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"WESTERN STORY"



1947

annual report

british columbia power corporation, limited





I feel "Western Story" provides an excellent descriptive title for the annual report of the companies for 1947.

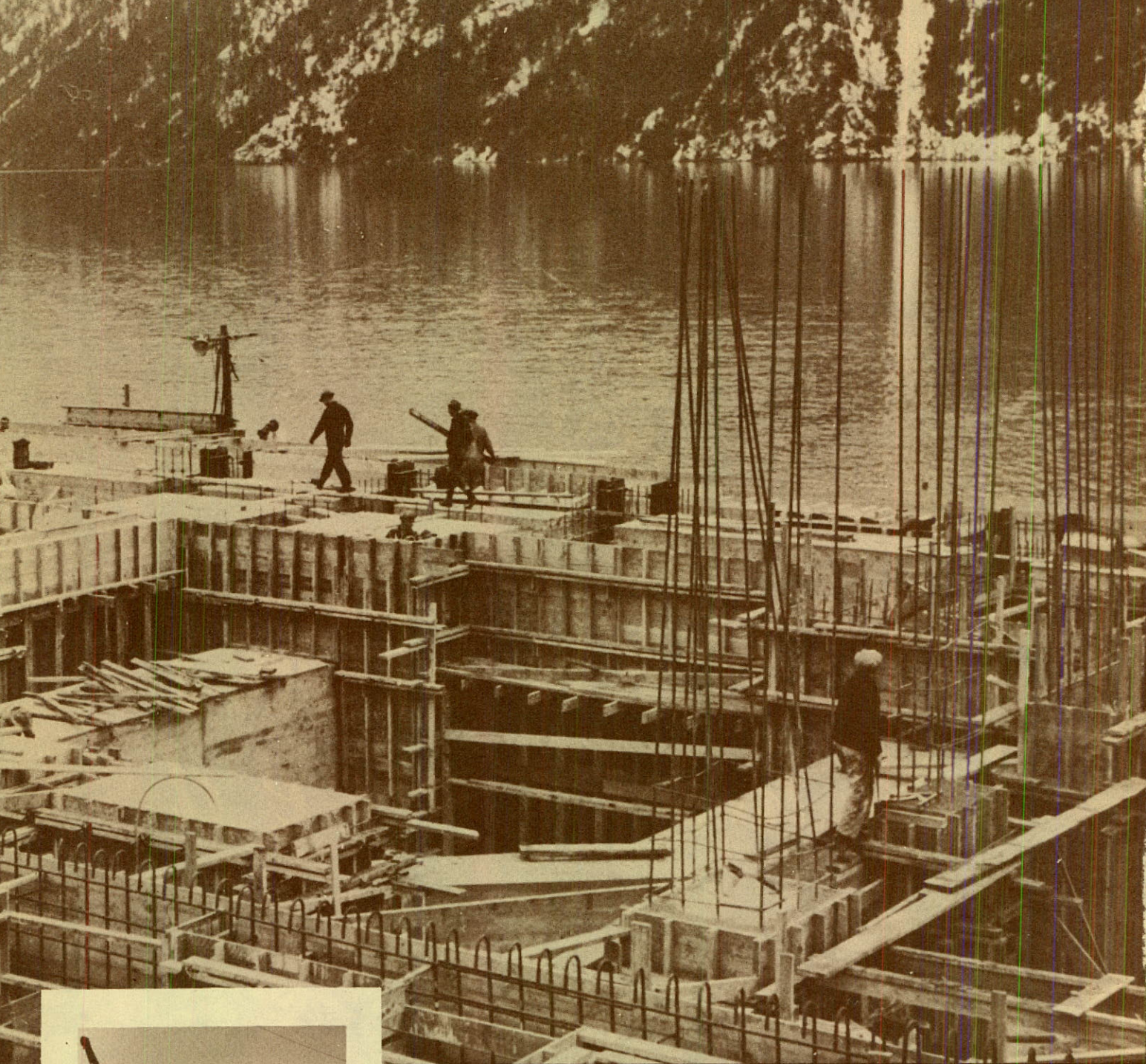
It reflects the basic trends in the areas that we serve, and shows that, while the year was one of construction and expansion, with resultant increases in capital and operating costs, this was accompanied by a healthy undertone of consolidation.

Progress made by the companies with respect to the post-war rehabilitation and expansion program is portrayed in words, figures and pictures, and an improving earnings position is in prospect.

A. E. Graves
President.

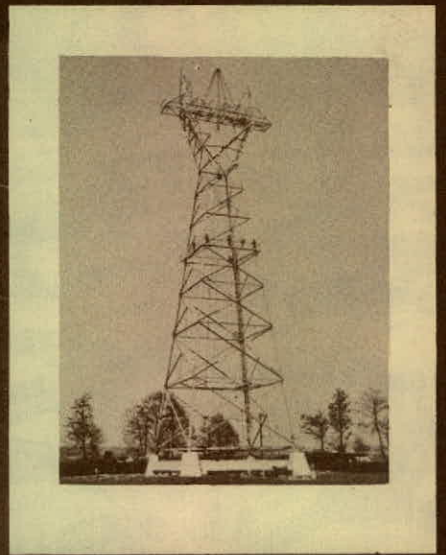
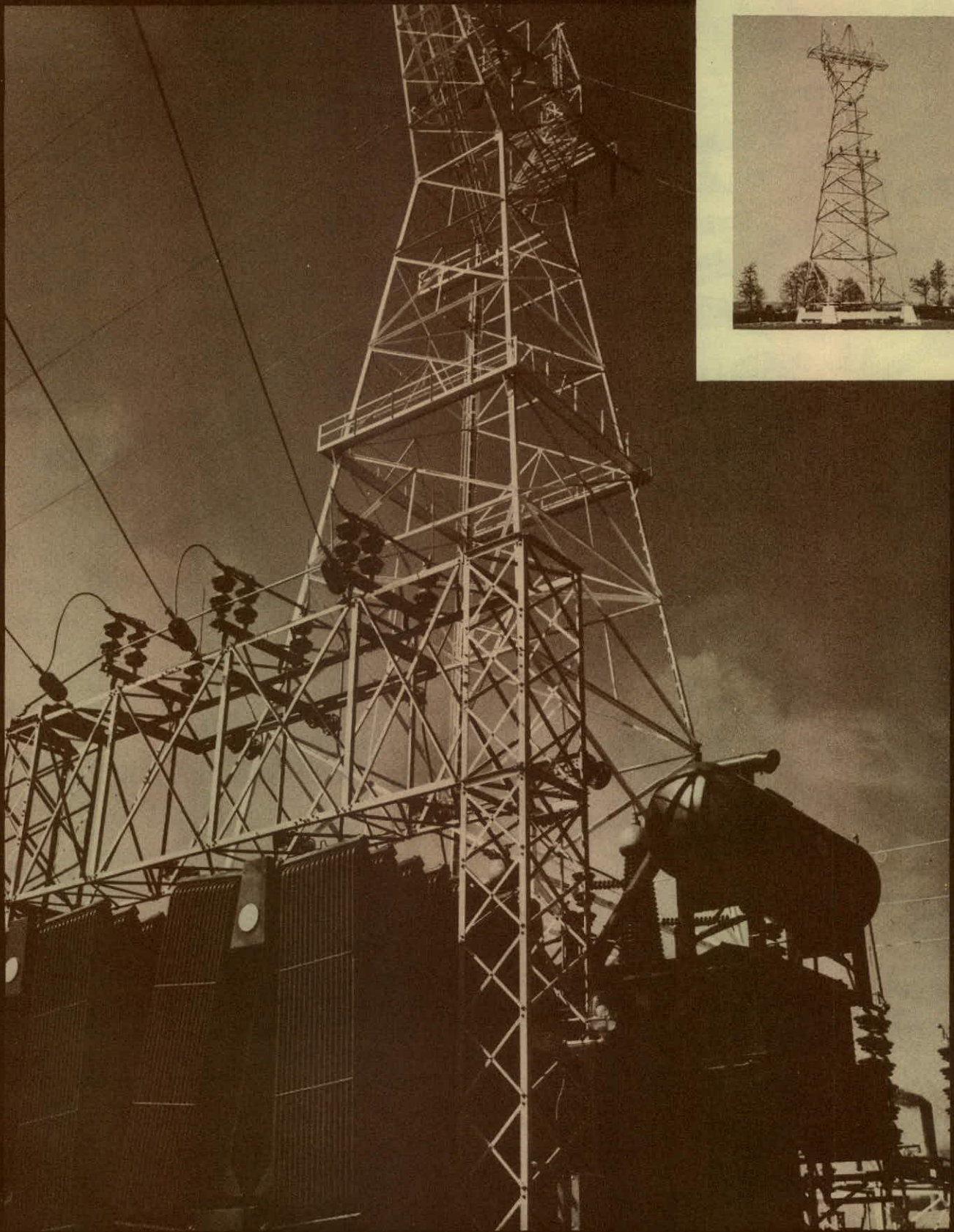


