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**BRITISH COLUMBIA
POWER CORPORATION, LIMITED**

Annual Report **1962**

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DIRECTORS

A. B. CHRISTOPHER
G. T. CUNNINGHAM
H. S. FOLEY, LL.D.
SEVERE GODIN
C. L. GUNDY
R. H. B. KER
W. EARLE McLAUGHLIN
LORN McLEAN, F.C.A.
W. G. MURRIN, LL.D.
A. DEANE NESBITT, O.B.E.
THE LORD PLOWDEN, K.C.B., K.B.E.
A. BRUCE ROBERTSON, Q.C.
M. F. STRONG
J. L. TRUMBULL, C.B.E.
COL. THE HONOURABLE CLARENCE WALLACE, C.B.E.

OFFICERS

Chairman and President
A. BRUCE ROBERTSON, Q.C.

Vice-President and Treasurer
LORN McLEAN, F.C.A.

Secretary
D. M. M. GOLDIE

Assistant Treasurer
W. F. MARTIN, F.C.A.

Assistant Secretary
MISS MARJORIE BLYTH

Bankers: THE ROYAL BANK OF CANADA *Transfer Agent:* MONTREAL TRUST COMPANY

Fiscal Agent in London, England: THE BRITISH EMPIRE TRUST COMPANY, LIMITED

Registrar: THE ROYAL TRUST COMPANY *Auditors:* RIDDELL, STEAD, GRAHAM & HUTCHISON

Head Office of the Power Corporation: 626 WEST PENDER STREET, VANCOUVER 2, B.C.

**REPORT FOR 1962 OF THE BOARD OF DIRECTORS
OF BRITISH COLUMBIA POWER CORPORATION, LIMITED
(the "Power Corporation") to be received by the 35th Annual General
Meeting of Shareholders on 25 April 1963**

The annual report for 1961 was dated 13 March 1962. Since then, by circulation of his speech at the Annual General Meeting on 30 April 1962 and by the continuation of a series of letters, the Chairman has kept the shareholders abreast of developments. Much, therefore, that is said in the present report will be repetitious: but it seems proper that shareholders may find in a series of annual reports the history of their enterprise.

LEGISLATION AND LITIGATION

On 13 November 1961 the Power Corporation brought an action (the "action") in the Supreme Court of British Columbia as described in last year's report, and, after a series of attempts to prevent the action being heard in a normal fashion had been overcome, the trial commenced on 1 May 1962.

On 29 and 30 March 1962, respectively, two further statutes of British Columbia vitally affecting the Power Corporation were enacted, the Power Development Act, 1961, Amendment Act, 1962 (the "Amending Act") and the British Columbia Hydro and Power Authority Act (the "Amalgamating Act").

The Amending Act altered the purported compensation for the expropriation of the Power Corporation's holding of all the common shares in British Columbia Electric Company Limited (the "Electric Company"):

Under the 1961 Act as Originally Enacted

The Power Corporation received (under protest) on 4 August 1961.....	\$110,985,045
The Power Corporation was entitled to sell its remaining assets to the Electric Company for.....	68,612,873
	\$179,597,918

In addition, if it sold its remaining assets, the Power Corporation was entitled to interest at 5% per annum on the balance unpaid from time to time from 1 August 1961 to and including the date of final payment, or 31 July 1963, whichever was earlier.

Under the 1961 Act as amended by the Amending Act

The Power Corporation received on 4 August 1961 (now declared in the Amending Act to have been on account).....	\$110,985,045
-----------------------------------------------------------------------------------------------------------------	---------------

The Power Corporation on 31 March 1962 received (under protest) from British Columbia Hydro and Power Authority as purported successor to the Electric Company the additional sum of.....	60,848,007
Stated to be "full, fair and adequate compensation"	\$171,833,052
The Power Corporation was left in possession of its remaining assets, which should realize at least.....	10,000,000
(the Amending Act withdraws the offer to buy these assets)	<u>\$181,833,052</u>

There is no provision for interest.

To put these two tabulations in context it should be remembered that the Power Corporation was advised by Ebasco Services Incorporated, as reported in the Chairman's speech to the shareholders on 18 December 1961, that the minimum value of the assets of the Power Corporation as of 1 August 1961 was \$236,313,000.

