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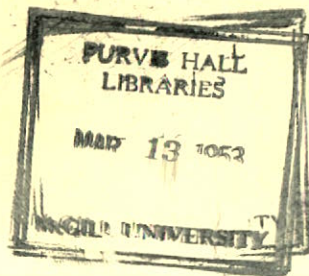
A N N U A L R E P O R T



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Lower St. Lawrence Power Company

RIMOUSKI, QUE., CANADA



LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.

DIRECTORS

Honorable JULES A. BRILLANT, M.L.C., C.B.E.
PAUL-ÉMILE GAGNON, Q.C. THOMAS A. BERNIER, C.E.
NORMAN GENDREAU HENRI LABRIE
JACQUES BRILLANT CAROL BRILLANT

OFFICERS

Honorable JULES A. BRILLANT, M.L.C., C.B.E. President
THOMAS A. BERNIER, C.E. Vice-President and Chief Engineer
NORMAN GENDREAU Vice-President and Treasurer
PAUL-ÉMILE GAGNON, Q.C. Secretary
JACQUES BRILLANT Special Assistant to the President

BANKERS

NATIONAL CANADIAN BANK

TRANSFER AGENTS FOR PREFERRED STOCK

ADMINISTRATION AND TRUST COMPANY

TRUSTEES

ADMINISTRATION AND TRUST COMPANY

THE YEAR IN REVIEW

Total kilowatt hours sold, 49,280,905, up 14.3%.

24,423 meters were in service at the end of 1952, an increase of 2,793.

Gross revenue from power sales, \$1,457,246, an increase of \$180,595, or 14.1% over last year.

Net profit increased from \$175,834 in 1951 to \$224,660 in 1952.

Regular quarterly dividends of 25¢ per preferred share were paid during the year.

Capital expenditures amounted to \$436,853 during 1952.

Total taxes paid amounted to \$313,570. This constituted 19.7% of our gross revenue for the year or \$3.92 per common share and \$12.84 per customer.

Salaries and wages paid to employees totalled \$529,481. The average number of employees during the year amounted to 234.

LOWER ST. LAWRENCE POWER COMPANY
Rimouski, Que.

THE PRESIDENT REPORTS
to the shareholders

Your Directors, in presenting this year's Annual Report, feel that a general review of the economic developments of the area served by your Company would be of interest to you. In the following pages, in addition to the Balance Sheet and other related financial data on the year's operations, we have endeavoured to bring to life some of the highlights of this economic expansion and their bearing on your Company's business. While this cannot be a complete report on the development of our territory, it does provide a series of commentaries based on the available 1951 Census data.

THE COMPANY'S PROGRESS

During the last ten years (1942-1952) our plant investment rose from \$2,635,224 to \$8,061,009, and our lines from 462 to 1,134 miles. We doubled the number of towns and villages served — 50 to 108 — and trebled the number of meters in service — 8,327 to 24,423. Our kilowatt-hour sales increased more than three times, from 15.3 million to 49.3 million.

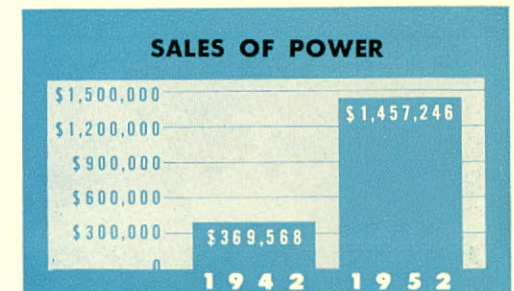
As mentioned in last year's report, in anticipation of a large-scale economic development of the service area, your Company has taken steps to increase its power supply. An agreement is presently being negotiated with the Quebec Hydro Electric Commission which will cover our power requirements for the next ten years.

