominion Government Annuities Branch:	
In respect of services of employees in past years.....	\$ 735,498
In respect of services of employees in 1946.....	487,397
	\$1,222,895
Payments to pensioners from general funds.....	212,731
	1,435,626
Provision for depreciation.....	3,023,660
Provision for amortization of development expense.....	89,265
Provision for taxes on income.....	2,485,451
	26,504,501
Operating income .....	\$ 3,840,088
<i>Add—</i>	
Income from investments .....	\$ 321,824
Profit on sale of investments, etc.....	234,678
Refund of war risk insurance.....	69,030
	625,532
	\$ 4,465,620
<i>Deduct—</i>	
Interest on bond debt.....	\$ 1,799,489
Bond discount and refunding expenses written off.....	87,338
	1,886,827
Net income for the year.....	\$ 2,578,793
<i>Deduct—</i>	
<i>Dividends on Preference Shares and Stock of Subsidiaries:</i>	
British Columbia Electric Company Limited—6% Cumulative Preference Shares.....	\$ 300,000
British Columbia Electric Railway Company, Limited—	
5% Cumulative Perpetual Preference Stock—£72,000.0.0. ....	\$ 290,876
	590,876
Balance of profits .....	\$ 1,987,917
<i>Add—</i>	
Earned surplus as at January 1, 1946.....	\$ 963,809
<i>Less—</i>	
Settlement of claim by the Crown for non-resident tax on dividends.....	\$ 185,049
<i>Deduct—</i>	
Amount applied against reserve for contingencies.....	150,000
	35,049
	928,760
	\$ 2,916,677
<i>Deduct—</i>	
Dividends on Class "A" shares of parent company.....	1,600,000
Earned surplus as at December 31, 1946.....	\$ 1,316,677

after giving effect as at that date to the following

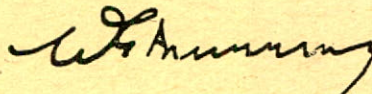
1. The issue and sale to the public by British Columbia Electric Company Limited of a principal amount of \$33,000,000 first mortgage 3¼% bonds Series "A", due January 2, 1967.
2. The discharge for the account of British Columbia Power Corporation, Limited of all of that corporation's outstanding bonds amounting at par to \$25,010,000 plus a premium thereon of \$675,250.
3. The purchase of £1,575,000 sterling to be held for redemption on March 7, 1947 of £1,500,000 par value of 4¼% perpetual guaranteed debenture stock of Vancouver Power Company, Limited, plus a premium of £75,000 thereon.
4. The purchase by British Columbia Electric Company Limited and the sale by British Columbia Power Corporation, Limited of:
  - (a) all the preferred ordinary and deferred ordinary capital stock of British Columbia Electric Railway Company, Limited for the sum of \$53,147,161.62.
  - (b) \$5,000,000 principal amount of 4% general mortgage bonds of British Columbia Electric Railway Company, Limited, at par plus accrued interest.

## ASSETS

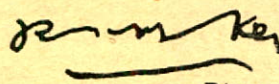
CURRENT AND WORKING ASSETS:	
Cash at bank and on hand.....	\$ 677,695
Dominion of Canada Bonds at cost..... (Quoted market value—\$5,564,755)	5,319,375
Accounts receivable, less reserve.....	2,276,891
Inventories of stores, materials and supplies, determined as to quantities by book inventories confirmed annually by physical count or measurement, valued at average cost .....	2,798,431
	\$ 11,072,392
DEFERRED ACCOUNTS RECEIVABLE:	
Estimated recoverable proportion of excess profits tax (per contra).....	\$ 1,252,000
Receivable under property sales agreement..... (Dominion of Canada bonds of \$100,000 par value are held as security for completion of agreement)	600,000
	1,852,000
EMPLOYEES' PENSION FUND (NOTE 1):	
Bonds and cash in hands of The Royal Trust Company as trustee..... (Represented as to \$3,049,881 by Dominion of Canada Bonds and as to \$126,790 by other securities and cash)	3,176,671
INVESTMENTS:	
Shares of British Columbia Power Corporation, Limited, held by subsidiary companies, at cost..... (Quoted market value—\$508,668)	666,540
BOND REFUNDING EXPENSE:	
Premium and exchange on bonds redeemed, bond refunding expenses and discounts, less amounts written off	1,027,292
DEFERRED CHARGES:	
Insurance unexpired, deferred regulatory commission expenses, and other prepaid items.....	173,007
PROPERTY ACCOUNT (NOTE 2):.....	\$162,517,124
Less—Reserve for depreciation.....	43,119,705
	119,397,419

\$137,365,321

APPROVED ON BEHALF OF THE BOARD:



Director.