“**WESTERN STORY**”
illustrated

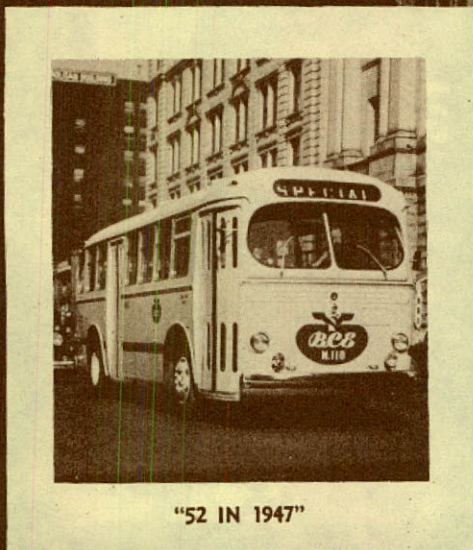


TWELVE MONTHS AGO

The waters of Bridge River now flow through the spillway section of the diversion dam, shown under construction in the inset photograph. Work is now being pushed ahead on construction of the power house at Seton Lake (pictured above), the erection of 660 steel towers to carry the transmission line to Vancouver, the building of penstocks, turbines and generators, preparations for a giant storage dam. First three of an ultimate ten 62,000 H.P. units are under way.

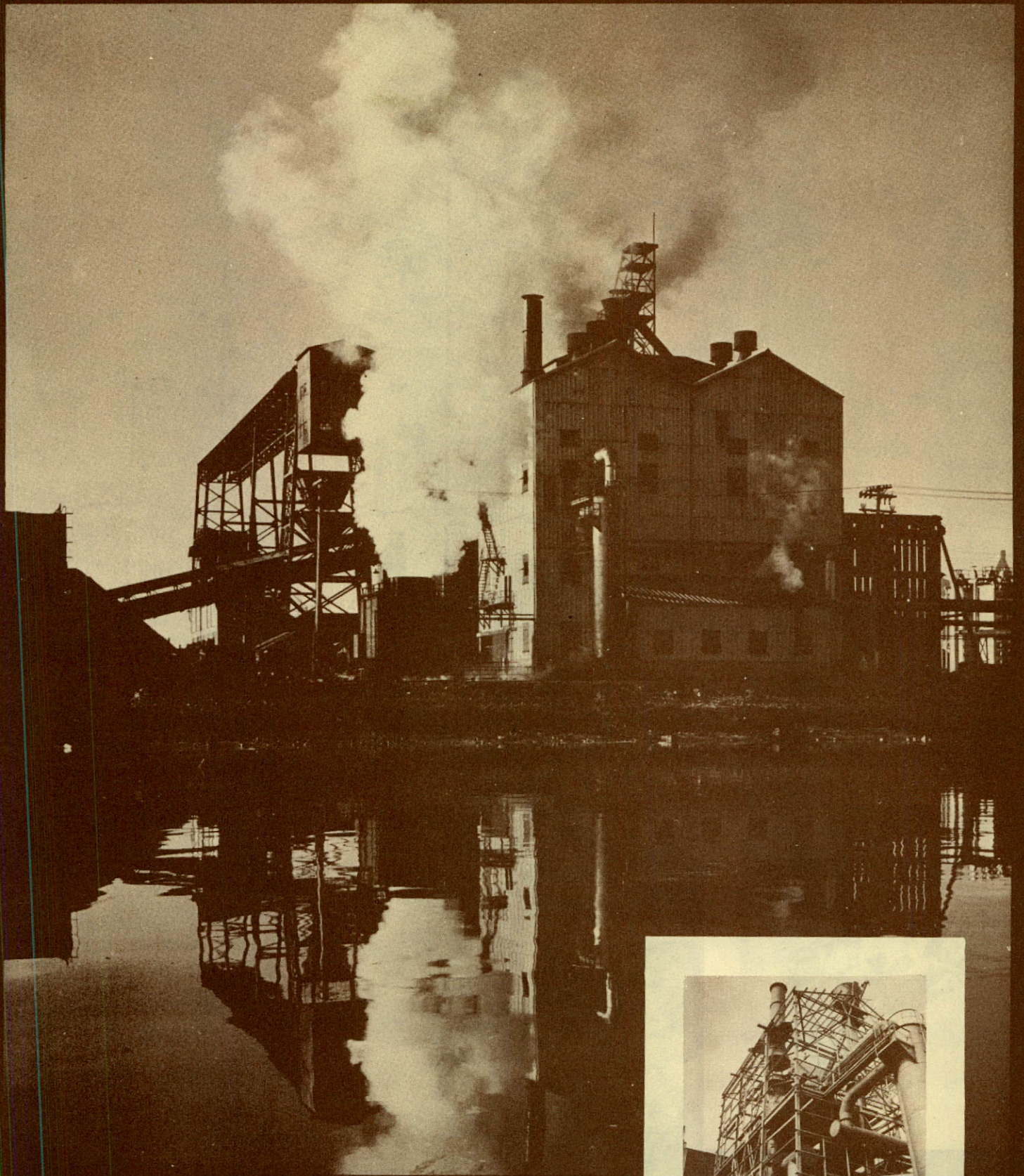


Kidd Substation, nearly completed, will be officially opened early in 1948. It is the second major substation in a great 30-mile distribution ring being created to serve the metropolitan area of Greater Vancouver. Murrin Substation, a \$2,000,000 project in itself, was officially opened November 24, 1947.



"52 IN 1947"

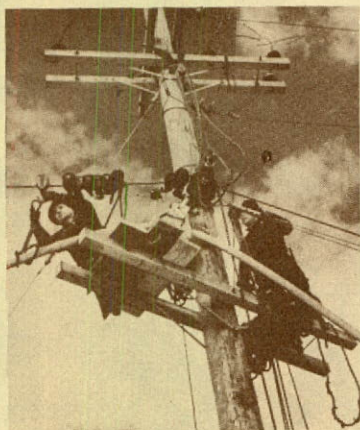
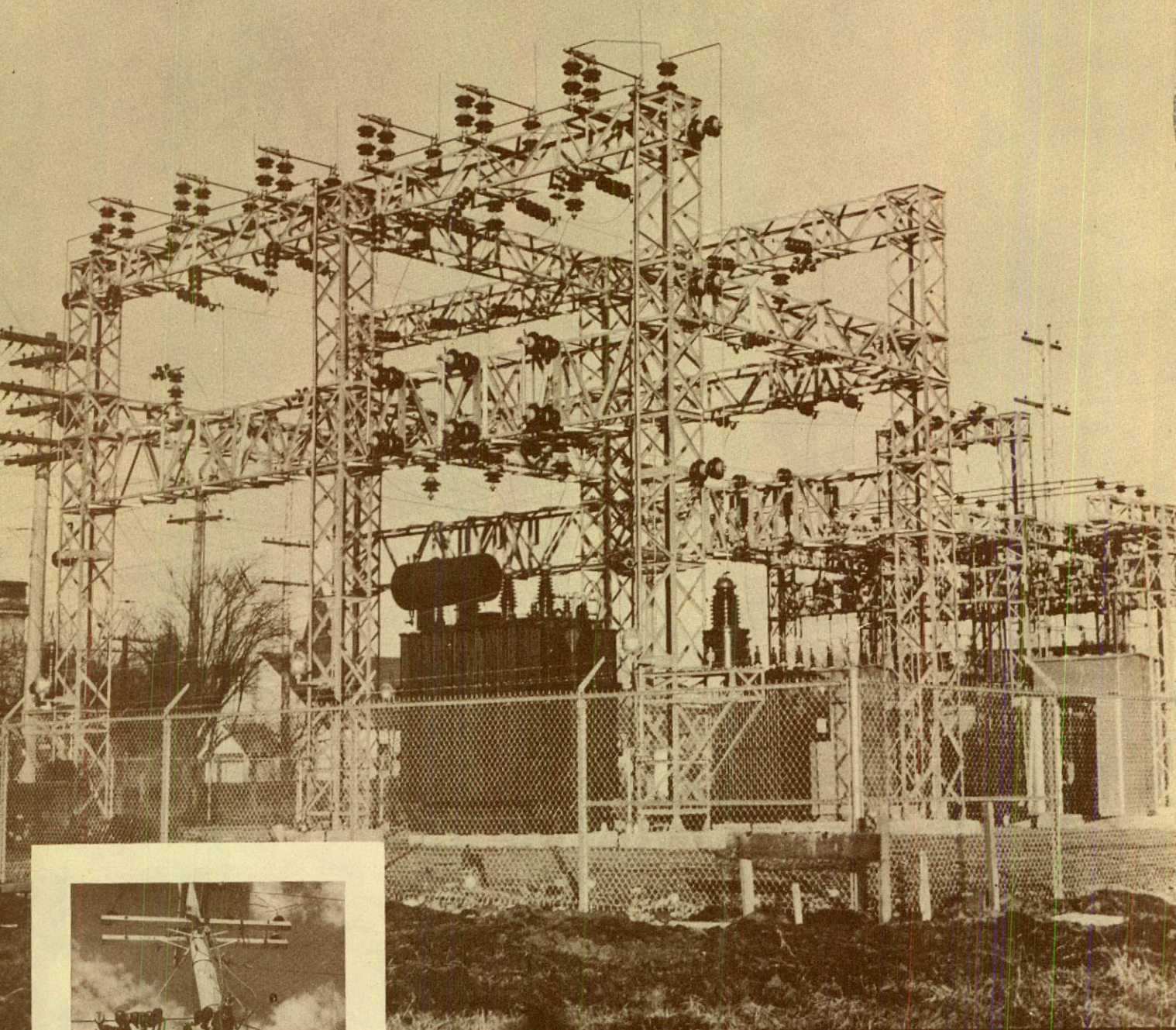
New buses are seen everywhere on B. C. Electric systems, with the delivery in 1947 of 256 vehicles. In Vancouver, a fourteen acre site has been cleared, and plans drawn, for a great new garage to service buses and trolley coaches.