The power, generated in the new hydro-electric plants on the North Shore, will be transmitted to the South Shore over submarine cables, where a portion of it will become available to your Company. The Quebec Hydro has already awarded a contract to Canada Wire and Cable Company for the installation of four 69 KV submarine cables between Outardes on the North Shore and Les Boules on the South Shore of the St. Lawrence River. The work on these cables should be completed in October 1954.

While your Company's power plants operated very satisfactorily during the past year and have met all requirements for power, we are now able to look forward to expanding our services, and to encouraging the location of new industries in our service area based on the above assurance of an additional source of power. Your Company is taking the necessary measures to be in a position to accept delivery of power from this new source at Les Boules when it is available.

THE INCREASE IN POPULATION

Your Company serves more than 24 thousand clients in a territory which covers, completely or in part, the following seven counties: Bonaventure, Gaspé Nord, Matane, Matapédia, Rimouski, Rivière-du-Loup, and Temiscouata.



LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.

SIMPLIFIED STATEMENT OF INCOME

For the years ended 31st. December 1952 and 1951

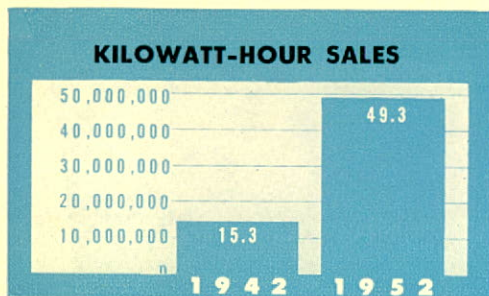
REVENUES:	<u>1952</u>	<u>%</u>	<u>1951</u>	<u>%</u>
Sales of Power	\$1,457,246	91.8	\$1,276,651	89.7
Net profit from our retail stores	85,641	5.4	96,183	6.8
Other sources	44,800	2.8	50,435	3.5
TOTAL	<u>\$1,587,687</u>	<u>100%</u>	<u>\$1,423,269</u>	<u>100%</u>
EXPENSES:				
Material and services bought from others	227,718	14.3	218,022	15.3
*Wages and salaries	392,532	24.7	329,360	23.1
Taxes and fees paid directly to Federal, Provincial and Municipal Governments	313,570	19.6	296,767	20.9
Interest to bondholders and financing expenses	175,733	11.5	179,064	12.6
Provision for depreciation	222,083	13.9	198,163	13.9
Pension fund and other employee benefits	31,391	1.9	26,059	1.8
TOTAL	<u>\$1,363,027</u>	<u>85.9</u>	<u>\$1,247,435</u>	<u>87.6</u>

NET PROFIT	224,660		175,834	
Dividends paid on the preferred stock	49,520	3.1	50,000	3.5
Dividends paid on the common stock	32,000	2.0	19,800	1.4
EARNINGS RETAINED FOR USE IN THE BUSINESS	\$ 143,140	9.0	\$ 106,034	7.5
		<u>100%</u>		<u>100%</u>

*Not including wages and salaries charged to capital account

LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.



In the 1941-1951 decade, the population of this area increased by 14.5%; from 208,895 to 239,162. The urban population increased by 35% which compares favourably with the 29% increase for the urban population of the Province of Quebec.

As a counterpart, the number of people living on farms in our area shows a slight decrease: from 118,066 in 1941 to 111,958 in 1951. However, if we take the total rural population — that is people living on farms and others residing outside of incorporated municipalities of 1,000 or more inhabitants — we have an increase of 8.6% or 16,010 persons. In our service area, as in other parts of Canada, there has been a continuous shift of population from the rural districts to the towns.

Consumption of power in our area has been rising faster than the increase in population. The number of inhabitants of the 12 largest urban municipalities rose by 49% from 1941 to 1951, while the number of clients therein increased by 114%. In the balance of our area, which is predominantly rural, we had a 10% increase in population and a 280% increase in the number of clients. The average annual consumption of power per residential consumer rose from 367 kwh to 941 kwh, that is by 156%. Average annual consumption per farm customer increased by 113%; from 239 kwh to 499 kwh.