The Amalgamating Act purported to amalgamate the Electric Company and British Columbia Power Commission into one corporation under the name British Columbia Hydro and Power Authority (the "Authority"). The Power Corporation has in the action amended its Statement of Claim to assert that the Amending Act and the Amalgamating Act, as well as the 1961 Act as originally enacted, are ultra vires and, therefore, to raise for decision whether the Crown has any title to the shares in the Electric Company and the Authority has any title to the assets of the Electric Company.

On 22 March 1962 in the course of the action, upon application of the Power Corporation, a Judge of the Supreme Court of British Columbia appointed Mr. H. L. Purdy (formerly President of the Electric Company) to be Receiver of the undertaking, property and interests of the Electric Company for the purpose of preserving them until the issues in the action have been resolved. On appeal by the Electric Company to the Court of Appeal of British Columbia the Receiving Order was set aside. The Power Corporation appealed to the Supreme Court of Canada, which on 25 June 1962 allowed the appeal and restored the original Receiving Order of 22 March 1962.

The presentation of evidence in the trial of the action was completed on 14 November 1962. The trial was then adjourned until 6 December to give counsel time to prepare their arguments. Argument was then begun, and it was completed on 25 February 1963, when the trial judge reserved his decision.

SERIES B DEBENTURES

The Electric Company in 1959 issued \$40,000,000 principal amount of Series B debentures, which by their terms were convertible until 3 November 1969 into common shares in the Power Corporation. Until 2 November 1963 the conversion, if complete, would have called for the issuance of 1,080,000 common shares in the Power Corporation. On 11 May 1962, the Authority, as purported

successor to the Electric Company, called the debentures for redemption on 18 June 1962. Up to 15 March 1963, \$39,810,000 principal amount of the debentures had been surrendered against payment of the redemption price. Whether the Authority, not being the issuer, could validly call the debentures for redemption will depend upon the outcome of the action.

DIVIDEND

The Chairman has assured the shareholders in his letters and speeches that the costs of our efforts to obtain fair treatment will not encroach upon the Power Corporation's capital funds, and this has proved to be so. Beyond this, the current income of the Power Corporation, though sorely diminished, was sufficient to enable a dividend of 25¢ a share to be declared – it was paid on 20 December 1962 to shareholders of record on 5 December 1962.

FINANCIAL STATEMENTS

The Consolidated Balance Sheet, the Consolidated Statement of Surplus and the Consolidated Statement of Income of the Power Corporation and wholly-owned subsidiary companies are attached. The statements have been examined by the shareholders' auditors, whose report upon them is attached.

The accounts of Pleasant Valley Gas & Oil Co. (a subsidiary of Western Development and Power Limited – itself a subsidiary of the Power Corporation) have been excluded from the consolidation and the advances by Western Development and Power Limited to Pleasant Valley Gas & Oil Co. have, as appears from the Consolidated Statement of Surplus, been written off as uncollectible. The advances had been made for the purpose of trying to develop underground gas storage for the benefit of the Electric Company.

DIRECTORATE

In November, Mr. J. B. Woodyatt tendered his resignation as a director; he had held that office since the inception of the Power Corporation in 1928. Mr. Maurice F. Strong, executive vice-president of Power Corporation of Canada, Limited, was appointed to fill the vacancy.

STAFF

In November 1962, Mr. W. F. Martin, Assistant Treasurer, was granted leave of absence to take an important post with the Royal Commission on Taxation. His absence reduced the staff to eleven.

CONCLUSION

This necessarily complicated description of a difficult situation should not be permitted to becloud the Power Corporation's principal endeavour. It is to obtain for its shareholders fair treatment for the expropriation of the common shares in the Electric Company – and to this end the directors and officials of the Power Corporation, and its legal counsel, are striving with might and main.

On behalf of the Board of Directors,

*Vancouver, B.C.
21 March 1963.*

A. BRUCE ROBERTSON
Chairman.

BRITISH COLUMBIA POWER*and wholly-owned subsidiaries***CONSOLIDATED BALANCE SHEET****ASSETS**