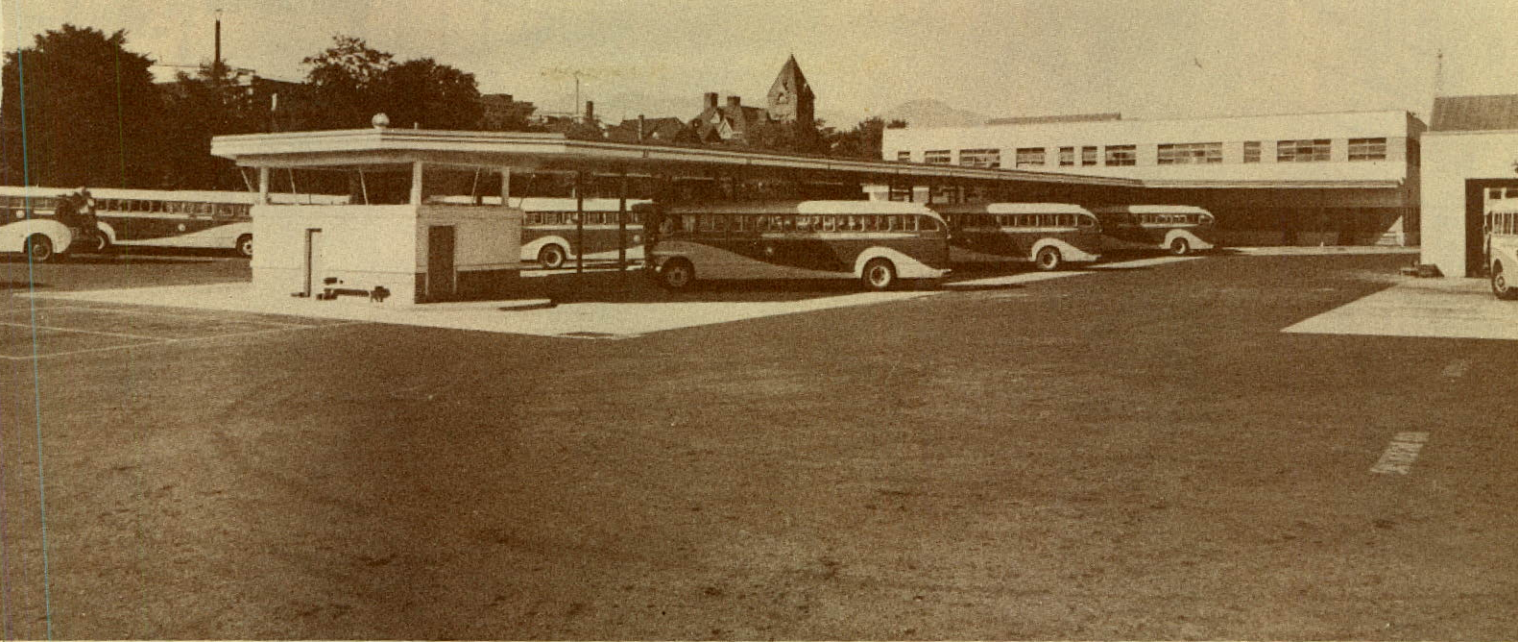
Vancouver's new water gas plant, shown under construction in the inset picture, was officially opened on August 21, 1947. A similar unit of 4,500,000 cu. ft. daily capacity will be installed in the same building. Contracts have been awarded for the modernization of 12 coke ovens, and the construction of 12 new ones. These ovens, besides providing additional gas capacity, will produce coke from which gas is made in the water gas plants.



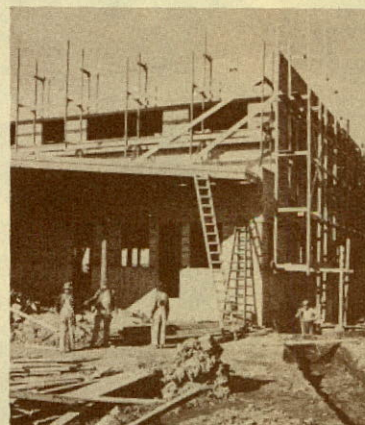
TWELVE MONTHS AGO



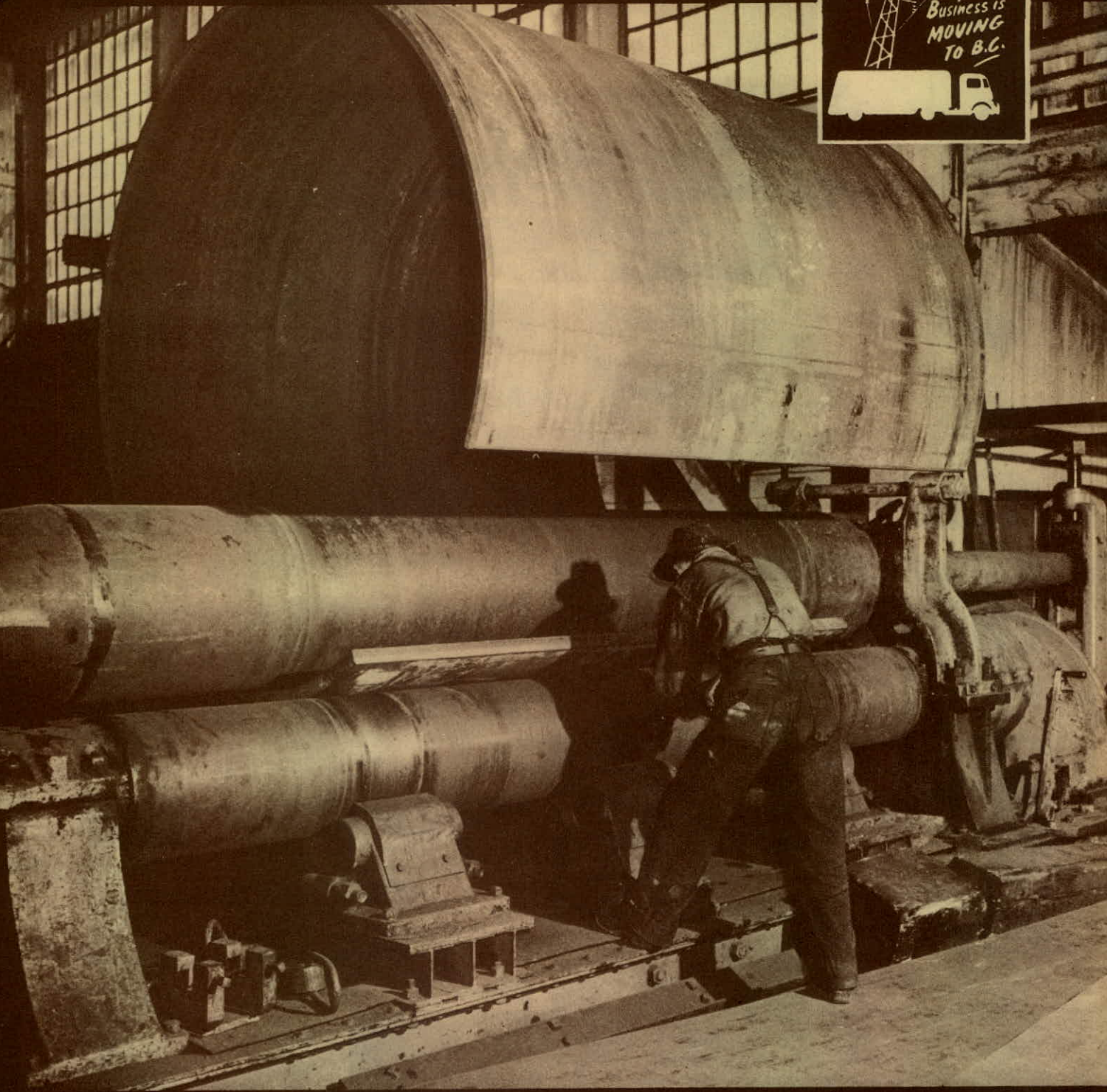
In 1947 over 198 miles of new lines were erected to extend electrical service in the Fraser Valley area, where a record 4889 new connections were made. Meanwhile a continuing program of reinforcing the rural distribution system is being carried on, with over 45 miles of higher voltage lines constructed, and three of six new substations started. Shown nearing completion is Chilliwack Substation, officially opened early in 1948.