This development reflects very favourably on your Company's future prospects. The stability of earnings of any power company depends, in large measure, on sales of energy to domestic and commercial consumers. As shown by the table hereunder, sales of power to these two categories of clients account for 72% of the gross revenue. In estimating the financial benefits your Company will derive from the economic expansion of its area, emphasis has to be put on the increase of domestic consumption of power, both urban and rural.

PERCENTAGE OF TOTAL REVENUE FROM SALES OF ENERGY

	<u>1930</u>	<u>1935</u>	<u>1940</u>	<u>1945</u>	<u>1952</u>
Residential	40.9%	36.6%	39.9%	35.1%	38.3%
Farms		3.8	3.3	3.9	11.7
Commercial	36.1	29.6	27.6	23.8	23.3
Industrial		4.6	10.1	20.0	15.2
Municipal	4.9	4.7	4.1	3.6	2.9
Other utilities		.6	.7	1.9	2.6
Town of Campbellton	18.1	20.1	14.3	11.7	6.0
Total revenue	100.0%	100.0%	100.0%	100.0%	100.0%

Sales of energy to domestic consumers are noted for their inherent stability. Even in periods of general economic depression, the average consumption per domestic client remains almost constant. Electric light and power, as well as other utilities, have become indispensable parts of daily life. The

LOWER ST. LAWRENCE
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Statement of
SURPLUS

for the year ended 31st December 1952

BALANCE — 31st DECEMBER 1951		\$1,074,407
Dividends on 5% preferred shares — at \$1.00 per share	\$49,520	
on common shares — at 40 cents per share	32,000	81,520
		<hr/>
		992,887
Net profit for the year		224,660
		<hr/>
BALANCE — 31st DECEMBER 1952		\$1,217,547
		<hr/> <hr/>

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Comparative Statement
of
PROFIT & LOSS

for the years ended 31st December 1952 and 1951

	<u>1952</u>	<u>1951</u>
Gross revenue from sale of power	\$1,457,246	\$1,276,651
Profit from retail stores and electrical contracting	85,641	96,183
Miscellaneous revenue	44,800	50,435
	<u>1,587,687</u>	<u>1,423,269</u>
Operating expense	662,173	593,231
Taxes	57,806	52,776
Miscellaneous interest	1,030	860
Contribution to employees' pension fund	17,571	15,403
	<u>738,580</u>	<u>662,270</u>
Operating profit	849,107	760,999
Bond interest	160,187	163,518
Amortization of financing expense	15,546	15,546
Provision for depreciation	222,083	198,163
	<u>397,816</u>	<u>377,227</u>
Net profit before income taxes	451,291	383,772
Provision for income taxes	226,631	207,938
NET PROFIT for the year	<u>\$ 224,660</u>	<u>\$ 175,834</u>

A S S E T S

FIXED ASSETS:

Land, water power sites, generating plants, buildings, transmission and distribution systems, motor vehicles, etc. — at cost

CURRENT ASSETS:

Cash

Accounts receivable, less reserve for doubtful accounts

Investments — at cost
(approximate market value \$74,240)

Inventories — at cost

Merchandise for sale

Maintenance and construction stores

Prepaid expenses

TOTAL CURRENT ASSETS

CASH ON DEPOSIT WITH TRUSTEE FOR SINKING FUNDS

MISCELLANEOUS INVESTMENTS (at cost) AND ADVANCES

FINANCING EXPENSE LESS AMOUNTS WRITTEN OFF

Note:

The company is guarantor of \$60,000 3% first mortgage bonds due 1953 to 1958 issued by The Mitis Company Limited.

APPROVED ON BEHALF OF THE BOARD:

J. A. BRILLANT }
N. GENDREAU } Directors.

AUDITORS' REPORT

To the Shareholders

We have examined the balance sheet of Lower St. Lawrence Power Company as at 31st December 1952 and the statements of profit and loss and surplus for the year ended on that date 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 balance sheet and statements of profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st December 1952 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

McDONALD, CURRIE & CO.,
Chartered accountants.