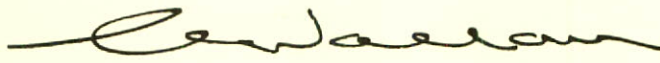
CURRENT ASSETS

Cash.....	\$ 406,485
Bank and trust company term deposits.....	58,250,000
Marketable securities	
Government of Canada and Canadian National Railway bonds, at cost (Market value \$32,121,000).....	32,124,060
Accrued interest receivable.....	2,506,114
Accounts receivable.....	83,869
Prepaid expenses.....	1,769
Total current assets.....	<u>93,372,297</u>
OTHER INVESTMENTS, at cost less provision for loss.....	1,228,176
(The net carrying value of \$1,228,176 is estimated to be less than the aggregate realizable value)	
LAND HELD FOR SALE, at cost.....	924,605
SUNDRY EQUIPMENT, at cost less accumulated depreciation.....	4,258

Approved on behalf of the Board:



Director



Director

\$95,529,336*The accompanying notes to consolidated financial statements*

ER CORPORATION, LIMITED*subsidiary companies***ET AS AT 31 DECEMBER 1962****LIABILITIES**

CURRENT LIABILITIES

Accounts payable.....	\$	81,852
Income taxes payable.....		1,250,510
Total current liabilities.....		<u>1,332,362</u>

CAPITAL AND SURPLUS

Share capital (Notes 2 and 3)

Authorized

10,000,000 Common shares without nominal or par value

Issued

4,772,011 Common shares representing a total
cash consideration of..... \$122,413,138

Less

Reduction of paid-up capital as of
30 December 1961..... 89,236,60633,176,532Surplus per statement attached..... 61,020,442 94,196,974

CONTINGENT LIABILITY (Note 4)

\$95,529,336*are an integral part of the above consolidated balance sheet.*

BRITISH COLUMBIA POWER CORPORATION, LIMITED
and wholly-owned subsidiary companies

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED 31 DECEMBER 1962

BALANCE as at 31 December 1961.....		\$ 716,451
<i>Add</i>		
Amount paid on 31 March 1962 to the Corporation under Section 3 of the Power Development Act, 1961, Amendment Act, 1962, and received under protest.....		60,848,007
Net income for the year per consolidated statement of income.....		1,535,601
		63,100,059
<i>Deduct</i>		
Dividend on common shares.....	\$1,193,003	
Costs of litigation		
Legal fees and expenses.....	\$215,133	
Other professional fees and expenses.....	526,891	742,024
Provision for loss on advances to subsidiary company.....	144,590	2,079,617
BALANCE as at 31 December 1962.....		\$61,020,442

The accompanying notes to consolidated financial statements are an integral part of the above consolidated statement of surplus

BRITISH COLUMBIA POWER CORPORATION, LIMITED

and wholly-owned subsidiary companies

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 1962

INCOME

Interest on investments.....	\$3,330,670
Gain on disposal of investments.....	226,550
Miscellaneous.....	11,224
	<u>3,568,444</u>

DEDUCT

General and administrative expenses (Note 5).....	\$ 338,165	
Transfer agent's and registrar's fees and expenses.....	63,748	
Shareholders' meeting, reports and expenses.....	42,672	
Provision for depreciation of sundry equipment.....	1,492	
Provision for income taxes.....	1,586,766	2,032,843
NET INCOME.....		<u>\$1,535,601</u>

*The accompanying notes to consolidated financial statements
are an integral part of the above consolidated statement of income*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 1962

Note 1 - Legislation and Litigation

One of the provisions of the Power Development Act, 1961 (the "1961 Act") vested in the Province of British Columbia all the shares held by British Columbia Power Corporation, Limited (the "Power Corporation") in its principal subsidiary, British Columbia Electric Company Limited (the "Electric Company"). Pursuant to Section 7 of the 1961 Act, the Power Corporation received "by way of compensation" for such shares an amount of \$110,985,045 on 4 August 1961.

On 13 November 1961, the Power Corporation commenced an action (the "action") in the Supreme Court of British Columbia, naming as defendants the Attorney-General of British Columbia, the Electric Company, C. James Copithorne (a holder of Series B debentures of the Electric Company - see Note 2) and The Royal Trust Company (the trustee under the trust agreement establishing the Series B debentures) and seeking declarations in respect of:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - cont'd

Note 1 - cont'd:

- (a) the validity of the 1961 Act, and
- (b) the Power Corporation's rights to additional compensation for the taking of the shares in the Electric Company, and
- (c) the rights of conversion of Series B debentures, referred to in Note 2.