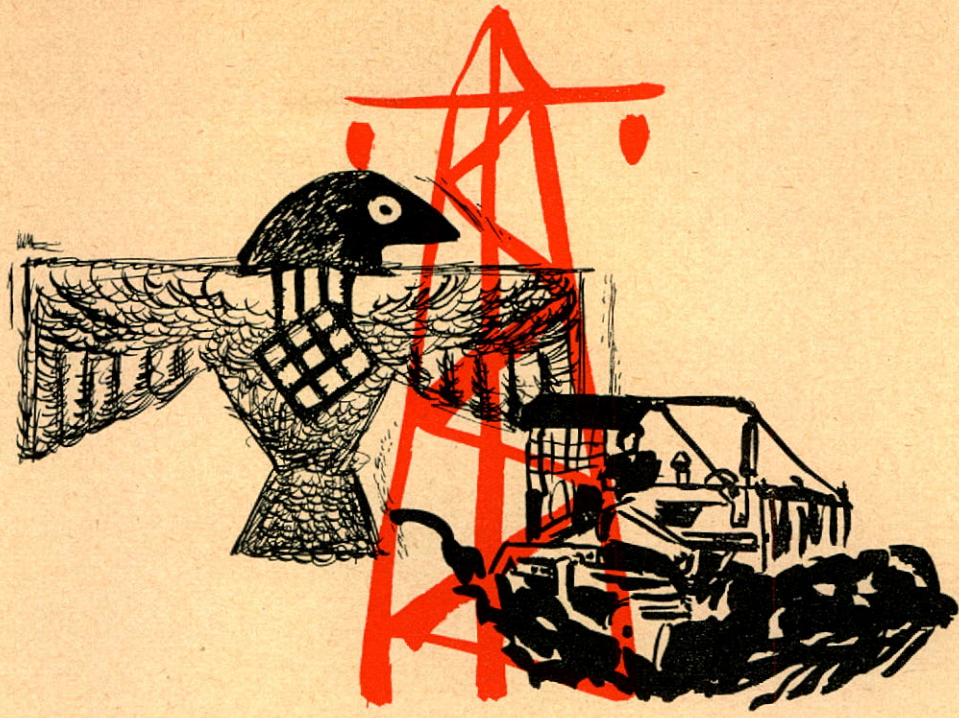
Over 400 arrivals and departures daily are scheduled from B. C. Motor Transportation's Larwill Park bus terminal, opened in August, 1947. A fleet of 120 highway buses, together with B. C. Electric inter-city buses to North Vancouver, operate from this, the most modern transportation terminal on the continent. From here long-distance buses depart for Western Canadian points and Seattle, connecting there with buses serving the United States and Mexico.



TWELVE MONTHS AGO



The Company promotes the industrial development of British Columbia with an international advertising campaign, and follows a policy of placing with B. C. firms as much as possible of its own business. B. C. firms are fabricating the first Bridge River turbine, the penstocks, the steel transmission towers. Pictured here is a section of 1 $\frac{3}{4}$ -in. plate being rolled into a penstock section at the Vancouver Iron Works plant.



*the board of directors of british columbia
power corporation, limited presents its
report for the year 1947 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 1947

directors

E. RONALD CRAMMOND	R. H. B. KER
G. T. CUNNINGHAM	W. G. MURRIN
SYDNEY G. DOBSON	A. J. NESBITT
SEVERE CODIN	P. A. THOMSON
A. E. GRAUER	J. LYMAN TRUMBULL, C.B.E.
J. H. GUNDY, C.B.E., LL.D.	J. B. WOODYATT
ANDREW P. HOLT	NORMAN A. YARROW

officers

A. E. GRAUER	- - - - -	President
E. W. ARNOTT	- - - - -	Vice-President
T. INGLEDOW	- - - - -	Vice-President
W. C. MAINWARING, O.B.E.	- - - - -	Vice-President
LORN McLEAN	- - - - -	Vice-President and Treasurer
T. M. MORAN	- - - - -	Vice-President
J. A. BRICE	- - - - -	Secretary
G. G. WOODWARD	- - - - -	Assistant-Secretary

the principal companies and the general nature of their businesses

BRITISH COLUMBIA POWER CORPORATION, LIMITED

Holding company—no operations.

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED

Manufacture, transmission and distribution of gas in Greater Vancouver. The ownership of electric and gas generation and transmission and gas distribution facilities operated by subsidiary companies. Hydro-Electric Development under construction at Bridge River.

VANCOUVER POWER COMPANY, LIMITED

Generation of electrical energy at Lake Buntzen.

VICTORIA GAS COMPANY LIMITED

Manufacture, transmission and distribution of gas in Greater Victoria.

WESTERN POWER COMPANY OF CANADA, LIMITED

Generation of electrical energy at Alouette, Stave Falls and Ruskin.

VANCOUVER ISLAND POWER COMPANY, LIMITED

Generation of electrical energy at Jordan River and Brentwood.

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED

Distribution of electrical energy in Lower Mainland and Vancouver Island South. Passenger transit operations in Greater Vancouver and Greater Victoria. Interurban rail operation in Lower Mainland for freight and passengers.

B. C. MOTOR TRANSPORTATION LIMITED

Interurban stage operations in Lower Mainland.

THE ROYAL BANK OF CANADA - - Bankers
THE ROYAL TRUST COMPANY - - Registrar

MONTREAL TRUST COMPANY - Transfer Agent
PRICE, WATERHOUSE & CO. - - Auditors

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



officials and their operating functions

1. A. E. GRAUER, President
2. T. INGLEDOW, Vice-president and Chief Engineer
3. W. C. MAINWARING, Vice-president in charge of Island Operations
4. I. W. NEIL, Vice-president and General Manager, B. C. Motor Transportation Limited
5. E. H. ROHRER, Manager, Gas Division
6. A. BRUCE ROBERTSON, General Solicitor
7. H. J. MERILEES, Manager, Public Information Department
8. E. W. ARNOTT, Vice-president in charge of Transportation Division
9. L. B. JACK, General Secretary
10. LORN McLEAN, Vice-president and Chief Financial Officer
11. T. M. MORAN, Vice-president and Assistant to the President
Absent when this picture was taken, H. N. WALTERS, General Sales Manager.





To be submitted at the Annual General Meeting, March 25, 1948.

Annual report of the directors of the British Columbia Power Corporation for the year ending December 31, 1947

Highlight of the year 1947 was the progress at an accelerated pace of the Companies' post-war programme for the betterment and extension of their properties and services. Several major projects in that programme were finished and placed in service during the year and by the year-end the programme as a whole was nearing 50 percent

completion. The year's construction is dealt with in words, figures, and photographs in later sections of this report.

To provide funds for the 1947 construction expenditures financing to the extent of \$17,000,000 was effected during the year.

results of operations



The earnings on the "A" shares amounted to \$1,980,605, which represents \$1.98 per share as compared with \$1,987,917, or \$1.99 per share, in 1946. Dividend payments during 1947 were continued at the rate of \$1.60 per share.