MONTREAL, 16th February 1953.

LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.

COMPARATIVE BALANCE SHEET

as at 31st December 1952 and 1951

		L I A B I L I T I E S	
<u>1952</u>	<u>1951</u>		
		FUNDED DEBT:	
		First mortgage bonds	\$3,533,500
		General mortgage bonds	740,000
\$8,061,009	\$7,630,173	(for details of funded debt see overleaf)	-----
			\$4,273,500
		CAPITAL STOCK AND SURPLUS:	
		Capital stock —	
\$511,582	555,233	Authorized —	
		75,000 5% cumulative sinking fund redeemable preferred shares	1,500,000
159,298	131,024	of \$20 each	
		80,000 common shares without nominal or par value	—
		Issued and fully paid —	=====
76,296	80,116	49,360 preferred shares (640 shares were redeemed and cancelled	987,200
		during the year)	
82,763	96,372	80,000 common shares	330,000
69,306	48,281		-----
10,739	15,163	Surplus — as per attached statement	1,317,200
			1,217,547

909,984	926,189	RESERVE FOR DEPRECIATION	2,534,747
			1,836,190
2,099	2,312	CONTRIBUTIONS FOR EXTENSIONS	62,049
			49,116
39,070	34,633	CURRENT LIABILITIES:	
		(exclusive of \$65,000 funded debt maturing serially)	
139,816	155,362	Dividend payable on preferred shares	12,340
		Dividend payable on common shares	32,000
		Accounts payable and accrued expenses	219,614
		Accrued bond interest	45,112
		Income taxes	136,426

		TOTAL CURRENT LIABILITIES	445,492
\$9,151,978	\$8,748,669		-----
			\$9,151,978
			\$8,748,669

LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que

SOURCES AND APPLICATION OF FUNDS

WORKING CAPITAL — 1st. January 1952	\$ 625,599
Source of funds —	
Net profit for the year	224,660
Depreciation and amortization	237,629
	\$1,087,888
Application of funds —	
Capital expenditures	\$ 436,852
Bonds redeemed and sinking fund deposits	87,684
Purchase of investments	4,437
Preferred shares redeemed and sinking fund deposit	12,903
Dividends—	
On preferred shares	49,520
On common shares	32,000
	623,396
WORKING CAPITAL — 31st. December 1952	\$ 464,492
Current Assets	
Current Assets	\$ 909,984
Current Liabilities	
Current Liabilities	445,492
	\$ 464,492

FUNDED DEBT

as at 31st. December 1952

	<u>Issued</u>	<u>Outstanding</u>
FIRST MORTGAGE BONDS:		
Authorized amount	\$5,000,000	
Series "A" 3½% serial bonds due 1946 to 1953	\$ 240,000	\$ 30,000
Series "B" 3¾% sinking fund bonds due 1965	1,610,000	1,547,000
Series "C" 3¼% sinking fund bonds due 1965	1,000,000	972,500
Series "D" 3¾% sinking fund bonds due 1965	1,000,000	984,000
	\$3,850,000	\$3,533,500
GENERAL MORTGAGE BONDS:		
Authorized amount	\$ 950,000	
Series "A" 4% bonds due 1947 to 1952	210,000	—
Series "A" 4½% bonds due 1953 to 1960	290,000	290,000
Series "B" 4% bonds due 1961	450,000	450,000
	\$ 950,000	\$ 740,000

LOWER ST. LAWRENCE POWER COMPANY
Rimouski, Que.

cost of such services, measured in pennies per day, is very small in comparison with the benefits derived. There is, therefore, little inducement for the householder to economize on these services.

The increase of the population in the service area is of paramount importance to your Company; with the rise in the purchasing power, coupled with the increase in population, a further increase in the per capita consumption of power is made possible.