Director.



# TRIC COMPANY LIMITED

ARY COMPANIES

as at December 31, 1946

transactions which were completed on January 2, 1947:—

5. The surrender for cancellation by the issuing subsidiary companies of securities of a par value of \$19,160,000 held by British Columbia Power Corporation, Limited, and the assumption by British Columbia Electric Company Limited of an obligation equivalent to the par value of such securities, plus accrued interest.

6. The issue by British Columbia Electric Company Limited to British Columbia Power Corporation, Limited of 750,000 Class "A" shares and 750,000 Class "B" shares at the value placed thereon by the directors, viz., \$43,151,988, in substantial settlement of the inter-company account arising as a result of the foregoing transactions.

7. The recording in the books of British Columbia Electric Company Limited as a charge to the investment in preferred ordinary and deferred ordinary capital stock of British Columbia Electric Railway Company, Limited, and as a credit to capital surplus, the sum of \$6,115,764.59, representing the surpluses of the subsidiaries of British Columbia Power Corporation, Limited at May 19, 1928, the date of the acquisition of their capital stocks by British Columbia Power Corporation, Limited.

## LIABILITIES

### CURRENT AND ACCRUED LIABILITIES:

Accounts payable .....	\$ 4,579,926
Debiture and bond interest accrued.....	243,433
Dividends declared, since paid.....	220,440
Amount owing to parent company, British Columbia Power Corporation, Limited .....	691,825
Reserve for taxes on income and other taxes (after payment of \$1,156,782 on 1946 taxes on income).....	1,886,923
	\$ 7,622,547

### BOND DEBT:

<i>British Columbia Electric Company Limited—</i>	
3¼% First Mortgage Bonds, Series "A", due January 2, 1967 .....	\$33,000,000
<i>British Columbia Electric Railway Company, Limited—</i>	
4¼% Perpetual Consolidated Debenture Stock, £2,788,170 at \$4.85 .....	13,522,624
<i>Vancouver Power Company, Limited—</i>	
4¼% Perpetual Guaranteed Debenture Stock to be redeemed March 7, 1947.....	£1,500,000
Redemption premium .....	75,000
	£1,575,000
<i>Deduct—</i>	
Sterling funds held at bank for redemption.....	1,575,000
	46,522,624

### CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

<i>British Columbia Electric Railway Company, Limited—</i>	
5% Cumulative Perpetual Preference Stock, £1,440,000 at \$4.85 .....	\$ 6,984,000
Minority shareholders of subsidiaries.....	3,446
	6,987,446

### RESERVES:

General and accident.....	\$ 976,364
Employees' pension fund.....	3,176,671
	4,153,035
	\$ 65,285,652

### CAPITAL AND SURPLUS:

#### SHARE CAPITAL:

##### Authorized:

50,000—6% Cumulative Preference Shares of \$100 each.  
200,000 Preference Shares of \$100 each.  
1,000,000 Class "A" Shares of no par value.  
1,000,000 Class "B" Shares of no par value.

##### Issued:

6% Cumulative Preference Shares of \$100 each—50,000 shares (Note 3)..... \$ 5,000,000  
1,000,000 Class "A" Shares of no par value, and  
1,000,000 Class "B" Shares of no par value..... 58,400,000

#### CAPITAL SURPLUS:

Surpluses of subsidiaries as at May 19, 1928, the date of the acquisition of their capital stocks by British Columbia Power Corporation, Limited..... 6,115,765

#### DEFERRED SURPLUS:

Estimated recoverable proportion of excess profits tax (per contra) .....

1,252,000

EARNED SURPLUS .....

1,311,904

72,079,669

The earned surplus of British Columbia Electric Railway Company, Limited and its subsidiaries, accumulated since May 19, 1928, and acquired by British Columbia Electric Company Limited as of January 2, 1947, has been included in the combined earned surplus of British Columbia Electric Company Limited and subsidiary companies because the ultimate ownership of the preferred ordinary and deferred ordinary stock of British Columbia Electric Railway Company, Limited still rests with British Columbia Power Corporation, Limited, which first acquired this stock on May 19, 1928, and dividends paid from this surplus still accrue to the benefit of the shareholders of British Columbia Power Corporation, Limited.

\$137,365,321

NOTE: The explanatory notes supplementing the accompanying consolidated balance sheet of British Columbia Power Corporation, Limited and subsidiary companies as at December 31, 1946, apply equally to the relevant items in the above consolidated balance sheet.