Gross Revenues

The gross revenues from operations for the year amounted to \$31,819,483, an increase of \$1,474,894, or 5 percent over 1946. The various services contributed as follows:

	1946	1947
Electric	\$13,376,919	\$14,571,728
Railway and Urban Buses		
—Passenger and		
Freight	11,638,514	11,409,889*
Stages, Taxis and Motor		
Freight	2,349,446	2,466,084
Gas	2,590,786	3,030,648
Miscellaneous	388,924	341,134
Total	\$30,344,589	\$31,819,483

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

	1946	1947
Kilowatt Hours	794,075,011	909,879,866

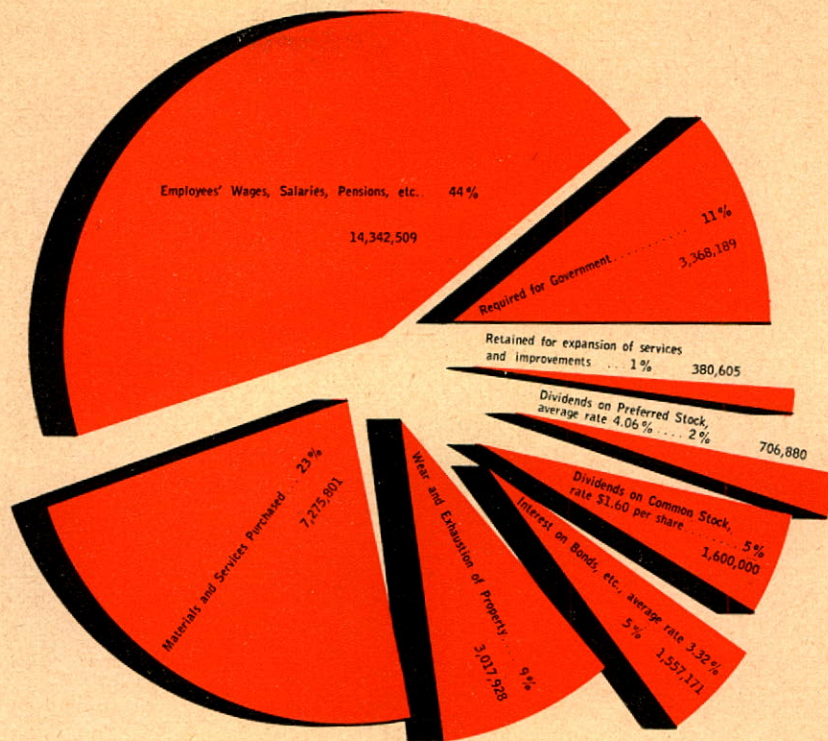
Passengers—

Railway and		
Urban Buses	156,091,301	156,416,742*
Stages and Taxis	5,410,758	5,711,678
Railway Freight		
Tonnage	786,099	723,896
Cubic Feet of Gas	2,740,622,000	2,933,244,000

*The 1947 transportation figures in the above tables were affected by a strike of approximately one month's duration.

The rate of growth in the electric service is greater than the above comparisons show, because the 1946 figures contain revenues of the Kamloops and central Vancouver Island operations which were disposed of at the end of that year.

In former years it was the Companies' practice to include in the revenues an allowance for those arising from services rendered but not yet billed for the electric service of the Lower Mainland, but to make no such allowance in respect of the electric service of Vancouver Island South or in the gas service in either area. In 1947 the accounting treatment was made uniform on this point and the gross revenues for 1947 include the accrued revenues of the three units where this matter had not previously been allowed for. Further reference



disposition of
1947 revenue.

to this matter is to be found in a note to the Consolidated Statement of Income and Earned Surplus.

The electric gross revenues reflect the benefit of the addition of a substantial number of new customers. This growth was particularly impressive in the Fraser Valley which in many respects is becoming virtually a suburban area; during the year, 4,889 new customers were connected there and at the year-end some 2,100 were awaiting connection.

The railway and urban bus passenger revenues were reduced by a strike which lasted from October 20 to November 17, 1947, but benefited from increased rates in Vancouver effective from November 30, 1947.

The increased gas revenues resulted in large part from an increase in the number of customers connected, but in part also from increased rates in Greater Vancouver which were effective from September 22, 1947.

Rates

The Public Utilities Act under which the Companies are regulated provides that the Public Utilities Commission in determining fair rates to consumers and fair return to the utility shall deal with the services, namely, Transportation, Gas, and Electric, separately, but the Act further provides that, if taking the services separately might be inequitable or contrary to the general public interest, the Lieutenant-Governor in Council may direct that two or more services be combined for the purpose of determining fair rates and fair return. Following the provisions of the Act, the

Public Utilities Commission has required the Companies to put forward for consideration studies showing the extent of the additional revenues required to make each service self-sustaining and these studies are now being examined by the experts of the Commission. As the last in the series of regulatory steps required by the Act and commenced by the Commission in 1939, it is expected that the Commission will call general rate hearings some time in 1948 on all the Companies' rates and fares. In the meantime, to meet emergency conditions arising from the recent round of increases in material costs and rates of pay, the Commission ordered interim increases in the Greater Vancouver gas rates effective September 22, and in Vancouver transportation fares effective November 30. Increases in gas and transportation rates in 1947 were general throughout the continent.

Effective November 18 the 8 percent Federal sales tax on domestic gas and electric bills was removed.

Operating Expenses

The total cost of operation increased by \$1,499,926, or 6 percent over the comparable costs of 1946. The largest single item in this increase was in wages following the opening of all wage agreements during 1947.

The amount provided for depreciation in 1947 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 1946.

On the accounting treatment of operating prac-

tices, 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



Reference was made in last year's Report to the breakdown of the efforts to obtain an exclusive transportation franchise providing for unified operation in the four municipalities comprising Greater Victoria. A revised agreement was put before the

ratepayers on June 19 and was passed by almost a 90 percent majority. The transportation franchise agreement negotiated with the City of Vancouver in 1946 was ratified by the Provincial Legislature early in 1947.

construction programme



The net additions to the property account for the year totalled \$16,779,195 as compared with \$9,155,330 in 1946. The major expenditures on the larger projects were as follows:

Electric Extensions—Mainland and Vancouver Island	
To connect 13,447 additional customers	\$3,512,194
Gas Extensions—Mainland and Vancouver Island	
To connect 1,134 additional customers	499,163
Bridge River hydro-electric development	4,880,918
Murrin Substation (formerly named "City")	693,512
Carburetted water gas plant at Vancouver	1,030,500
Buses—Mainland and Vancouver Island	
214 units	4,032,109
Trolley coaches—Vancouver	
42 units	878,518

Work is proceeding on the construction of the first three units of the Bridge River hydro-electric development of 62,000 horsepower each which are scheduled to go into operation as follows:

First unit	October, 1948
Second unit	January, 1949
Third unit	October, 1949

Along with the prosecution of the Bridge River programme the rebuilding and extension of the Greater Vancouver substation and local transmission system is proceeding. The new system, to be in the form of a ring, will comprise five major

substations connected by two local transmission lines so that energy can be fed in either direction around the ring. This basic ring system will serve for all time since, when additional capacity is required, this will be met by inserting an additional substation in the ring. The new Murrin Substation, the largest in the initial group, was officially opened on November 24 and the new Kidd Substation is to be opened early in 1948. The Horne-Payne Substation which will receive Bridge River power is being rebuilt.

The new carburetted water gas plant at Vancouver with a daily capacity of 4,500,000 cubic feet was put into service in August, 1947.

In transportation the Companies' post-war programme called for the conversion of the street car systems in Victoria and North Vancouver to bus operation and for gradual conversion of street car lines in Vancouver to trolley coach and motor bus operation, as well as the establishment there of several new bus lines. The position which had been reached by the end of 1947 was that the North Vancouver conversion had been completed as had the major part of the Greater Victoria conversion; most of the new routes planned for Vancouver had been established; the conversion of street car lines was begun with the elimination of three stretches of line; the first instalment of trolley coach operation is scheduled for 1948.

During the year one of the few remaining steps to be taken in simplifying the operations and concentrating on basic areas and basic services was taken; this was the sale of the taxi business in Vancouver.

power supply



The total kilowatt hours generated and purchased for the combined systems increased by 10.5 percent over 1946. The 1946 figures, however, contained the output of the Kamloops and central Vancouver Island systems which were sold at the end of that year. If the comparison is made for the main system alone, namely that of the Lower Mainland, the increase in energy generated and purchased in 1947 over 1946 is 12.1 percent.

The interconnection with the Northwest Power Pool was completed in July and went into service in August. Surplus energy was obtained over this interconnection which provided protection to the levels in the storage reservoirs of the Lower Mainland system and peaking capacity during the peak load season was obtained over the same interconnection.

financing



To finance the property programme two public issues were made in 1947 by British Columbia Electric Company Limited. The first was an issue on May 12 of \$12,000,000 par value of 4%, Cumulative Redeemable Preferred Shares out of the proceeds of which that Company's \$5,000,000 6%,

Cumulative Preference Shares were redeemed. The new-money element in the issue was approximately \$6,400,000. The second was a new-money issue on October 27 of \$10,000,000 principal amount of First Mortgage Bonds 3 $\frac{1}{4}$ %, Series "B", the proceeds of which amounted to \$9,800,000.