DEVELOPMENT OF AGRICULTURE

Agriculture is one of the mainstays of our area's economy. The general economic progress expressed in both the rise in population and the consumption of power is due, in part, to the development of agriculture.

The extensive mining and industrial development on the North Shore of the St. Lawrence River has opened new markets for farm produce on the South Shore. The extent to which this development has affected farm income cannot, as yet, be ascertained, as the 1951 Census data on county farm revenue have not as yet been issued, therefore no comparison can be made with the 1941 revenue. However, a field survey has brought into evidence the steadily rising purchasing power of the farmers in our service area.

In the following table are listed the percentage values of increases in the various lines of agricultural production in the County of Rimouski over the past 20 years.

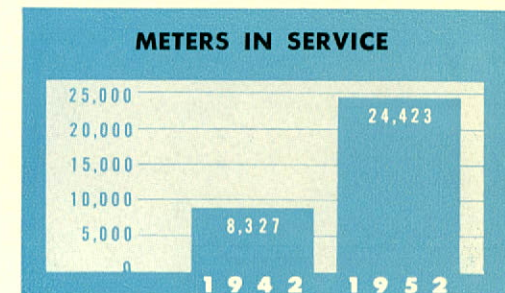
INCREASE IN PRODUCTIVITY

Cereals	5%*
Forages	40%
Vegetables	300%
Dairy Products	60%
Pork	50%
Beef	30%
Eggs	125%
Poultry	115%

*A 40% increase in acreage.

Despite the above increase in productivity the 1951 Census shows a decrease in the number of farms. While this is a general trend in Canada, it is less pronounced in our area than in other parts of the Province of Quebec. The average size of farms in our territory increased by 6%; from 116 to 122 acres. In 1951, 63% of these farms were from 70 to 179 acres in size. The highest increase in the average size of farms occurred in the County of Rimouski — from 118 to 135 acres or 14%.

The increasing farm income, derived from greater productivity, offers new inducements for the farmers to invest surplus revenue in electrical appliances. As farms grow in size, an increasing number of farmers use machinery instead of hiring additional labour. Thus in our area, the 1941-1951 decade shows a substantial increase in the



LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.

number of electric motors installed on farms; 1,077%.

The rural electrification program which has been carried on simultaneously by your Company and the Rural Electrification Board, has paved the way for further increases

in the use of electric power on the farms. A total of 1,168 miles of rural lines was built during the past three years. We can now consider that some 85% of all farms located in our service area are electrified.

DEVELOPMENT OF MINING

In reviewing the Quebec Department of Mines reports, it can be noted that the Gaspé Peninsula, adjacent to our area, has been for the past few years, the theatre of extensive prospecting and mining activities.

In the Marsoui River district, Consolidated Candego Mines started operating a mill in February 1951, and 10,024 tons of ore were treated to produce 819 tons of lead concentrates and 977 tons of zinc concentrates. In the Cascapedia River area, the Federal Zinc and Lead Company (Sullivan Gold Mines) owns 7,000 acres in Lemieux Township. Drifting has uncovered an ore of an average grade of 7.2% zinc and 1.4% lead.

In Holland Township, in the York River district, considerable copper mining development is also taking place. The work is centered around the properties of Gaspé Copper Mines Limited (Noranda Mines). Drillings effected in 1950-51

have added eight million tons of ore to the 57 million previously blocked out. Ore reserves are now estimated at 65 million tons averaging over 1% copper content. The Company is building a concentrator which will obtain its power from the North Shore power plants over the new submarine cables crossing the St. Lawrence River. These will be in operation in late 1954. In 1951 an interesting lead-zinc-copper discovery was reported east of Needle Mountain by Miller Copper Mines Limited. A number of other companies are intensively prospecting in the York River area.

These mining districts are contiguous to the territory served by your Company. The development of these mining fields has already encouraged agricultural production and increased employment in our area. It is inevitable that further progress of all kinds of business activity will follow, which will provide further possibilities for an increase in your Company's revenues.