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED  
AND SUBSIDIARY COMPANIES

Auditors' report to the Shareholders:

We have examined the consolidated balance sheet of British Columbia Electric Company Limited and subsidiary companies as at December 31, 1946, and have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

The company's returns for income and excess profits taxes and those of its important subsidiary companies have been assessed up to and including the year 1940. The returns for the subsequent years have not yet been reviewed by the taxation authorities and the adequacy of the tax reserve shown on the consolidated balance sheet is subject to acceptance by the taxation authorities of the companies' returns and of the accounting policies on which they are based.

There is recorded in the property account on the consolidated balance sheet and per contra stated as capital surplus, an amount of \$6,115,765,

which represents the surpluses of subsidiaries as at the date of acquisition of their capital stocks by British Columbia Power Corporation, Limited on May 19, 1928.

Subject to the questions of income and excess profits taxes and of the accounting treatment accorded the surpluses of subsidiaries as at the date of their acquisition, referred to in the foregoing paragraphs, we report that, in our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet, supplemented by the notes appended thereto, is properly drawn up so as to exhibit a true and correct view of the financial position of the combined companies as at December 31, 1946, after giving effect to the financial transactions as set forth at the top of the said consolidated balance sheet.

Vancouver, B. C.,  
March 27, 1947.

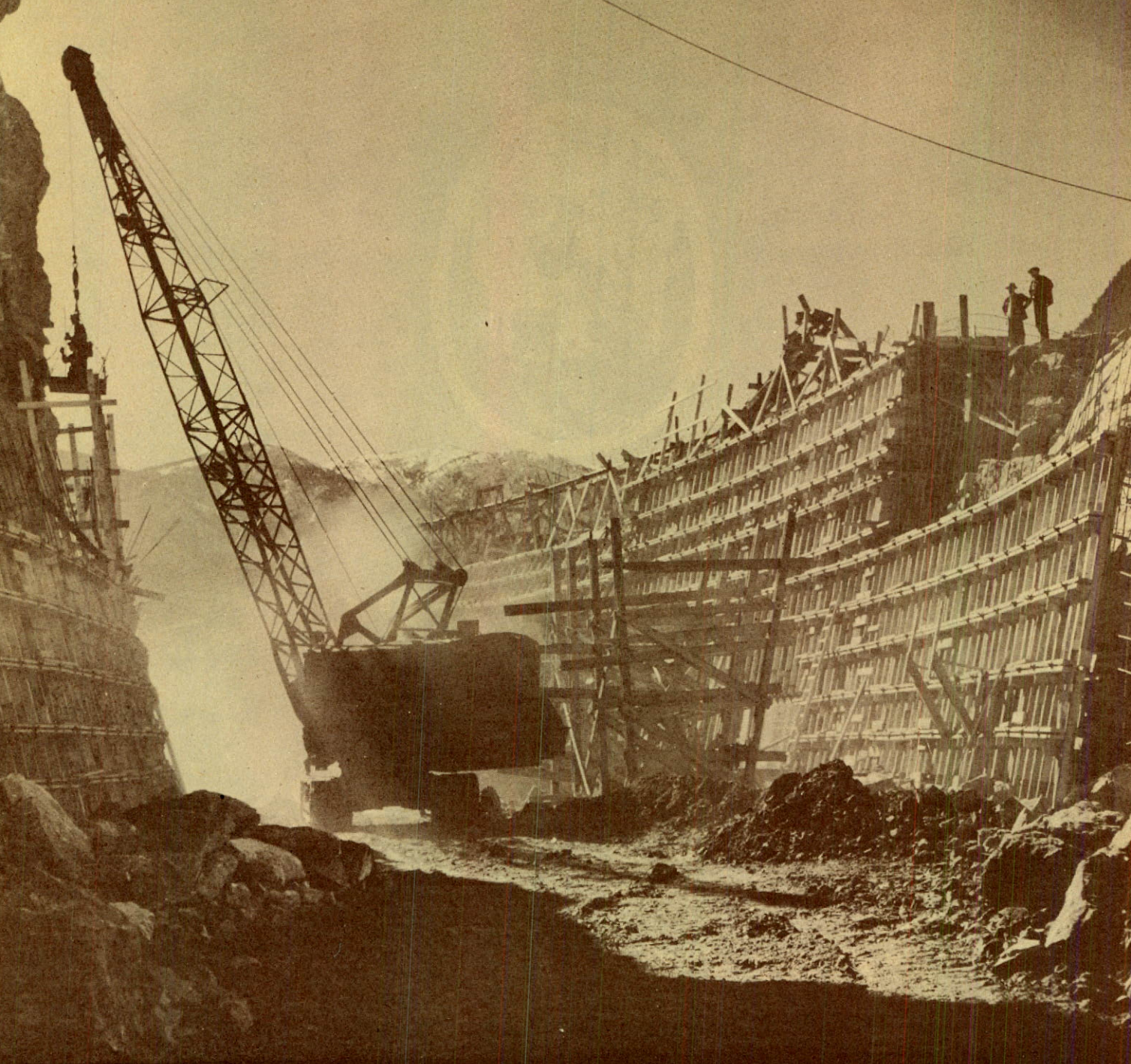
PRICE, WATERHOUSE & Co.,  
*Chartered Accountants.*