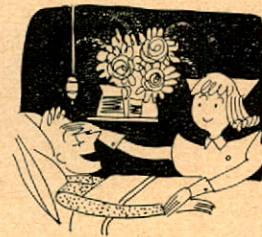
employee relations



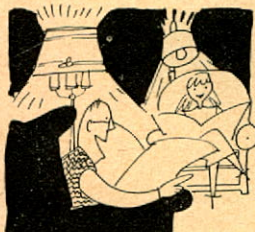
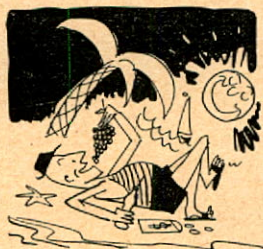
During 1947 negotiations were opened with each of the six unions and one association representing the employees and in all but one case new agreements were concluded by the end of the year. The new agreements are for two-year terms which will provide for stability with respect to wage and salary rates and working conditions throughout 1948. The increased payrolls and salary rolls resulting from these agreements amount to \$2,000,000 on an annual basis. In the case of one agreement, that of the Street Railwaymen's Union, no conclusion could be reached until after a strike lasting from October 20 to November 17. During the strike, operations of two subsidiary companies were maintained where separate agreements exist between those companies and their employees who are members of the Street Railwaymen's Union.

The Companies provide certain benefits for the employees which for the average case represents

a total cost of at least 15 percent of payroll. These benefits include two weeks' vacation with pay, concessions with respect to the cost of gas and electric consumption and the granting of a transportation pass providing free transportation, at least in the



city where the employee works. The Companies maintain a contributory pension plan for all employees under which the Companies meet the full cost of past service. Two unions, representing over 50 percent of all employees, have taken advantage of a contributory welfare plan which provides for hospitalization, medical services, and a weekly indemnity of \$20 per week starting on the first day in cases of injury away from work and on the eighth day in cases of sickness; the payments made to this plan are shared equally by the Companies and the employee. Further benefits paid for by the Companies include such matters as outlays on recreation, and contributions to employee activities of a widely varied nature.



management and direction



During the year Mr. Byron I. Johnson, M.B.E., resigned as a member of the Board upon being chosen as leader of the Liberal party and subsequently as Premier of British Columbia. The

Directors wish to record their appreciation of Mr. Johnson's valuable contribution to the deliberations of the Board and their congratulations upon his elevation to distinguished public office.

personnel



During the year, Mr. S. A. Horner retired as Treasurer of the British Columbia Electric Railway Company; Mr. J. W. Malone as Customers' Accounts Manager; Mr. W. D. Power as General Freight and Passenger Agent; and Mr. F.

E. Reed as Gas Sales Manager. These gentlemen had had service with the Companies of 39, 41, 37, and 35 years respectively. The Directors wish to record their appreciation of the long and faithful service of these and many other employees who retired on pension during the year.

Several important appointments were made in the British Columbia Electric Railway Company during 1947: Mr. P. W. Brown was appointed Treasurer; Mr. Thos. Chambers, Comptroller; Mr. C. A. Manson, Sales Manager; Mr. W. J. Marshall, General Freight and Passenger Agent; Mr. J. H. Taylor, Customer Services Manager; Mr. H. W. Smith, Assistant Chief Engineer of the Engineering Division; and Mr. H. L. Purdy was appointed to the newly created position of Director of Research.

The difficulties under which the Companies operated during the year were many and the Directors desire to record their appreciation of the efforts of the members of the organization who aided in overcoming them.

financial statements



A Consolidated Balance Sheet and Statement of Income and Earned Surplus of British Columbia Power Corporation, Limited and Subsidiary Companies with the opinion thereon of the auditors is attached. Since the present Report is to be mailed

also to the preferred shareholders of the British Columbia Electric Company Limited, there is included, in addition, a Consolidated Balance Sheet and Statement of Income and Earned Surplus of that Company and its Subsidiaries.

* * * * *

While every effort has been made to make this Report an informative account of the activities of the B. C. Electric in 1947, some matters of interest to individual shareholders may not have been covered sufficiently or at all. If this is the case, inquiries at the Annual Meeting or by letter will be welcomed. As an example, at the last Annual Meeting, one of the shareholders said he thought it would be interesting and illuminating if the Re-

port included a table setting forth the names of the main companies in the B. C. Electric group, together with a description of the nature of the operations of each. In response to this suggestion such a table appears in the present Report.



Vancouver, B. C.
March 2, 1948.

A. E. GRAUER,
President.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Income and Earned Surplus
for the Year Ended December 31, 1947*

Gross revenue from operations.....		\$31,819,483
<i>Deduct—</i>		
<i>Expenses:</i>		
Operation and maintenance, including property taxes.....	\$21,833,473	
Legal fees and executive remuneration.....	128,860	
Directors' fees	22,250	
Provision for accidents.....	254,000	
Employees' pensions (Note 1)—		
Payments under contributory pension plan:		
In respect of past years' services.....	\$ 340,000	
In respect of 1947 services.....	338,950	
	\$ 678,950	
Payments to pensioners from general funds.....	235,967	
		914,917
Provision for depreciation.....	3,017,928	
Provision for taxes on income.....	1,833,000	
		28,004,428
Operating income (Note 2).....		\$ 3,815,055
<i>Add—</i>		
Income from investments.....	\$ 140,898	
Profit on sale of investments, etc.....	288,702	
		429,600
		\$ 4,244,655
<i>Deduct—</i>		
Interest on bond debt.....	\$1,656,367	
Less—		
Interest charged to construction (Note 3).....	218,342	
		\$ 1,438,025
Bond discount and refunding expenses written off:		
Applicable to refunded issues.....	\$ 78,420	
Applicable to outstanding issues.....	40,725	
		119,145
		1,557,170
Net income for the year.....		\$ 2,687,485
<i>Deduct—</i>		
Dividends on preference shares and stock of subsidiaries:		
British Columbia Electric Company Limited—		
6% Cumulative preference shares (redeemed May 12, 1947).....	\$ 110,000	
4% Cumulative preferred shares (issued May 12, 1947).....	306,000	
		\$ 416,000
British Columbia Electric Railway Company, Limited—		
5% Cumulative perpetual preference stock.....	290,880	
		706,880
Balance of income		\$ 1,980,605
<i>Add—</i>		
Earned surplus as at January 1, 1947.....	\$ 1,316,677	
Excess of appraised value received over net book value of electric properties disposed of, at Kamloops and in central Vancouver Island.....	586,051	
		1,902,728
		\$ 3,883,333
<i>Deduct—</i>		
Premium on redemption of 6% Cumulative preference shares, and commission and expense on issue of 4% Cumulative preferred shares, of British Columbia Electric Company Limited.....		643,348
		\$ 3,239,985
<i>Deduct—</i>		
Dividends on Class "A" shares of parent company.....		1,600,000
Earned surplus as at December 31, 1947.....		\$ 1,639,985

BRITISH COLUMBIA POWER
AND SUBSIDIARIES
Consolidated Balance Sheet

ASSETS

CURRENT AND WORKING ASSETS:

Cash on hand and in banks.....	\$	1,051,806
Dominion of Canada bonds at cost (quoted market value \$1,088,008).....		1,077,375
Bonds of subsidiary held for resale to employees, at cost—		
British Columbia Electric Company Limited: 3¼% First mortgage bonds series "B" (quoted market value \$93,219)		96,600
Accounts receivable, less reserve.....		2,894,617
Inventories of stores, materials and supplies for operation and construction determined as to quantities by book inventories confirmed annually by physical count or measurement, valued at average cost.....		4,951,598
		\$ 10,071,996

BONDS AND CASH IN HANDS OF TRUSTEE FOR BONDHOLDERS OF SUBSIDIARIES:

Monies held by trustee and withdrawable upon certification of expenditure on additional property—		
Dominion of Canada bonds at cost (quoted market value \$2,784,056).....	\$2,785,954	
Cash and accrued interest.....	3,346	
		\$ 2,789,300
Bonds held for sinking fund—		
British Columbia Electric Company Limited: 3¼% First mortgage bonds series "A".....	320,000	3,109,300

DEFERRED ACCOUNTS RECEIVABLE:

Estimated recoverable portion of excess profits tax.....	\$	1,284,500
Receivable under property sales agreement (Dominion of Canada bonds of \$100,000 par value are held against completion of agreement on March 1, 1948).....		600,000
		1,884,500

EMPLOYEES' PENSION FUND (NOTE 1):

Bonds and cash in hands of trustee (represented as to \$3,158,961 by Dominion of Canada bonds and as to \$101,116 by other securities and cash).....		3,260,077
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INVESTMENTS:

Shares of British Columbia Power Corporation, Limited held by subsidiary companies, at cost (quoted market value \$445,621)		666,540
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DEFERRED CHARGES:

Advance payment on account of 1948 contribution to pension plan, for employees' past services (Note 1) \$	257,656	
Insurance unexpired, deferred payments made under transportation franchise agreements, and other prepaid items	285,968	
		543,624

UNAMORTIZED BOND REFUNDING EXPENSE:

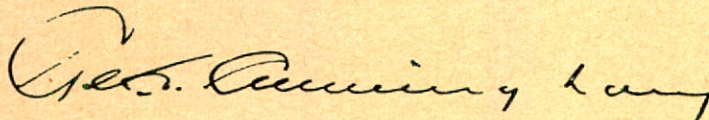
Premium and exchange on bonds redeemed, bond refunding expenses and discounts, less amounts written off—		
Applicable to refunded issues.....	\$ 1,030,083	
Applicable to outstanding issues.....	1,033,955	
		2,064,038

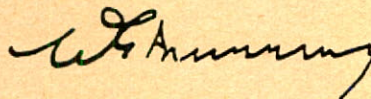
PROPERTY ACCOUNT (NOTE 4):

Lands, franchises, water rights, plants for the generation, transmission and distribution of electric energy and gas, and electric railways, motor coaches and buses, etc.....	\$164,577,276	
Less—Reserve for depreciation.....	43,557,929	
		\$121,019,347
Unfinished construction	14,719,043	
		135,738,390

\$157,338,465

APPROVED ON BEHALF OF THE BOARD:


Director.