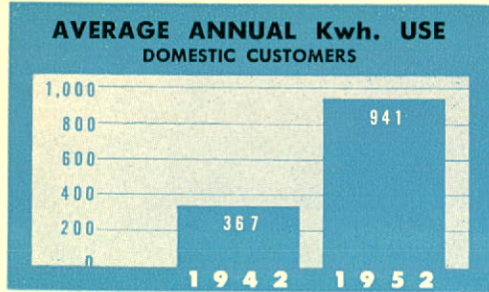
CONCLUSION

The foregoing remarks have brought to light a number of salient features of the economic development in your Company's service area and in the immediately adjacent districts. These changes in the industrial life will attract new industries to the towns and villages of our territory. With confidence therefore, your Directors look forward to the future which holds great promise for your Company.

On Behalf of the Board



President.



LOWER ST. LAWRENCE POWER COMPANY

Rimouski, Que.

TEN YEAR REVIEW

	<u>1952</u>	<u>1951</u>	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
FINANCIAL POSITION										
Total Assets	\$9,151,978	\$8,748,669	\$8,011,966	\$7,781,236	\$6,919,449	\$6,381,471	\$5,346,655	\$4,542,481	\$2,888,832	\$2,647,066
Total Liabilities	6,617,231	6,344,262	6,213,593	6,059,583	5,340,287	4,964,026	4,032,633	3,396,087	1,795,997	1,607,919
Total Capital Invested	2,534,747	2,404,407	1,798,373	1,721,653	1,579,162	1,417,445	1,314,022	1,146,394	1,092,835	1,039,147
OPERATING RESULTS										
Gross Revenue	\$1,587,687	\$1,423,269	\$1,242,319	\$1,127,975	\$1,003,707	\$ 836,784	\$ 725,163	\$ 607,155	\$ 524,928	\$448,272
Total Operating Expense	738,580	662,270	520,064	497,141	430,118	386,492	359,075	257,213	222,029	247,944
Operating Profit	849,107	760,999	722,255	630,834	573,589	450,292	366,088	349,942	302,899	200,328
Interest and Financing Expense	175,733	179,064	180,594	160,203	146,929	147,076	101,853	97,419	77,052	76,594
Depreciation	222,083	198,163	189,380	167,616	158,856	121,910	94,769	86,136	75,279	70,148
Income Taxes	226,631	207,938	152,872	124,524	106,088	77,883	76,014	81,158	60,892	23,260
NET PROFIT	\$ 224,660	\$ 175,834	\$ 199,409	\$ 178,491	\$ 161,716	\$ 103,423	\$ 93,452	\$ 85,229	\$ 89,676	\$ 30,326
STATISTICAL FACTS										
Earned per Preferred Share*	\$4.55	\$3.56	\$4.04	\$3.62	\$3.28	\$2.09	\$1.90	\$1.73	\$1.82	\$0.62
Earned per Common Share*	\$2.19	\$1.58	\$1.88	\$1.61	\$1.41	\$0.68	\$0.55	\$0.45	\$0.51	—
Times Interest Earned:										
Before depreciation	5.5 times	4.7 times	4.4 times	4.3 times	4.2 times	3.3 times	3.9 times	3.8 times	3.9 times	2.8 times
After depreciation	4.1 times	3.4 times	3.3 times	3.1 times	3.1 times	2.4 times	2.9 times	2.9 times	3.0 times	1.9 times
Meters in Service	24,423	21,630	19,265	18,179	16,327	14,734	12,578	11,075	9,829	8,774
Miles of Line	1,134	1,109	1,083	955	915	773	642	566	506	462
Towns and Villages served	108	98	81	79	77	73	70	58	53	50
Kilowatt-hours sold (000)	49,281	43,097	37,569	33,708	29,759	23,728	21,938	20,121	18,586	15,422

*For comparative purposes calculations in all years are based on capitalization as at 31st December, 1952.