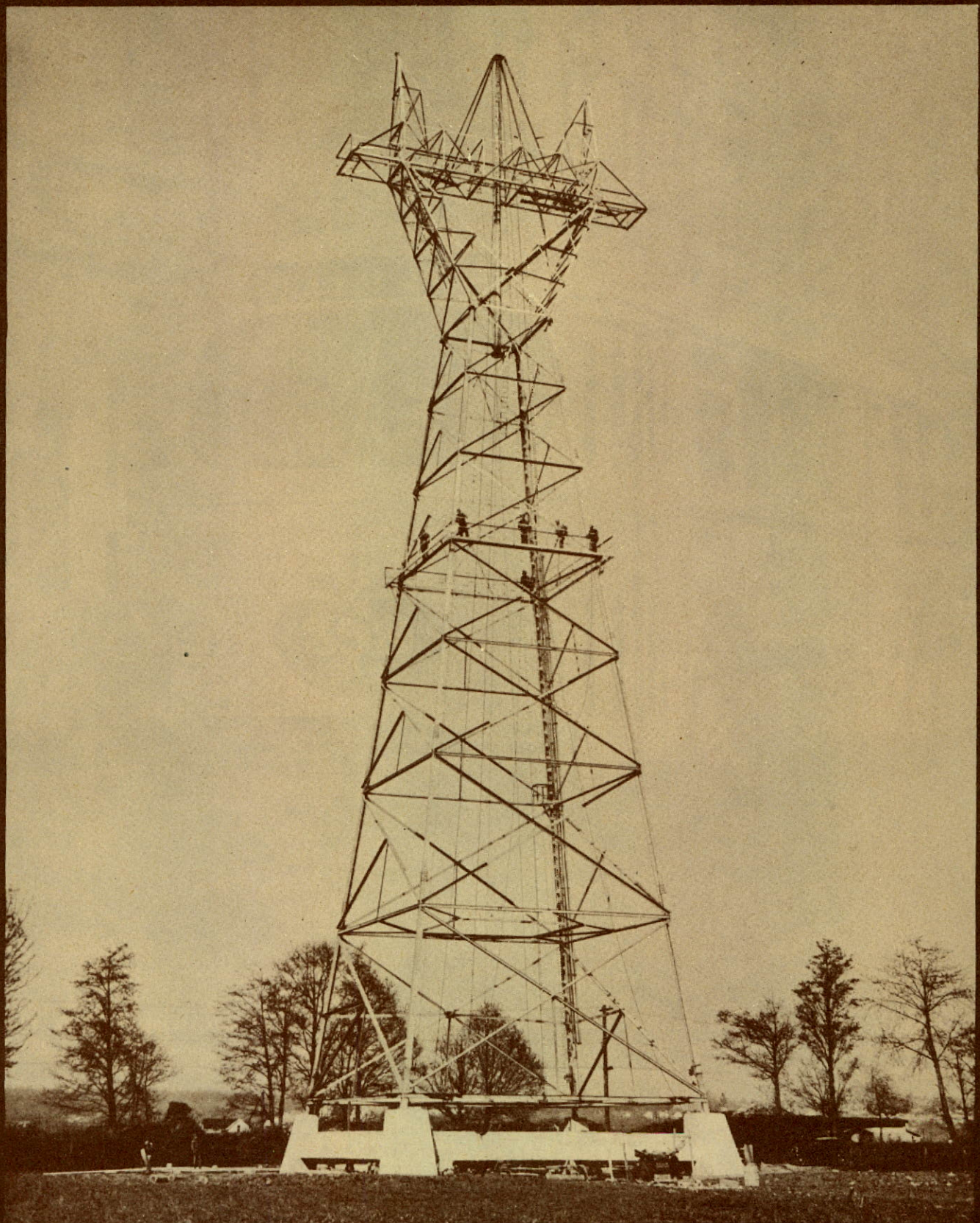
*50th Year of Progress*



*progress  
report on  
construction*



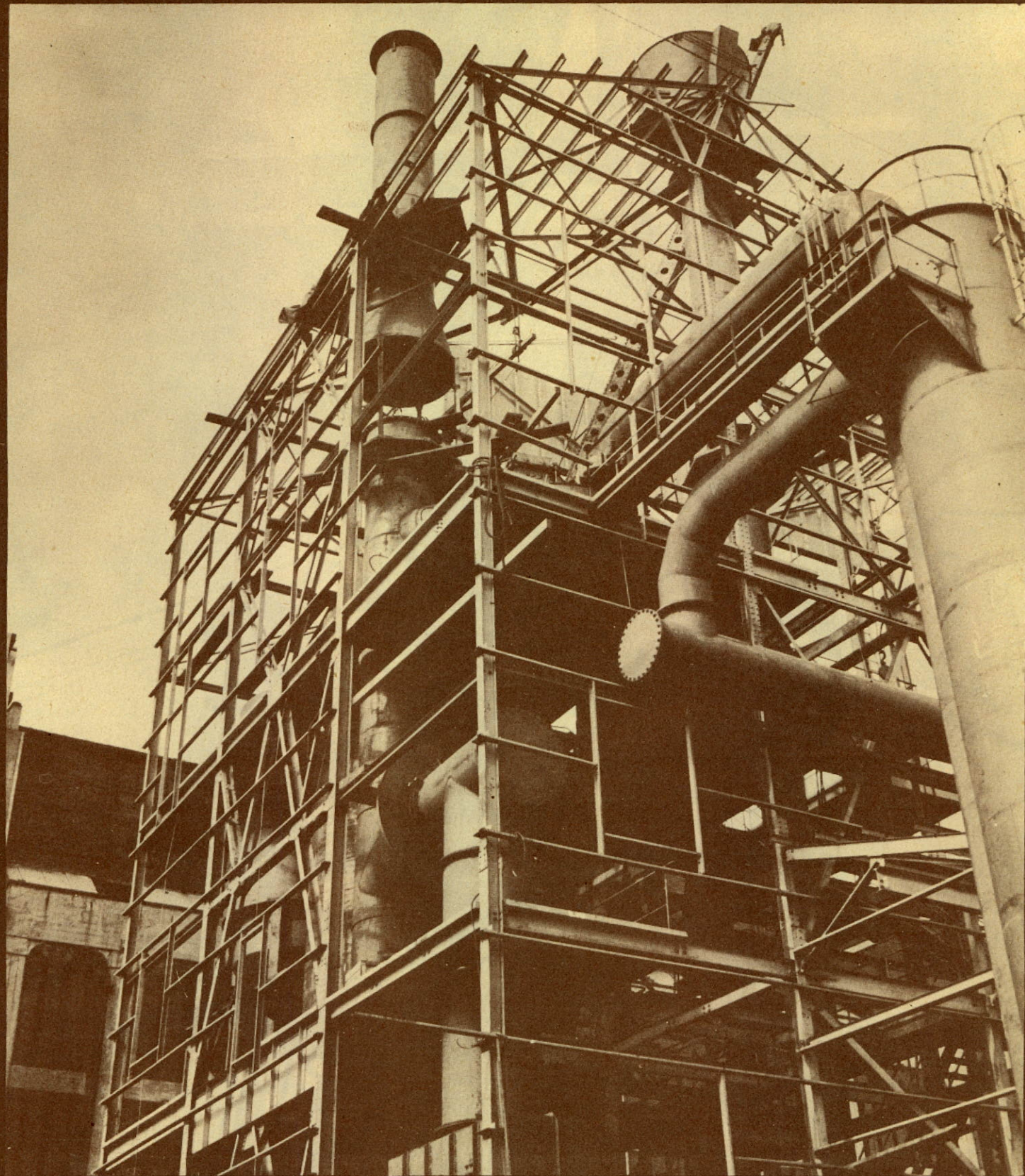
Nowhere is the Company's post-war development programme better illustrated than at Bridge River. Here men and machinery are laboring to change the course of the river by hewing out this spillway from the mountainside. Fog comes from rock drills and air hammers. Power from first of ten 62,000 H.P. generators will reach Vancouver in mid-1949.