Director.

CORPORATION, LIMITED

ARY COMPANIES

as at December 31, 1947

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Accounts payable	\$ 5,945,790	
Debenture and bond interest accrued.....	734,244	
Dividends declared, since paid.....	665,440	
Reserve for taxes on income and other taxes.....	1,934,884	
		\$ 9,280,358

BOND DEBT:

<i>British Columbia Electric Company Limited—</i>		
3¼% First mortgage bonds:		
Series "A", due January 2, 1967.....	\$33,000,000	
Series "B", due October 1, 1967.....	10,000,000	
		\$43,000,000
<i>British Columbia Electric Railway Company, Limited—</i>		
4¼% Perpetual consolidated debenture stock, £2,788,170 at \$4.85.....	13,522,624	
		56,522,624

CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

<i>British Columbia Electric Company Limited—</i>		
6% Cumulative preference shares.....	\$ 5,000,000	
<i>Less—</i>		
Redeemed May 12, 1947.....	5,000,000	
	\$ —	
4% Cumulative preferred shares (redeemable at a premium of 3%):		
Issued May 12, 1947.....	12,000,000	
		\$12,000,000
<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	
		18,987,446

RESERVES:

General and accident.....	\$ 997,710	
Employees' pension fund (per contra).....	3,260,077	
		4,257,787

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 4)..... 6,115,765

DEFERRED SURPLUS—

Estimated recoverable portion of excess profits tax (per contra)..... 1,284,500

EARNED SURPLUS (per statement attached)..... 1,639,985

68,290,250

COMMITMENTS (NOTE 5):

\$157,338,465

The above consolidated balance sheet and related statement of income and earned surplus, supplemented by the notes appended thereto, are submitted with our report to the shareholders dated February 25, 1948.

PRICE, WATERHOUSE & Co.,
Auditors.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 1947

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 non-contributory fund on an actuarial basis to provide for pension payments. The amount of \$3,260,077 recorded in the attached consolidated balance sheet is the sum of these payments, together with interest earned on investments made by the trustee, less charges to the fund in respect of payments to pensioners.

No payments have been made to the Royal Trust Company since 1945. As of October 1, 1946, the companies entered into contracts with the Dominion Government Annuities Branch and the Standard Life Assurance Company, of Edinburgh, for basic and supplementary contributory retirement plans respectively.

It is the present intention of the companies to complete the plan for providing pensions in respect of employees' services in past years by:

- (1) Transfer or payment to the Annuities Branch and the Standard Life Assurance Company at dates as yet unspecified of sums equivalent to the funds in the hands of the Royal Trust Company, and
- (2) Payment to the Annuities Branch and the Standard Life Assurance Company of amounts equivalent to seven annual payments of \$340,000 commencing in 1947.

The income tax authorities have indicated that they will allow the last-mentioned series of payments as deductions from taxable income. In order to make the plan self-supporting in the early years, it was necessary for the companies to make in 1947 initial payments totalling \$597,656. The excess payment of \$257,656 over the instalment approved for income tax purposes of \$340,000 in 1947 has been carried forward in the attached balance sheet as a deferred charge and the payment for the year 1948 will be reduced proportionately.

In addition, the companies made or provided for payments totalling \$338,950 in respect of services rendered by employees during 1947.

It is also the intention of the companies to pay the pensions of employees who have retired or in future retire under the non-contributory plan from general funds, and the income tax authorities have indicated that they will allow such payments as current expenses for tax purposes.

Note (2):

The revenue from all electric and gas services rendered in December 1947, but not billed until January 1948, has been brought into operating income for the year 1947. In previous years this treatment had been accorded to the accrued revenue from the largest unit only, viz., the electric service on the Lower Mainland. The change has made the companies' accounting practice uniform for all electric and gas services rendered in a given fiscal year. Had the practice of previous years been continued in 1947, the earnings for the year would have been

less than those reported, after adjustment for taxes on income, by approximately \$166,000.

Note (3):

In accordance with the practice of earlier periods when the companies were undertaking large, long-term construction projects, interest on unfinished construction has been capitalized (at a rate for 1947 of 3¼%, commensurate with the cost of interest on new-money bond financing) with corresponding reduction of the charge against the year's earnings.

Note (4)—Property Account:

The properties are included at original cost to the companies (which includes discount on bonds of \$728,671 charged to construction accounts), plus the excess of the cost of acquiring the shares of subsidiary companies over the net book values of such shares at date of acquisition; 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.

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, including unfinished construction, amounted at December 31, 1947, to approximately \$145,000,000; to this should be added the book value of properties outside the Commission's jurisdiction and not so valued, amounting to some \$5,000,000, making a total of approximately \$150,000,000 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, 1947 to approximately \$44,000,000. The foregoing amounts represent the valuation for rate-making purposes and neither they nor the amounts at which the properties are carried in the consolidated balance sheet purport to represent present realizable value nor 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 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 (5)—Commitments:

As at December 31, 1947, the companies had contracts and commitments for construction and other capital expenditures which aggregated approximately \$17,500,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

February 25, 1948.

TO THE SHAREHOLDERS,

BRITISH COLUMBIA POWER CORPORATION, LIMITED:

We have examined the consolidated balance sheet of British Columbia Power Corporation, Limited and subsidiary companies as at December 31, 1947, and the consolidated statement of income and earned surplus for the year ended on that date, and have obtained all the information and explanations which we required. In connection therewith we examined or tested accounting records of the companies and other supporting evidence but we did not make a detailed audit of the transactions.

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 provision for the period under review and that of the tax reserve shown on the consolidated balance sheet are subject to acceptance by the taxation authorities of the companies' returns and of the accounting policies on which they are based.

As in past years, there is included 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 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, 1947, and the income for the year ended on that date.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Earned Surplus
for the Year Ended December 31, 1947

Net income for the year (per consolidated statement of income and earned surplus of British Columbia Power Corporation, Limited and subsidiary companies).....		\$2,687,485
<i>Add back—</i>		
Expenses of British Columbia Power Corporation, Limited:		
Interest on bond debt (one day's interest on bonds of British Columbia Power Corporation, Limited redeemed on January 2, 1947).....	\$ 3,301	
Bond discount and refunding expenses written off.....	58,645	
		<u>61,946</u>
Net income for the year of British Columbia Electric Company Limited and subsidiary companies (Note below).....		\$2,749,431
<i>Deduct—</i>		
Dividends on preference stock of subsidiary:		
British Columbia Electric Railway Company, Limited—5% Cumulative perpetual preference stock.....		290,880
Balance of income.....		<u>\$2,458,551</u>
<i>Add—</i>		
Earned surplus as at January 1, 1947.....	\$1,311,904	
Excess of appraised value received over net book value of electric properties disposed of, at Kamloops and in central Vancouver Island	586,051	
		<u>1,897,955</u>
		\$4,356,506
<i>Deduct—</i>		
Premium on redemption of 6% Cumulative preference shares, and commission and expense on issue of 4% cumulative preferred shares, of British Columbia Electric Company Limited.....		643,348
		<u>\$3,713,158</u>
<i>Deduct—</i>		
Dividends on shares of British Columbia Electric Company Limited:		
6% Cumulative preference shares (redeemed May 12, 1947).....	\$110,000	
4% Cumulative preferred shares (issued May 12, 1947).....	306,000	
		<u>\$ 416,000</u>
Class "A" and "B" shares (all owned by British Columbia Power Corporation, Limited).....	1,686,304	
		<u>2,102,304</u>
Earned surplus as at December 31, 1947.....		<u>\$1,610,854</u>

NOTE: As British Columbia Power Corporation, Limited is purely a holding company and carries on no operations, the only difference between the consolidated net income of British Columbia Electric Company Limited and subsidiaries and that of British Columbia Power Corporation, Limited and subsidiaries is represented by the interest on bonds (now redeemed) and the amortization of bond discount and refunding expense of British Columbia Power Corporation, Limited.