On 29 and 30 March 1962, respectively, two further statutes of British Columbia vitally affecting the Power Corporation were enacted, the Power Development Act, 1961, Amendment Act, 1962 (the "Amending Act") and the British Columbia Hydro and Power Authority Act (the "Amalgamating Act").

The Amending Act, inter alia, purported to fix and determine the value of the issued common shares in the capital of the Electric Company at the time of the coming into force of the 1961 Act to have been exactly \$171,833,052 and that amount to be the full, fair and adequate compensation payable therefor. As a result of this legislation, the Power Corporation on 31 March 1962 received from British Columbia Hydro and Power Authority, as purported successor to the Electric Company, the additional sum of \$60,848,007.

The Amalgamating Act purported to amalgamate the Electric Company and British Columbia Power Commission into one corporation under the name British Columbia Hydro and Power Authority (the "Authority").

In the action, the Power Corporation has amended its Statement of Claim to incorporate the assertion that the Amending Act and the Amalgamating Act, as well as the 1961 Act as originally enacted, are ultra vires and to raise for decision, therefore, whether the Province has any title to the shares in the Electric Company and the Authority has any title to the assets of the Electric Company.

Note 2 - Share Capital - Convertible Debentures

The Electric Company in 1959 issued \$40,000,000 principal amount of Convertible Sinking Fund Debentures, 6% Series B, which by their terms were convertible until 3 November 1969 into common shares in the Power Corporation. Until 2 November 1963 the conversion, if complete, would have called for the issuance of 1,080,000 common shares in the Power Corporation.

Against the possible conversion of these debentures, the Power Corporation covenanted to reserve 1,080,000 of its unissued common shares, which is the maximum number that may be required to be issued on such conversion. As required by an order of the Supreme Court of British Columbia, the Power Corporation is retaining, in readily available form, sufficient funds to pay \$18.70 a share - the amount per share distributed on 30 December 1961 by way of reduction of capital paid up on shares then issued - on the maximum number of shares into which the debentures could be converted.

The Power Corporation covenanted to deliver to the Electric Company such of the said debentures as might be presented to the Power Corporation for conversion, and the Electric Company covenanted to issue 34 of its common shares to the Power Corporation for each \$1,000 principal amount of debentures so delivered and to reserve sufficient (1,360,000) of the Electric Company's unissued Common Shares to enable it so to do.

On 11 May 1962 the Authority, as purported successor to the Electric Company, called the debentures for redemption on 18 June 1962. Up to 15 March 1963, \$39,810,000 principal amount of the debentures had been surrendered against payment of the redemption price. Whether the Authority, not being the issuer, could validly call the debentures for redemption will depend upon the outcome of the action.

Note 3 - Share Options

As at 31 December 1962, there remained outstanding options to purchase 950 common shares in the Power Corporation at prices ranging from \$34.75 per share to \$44.25 per share.

Note 4 - Contingent Liability

The Power Corporation has given guarantees embodied in an agreement dated 20 July 1961 between the Electric Company, the Power Corporation and nine individuals relating to terminal payments to such individuals in accordance with the terms of certain employee incentive agreements dated 1 January 1952 and 1 January 1960; in respect of those guarantees, the Power Corporation is protected by a funding agreement dated 31 July 1961 between the Electric Company, the Power Corporation and Montreal Trust Company.

Note 5 - General and Administrative Expenses

Under this caption are included charges against income totalling \$135,844 for the salaries of executive officers and corporate legal fees and expenses.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS
ESTABLISHED 1869
ROYAL TRUST BUILDING
VANCOUVER 2, B.C.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of British Columbia Power Corporation, Limited and its wholly-owned subsidiaries, Western Development and Power Limited and B. C. Engineering Company Limited as at 31 December 1962 and the consolidated statements of income and surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statements of income and surplus are properly drawn up in conformity with generally accepted accounting principles and, together with the notes thereto, exhibit a true and correct view of the state of the affairs of British Columbia Power Corporation, Limited and its wholly-owned subsidiaries as at 31 December 1962 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Riddell, Stead, Graham & Hutchison

21 March 1963.

THE ANNUAL GENERAL MEETING

Your directors appreciate the interest shown by shareholders who are present at the General Meetings and participate in the discussions of the Company's affairs. This year the Annual General Meeting will be held on Thursday, 25 April, at 10:30 a.m. in the Bay Theatre, 935 Denman Street, Vancouver, B.C. and all shareholders who find it possible to attend are urged to do so.