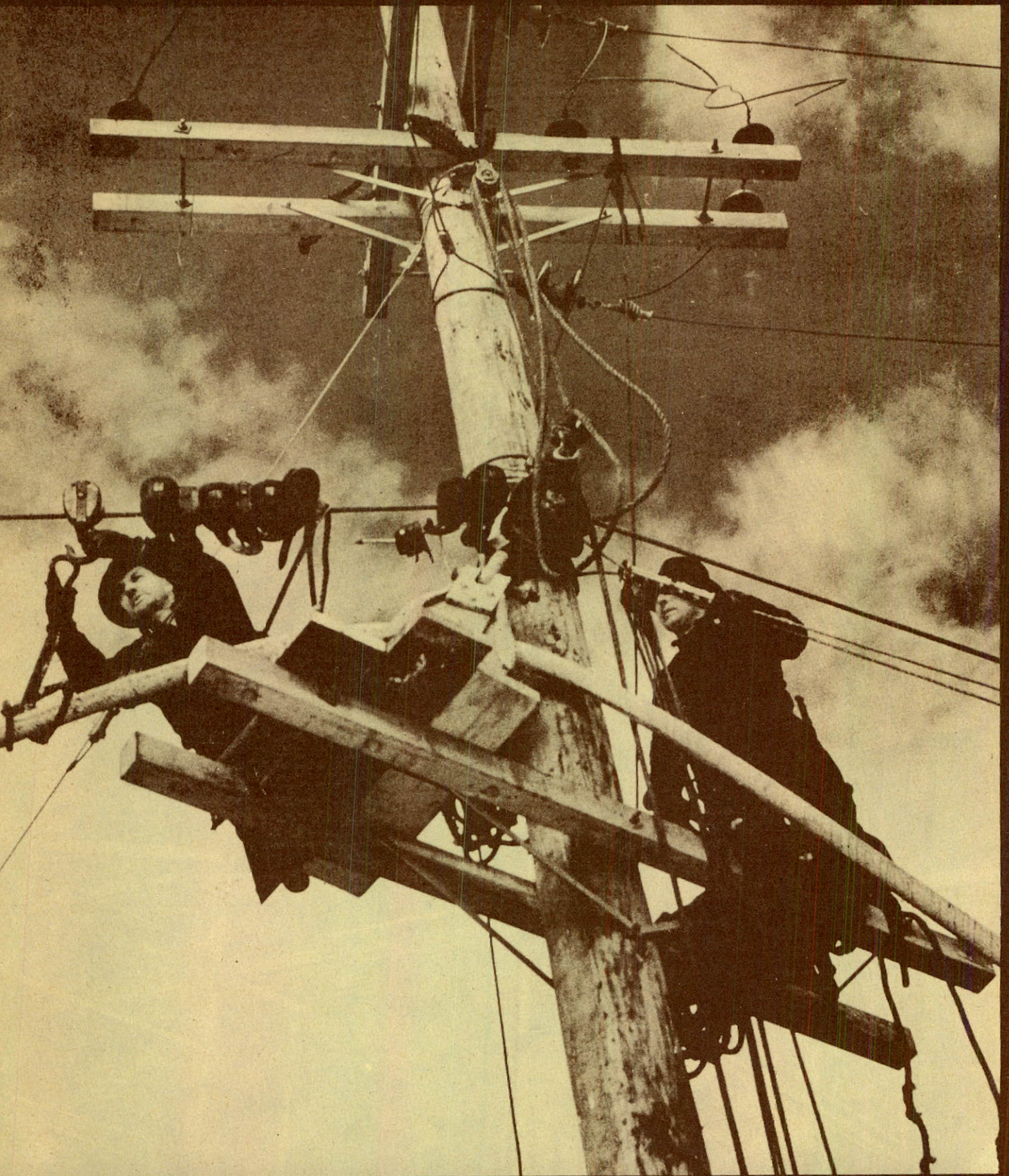
British Columbia's growing industrial strength is demonstrated by the building here of the steel towers for the Northwest Power Pool inter-connection and Bridge River transmission line. For the latter line 660 towers are required. This is the first time in history B. C. fabricators have tackled a job of this size.



Fresh from the factory, the first bus to bear the Company's new color scheme—Rinaux cream set off by red thunderbird emblems—rolls down Hastings Street in Vancouver. Manufacturers have promised delivery of 254 buses this year, including 42 trolley coaches.