ASSETS

CURRENT AND WORKING ASSETS:

Cash on hand and in banks.....	\$ 1,051,104	
Dominion of Canada bonds at cost (quoted market value \$1,088,008).....	1,077,375	
Company bonds held for resale to employees, at cost—		
3¼% First mortgage bonds series "B" (quoted market value \$93,219).....	96,600	
Accounts receivable, less reserve.....	2,894,617	
Inventories of stores, materials and supplies for operation and construction determined as to quantities by book inventories confirmed annually by physical count or measurement, valued at average cost.....	4,951,598	
		\$ 10,071,294

BONDS AND CASH IN HANDS OF TRUSTEE FOR BONDHOLDERS:

Monies held by trustee and withdrawable upon certification of expenditure on additional property—		
Dominion of Canada bonds at cost (quoted market value \$2,784,056).....	\$2,785,954	
Cash and accrued interest.....	3,346	
		\$ 2,789,300
Bonds held for sinking fund—3¼% First mortgage bonds series "A".....	320,000	3,109,300

DEFERRED ACCOUNTS RECEIVABLE:

Estimated recoverable portion of excess profits tax.....	\$ 1,284,500	
Receivable under property sales agreement (Dominion of Canada bonds of \$100,000 par value are held against completion of agreement on March 1, 1948).....	600,000	1,884,500

EMPLOYEES' PENSION FUND (NOTE 1):

Bonds and cash in hands of trustee (represented as to \$3,158,961 by Dominion of Canada bonds and as to \$101,116 by other securities and cash).....		3,260,077
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INVESTMENTS:

Shares of British Columbia Power Corporation, Limited, at cost (quoted market value \$445,621).....		666,540
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DEFERRED CHARGES:

Advance payment on account of 1948 contribution to pension plan, for employees' past services (Note 1).....	\$ 257,656	
Insurance unexpired, deferred payments made under transportation franchise agreements, and other prepaid items.....	285,968	543,624

UNAMORTIZED BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond refunding expenses and discounts, less amounts written off—		
Applicable to refunded issues.....	\$ 240,607	
Applicable to outstanding issues.....	1,033,955	1,274,562

PROPERTY ACCOUNT (NOTE 4):

Lands, franchises, water rights, plants for the generation, transmission and distribution of electric energy and gas, and electric railways, motor coaches and buses, etc.....	\$164,577,276	
Less—Reserve for depreciation.....	43,557,929	
	\$121,019,347	
Unfinished construction.....	14,719,043	135,738,390

\$156,548,287

APPROVED ON BEHALF OF THE BOARD:

John Cunningham Lang
 Director.

W. L. Manning
 Director.

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED
 (Columbia Power Corporation, Limited)
 AND OTHER COMPANIES
 as at December 31, 1947

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:	
Accounts payable	\$ 5,938,885
Debenture and bond interest accrued.....	734,244
Dividends declared, since paid.....	265,440
Amount owing to British Columbia Power Corporation, Limited.....	759,712
Reserve for taxes on income and other taxes.....	1,671,030
	\$ 9,369,311
BOND DEBT:	
<i>British Columbia Electric Company Limited—</i>	
3¼% First mortgage bonds:	
Series "A", due January 2, 1967.....	\$33,000,000
Series "B", due October 1, 1967.....	10,000,000
	\$43,000,000
<i>British Columbia Electric Railway Company, Limited—</i>	
4¼% Perpetual consolidated debenture stock, £2,788,170 at \$4.85.....	13,522,624
	56,522,624
CAPITAL STOCK 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.....	\$ 997,710
Employees' pension fund (per contra).....	3,260,077
	4,257,787
CAPITAL AND SURPLUS:	
SHARE CAPITAL—	
<i>Authorized:</i>	
200,000 preferred shares of \$100.00 each	
1,000,000 Class "A" shares of no par value	
1,000,000 Class "B" shares of no par value	
<i>Issued and Paid Up—</i>	
4% Cumulative preferred shares of \$100.00 each (redeemable at a premium of 3%)—	
120,000 shares	\$12,000,000
1,000,000 Class "A" shares of no par value	
and	
1,000,000 Class "B" shares of no par value.....	58,400,000
	\$70,400,000
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 (Note 4).....	6,115,765
DEFERRED SURPLUS—	
Estimated recoverable portion of excess profits tax (per contra).....	1,284,500
EARNED SURPLUS (per statement attached).....	1,610,854
	79,411,119
COMMITMENTS (NOTE 5):	
	\$156,548,287

NOTE: The above consolidated balance sheet and related statement of income and earned surplus are submitted with our report to the shareholders dated February 25, 1948. The explanatory notes supplementing the accompanying consolidated balance sheet and related statement of income and earned surplus of British Columbia Power Corporation, Limited and subsidiary companies as at December 31, 1947, apply equally to the relevant items in the above consolidated balance sheet.

PRICE, WATERHOUSE & Co.,
Auditors.

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED
AND SUBSIDIARY COMPANIES

February 25, 1948.

TO THE SHAREHOLDERS,

BRITISH COLUMBIA ELECTRIC COMPANY LIMITED:

We have examined the consolidated balance sheet of British Columbia Electric Company Limited and subsidiary companies as at December 31, 1947, and the consolidated statement of income and earned surplus for the year ended on that date, and have obtained all the information and explanations which we required. In connection therewith we examined or tested accounting records of the companies and other supporting evidence but we did not make a detailed audit of the transactions.

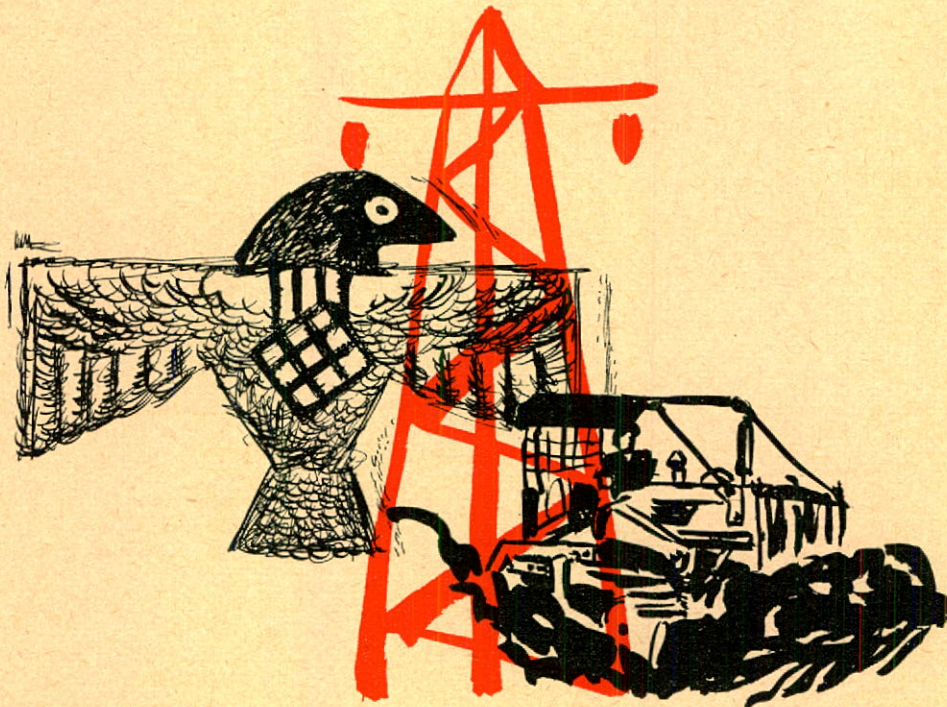
The company's returns for income and excess profits taxes and those of its important subsidiary companies have been assessed up to and including the year 1940. The returns for the subsequent years have not yet been reviewed by the taxation authorities and the adequacy of the provision for the period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

As in past years, there is included 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 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, 1947, and the income for the year ended on that date.

PRICE, WATERHOUSE & Co.,

Chartered Accountants.



1947 saw a large portion of our capital program for expansion well under way, but much of the expenditure was on projects still to be completed, so the companies had the carrying charges but not the earning power.

Operating costs, too, increased considerably, due principally to retroactive wage rates.

1948 will differ from 1947 in important respects. The companies will have the benefit of increases in transportation fares and gas rates. Union wage agreements with the bulk of our employees are signed up throughout 1948.

Faith in the future of the territory we serve and in the companies was evidenced clearly through the recent issue of \$12,000,000 in preferred shares, when B. C. resident ownership acquired over \$9,000,000 worth, or approximately 70 per cent.

John W. Hines

Vice-President and Treasurer.