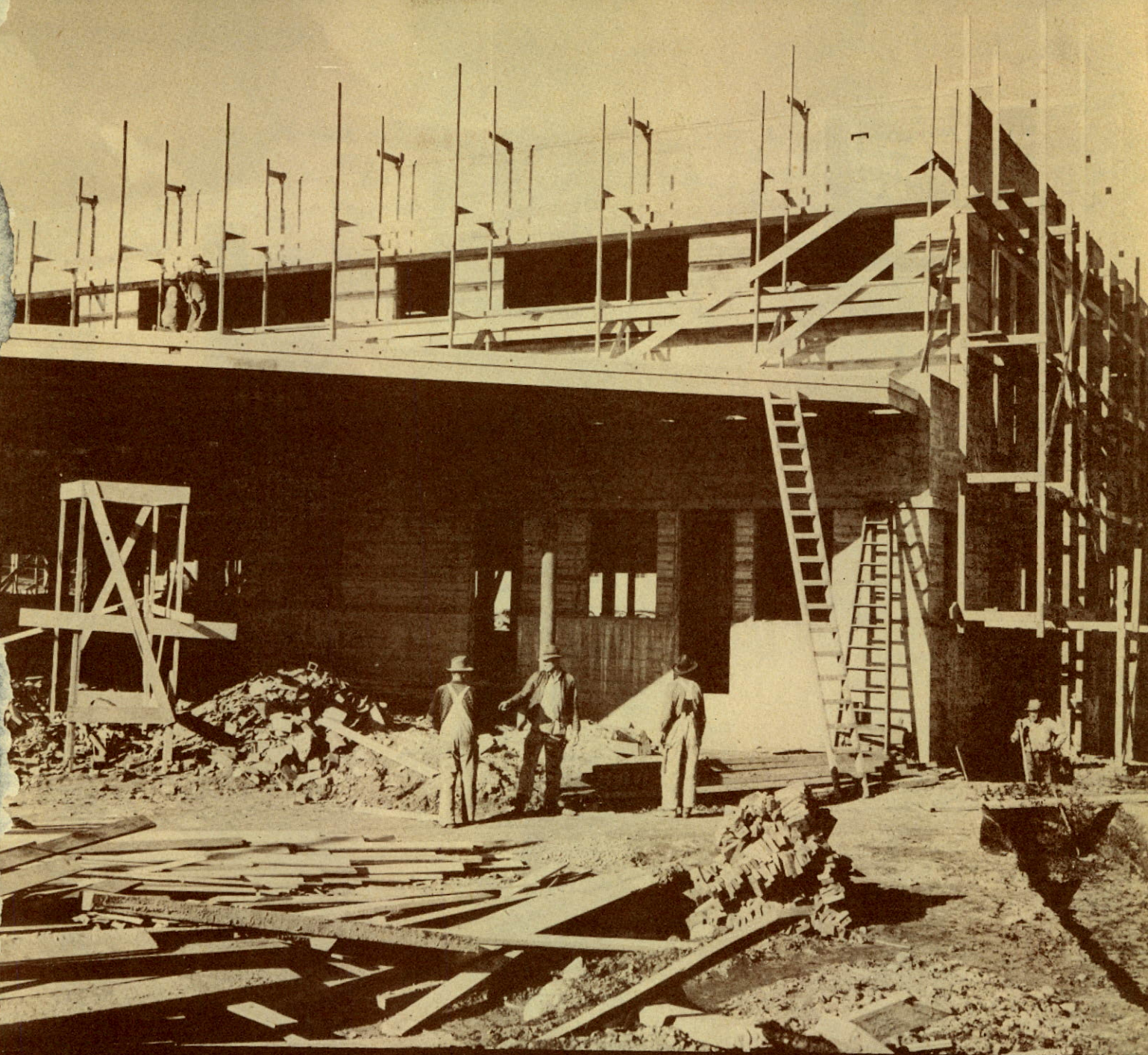


Work on the new Vancouver gas plant, which will turn out 4,500,000 cubic feet of gas daily, is rapidly nearing completion. Scheduled to open last November, project was delayed months owing to critical steel shortage. Company's gas programme also includes nearly 60 miles of new mains for Greater Vancouver. Plant of similar type to one shown above began operating in Victoria a few weeks ago.

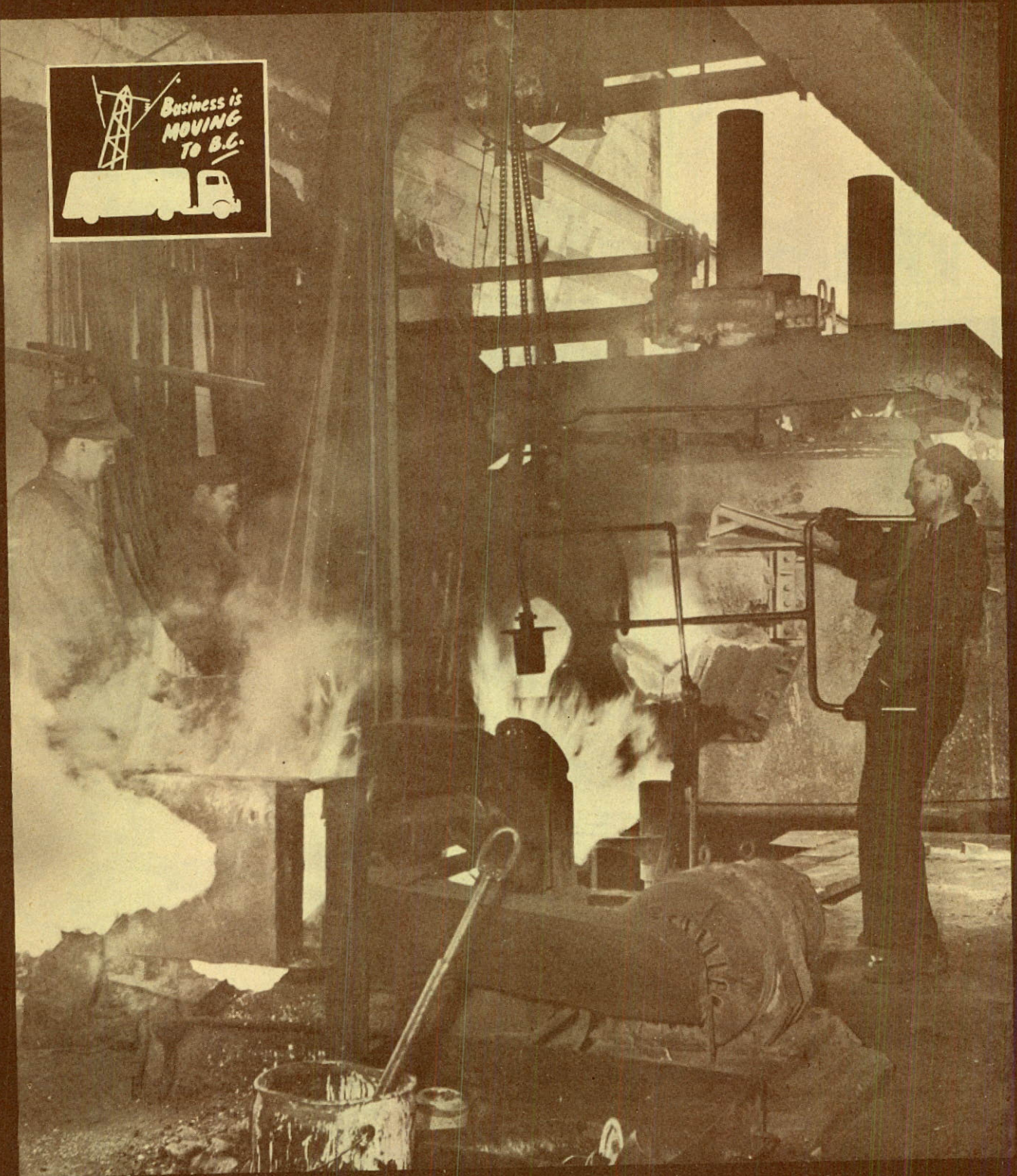


Symbolic of the Company's drive to complete rural electrification in the Fraser Valley are these linemen working on a circuit near Abbotsford. Despite shortages of wire, transformers, line hardware, 3,705 customers were connected in 1946, up nearly 2,000 from 1945. The Company's programme will bring about complete electrification of the Valley by 1950.





Nerve-centre of B. C. Motor Transportation's inter-city bus operations will be this new depot at Larwill Park in downtown Vancouver. Ultra-modern in design, the building will be completed late this summer. A 240-foot concourse immediately south of the terminal will permit simultaneous loading of 25 buses, which can be routed through several entrances and exits to avoid traffic congestion on bordering streets.



The Company's Industrial Development Department enters its third year as a vital factor in servicing many inquiries from prospective new industrialists. Our now famous "Business Is Moving To B. C." national advertising campaign continues on an international basis.

Close to 50 separate examples of both new and expanded industries were responsible for new plant investment to the value of \$8,000,000. Industries represented everything from pig iron, natural resources, by-products and processed products, furniture, bath tubs, and matches. These 50 examples are the major undertakings and are supplemented by hundreds of smaller developments.

*20,000 copies of this report have been circulated to shareholders, to employees and those on pension, to mayors, reeves, councillors and members of the legislature, to union executives and service club officials, and to the spokesmen of all segments of the population of the community.*

