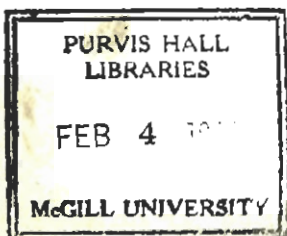


**BRITISH COLUMBIA
POWER CORPORATION
LIMITED**

**ANNUAL
REPORT**



1938



BRITISH COLUMBIA POWER CORPORATION
LIMITED

ANNUAL REPORT

For the year ended June 30th

1938

1938

BRITISH COLUMBIA POWER CORPORATION
LIMITED

Officers

W. G. MURRIN - - - - - *President*
A. T. GOWARD - - - - - *Vice-President*
E. H. ADAMS - - - - - *Vice-President and Treasurer*
E. ROGERS - - - - - *Secretary*

Directors

E. H. ADAMS
C. E. CALDER
JOHN DAVIDSON
S. GODIN, JR.
A. T. GOWARD
J. H. GUNDY
ANDREW P. HOLT
SIR HERBERT HOLT
GEORGE KIDD
H. R. MacMILLAN
W. G. MURRIN
A. J. NESBITT
AUSTIN C. TAYLOR
P. A. THOMSON

J. B. WOODYATT

THE ROYAL BANK OF CANADA - - - - - *Bankers*
ROYAL TRUST COMPANY - - - - - *Registrar*
MONTREAL TRUST COMPANY - - - - - *Transfer Agent*
PRICE, WATERHOUSE & CO. - - - - - *Auditors*

Head Office of the Corporation

B. C. ELECTRIC BUILDING
Vancouver, B. C., Canada

FACTS ABOUT YOUR CORPORATION AND ITS SUBSIDIARIES

(As at June 30th, 1938)

1. It serves a territory of over 1,500 square miles;
2. It renders service to a population of over 400,000, embracing 28 different communities;
3. It has 11 hydro-electric plants and 3 steam plants;
4. It has 80 substations and transformer stations;
5. It has 635 miles of high-tension transmission lines;
6. It has 2,870 miles of low-tension distribution lines;
7. It has 43 city street car and bus routes;
8. It has 4 interurban lines;
9. It employs 3,900 people;
10. It paid out in wages and salaries during the year more than \$5,800,000;
11. It operates 174 miles of street car lines;
12. It operates 160 miles of interurban lines, a total of 334 miles;
13. It operates 422 city and interurban passenger cars;
14. It operates 11 electric locomotives;
15. It operates 171 express freight and service cars;
16. It operates 94 motor buses and 25 motor freight trucks;
17. It operates 385 miles of motor bus and 82 miles of motor freight service;
18. It operated 18,116,158 passenger car and bus miles during the year;
19. The power generated by its power plants during the year totalled 567,826,300 K.W.H.;
20. It operates 11 stores for the sale of electric and gas appliances;
21. It has 3 gas plants, with a total daily capacity of 12,500,000 cubic feet.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Vancouver, B. C., September 6, 1938.

NOTICE IS HEREBY GIVEN to the Holders of the Corporation's Class B Shares that the Annual General Meeting of Shareholders will be held in the Auditorium of the B. C. Electric Building, 602 Granville Street, Vancouver, B. C., on Thursday, the 29th day of September, 1938, at the hour of 11.30 o'clock a.m.

- (1) To receive the Annual Report of the Directors;
- (2) To receive the Balance Sheet as at June 30, 1938, and Statement of Income and Expenditure for the financial period ending on that date and the Auditors' Report thereon;
- (3) To elect Directors for the ensuing year;
- (4) To appoint Auditors for the ensuing year;
- (5) To consider, and, if thought fit, to sanction and confirm the following Bylaw:

BYLAW No. XXVII

A Bylaw repealing and re-enacting Bylaw No. XVIII, being part of the General Bylaws of the Company.

WHEREAS it is deemed expedient in view of recent changes in the Companies Act of Canada to re-enact Bylaw XVIII so that its provisions regarding the transfer and transmission of shares may conform to the existing act:

NOW THEREFORE British Columbia Power Corporation, Limited by the Directors thereof enacts as follows:

THAT Bylaw XVIII of the Company be wholly repealed and that the following be substituted therefor as Bylaw XVIII:

BYLAW No. XVIII

The Directors are hereby authorized to appoint by resolution a Transfer Agent of the Company's Class A and Class B shares which shall be a Trust Company having offices in the Cities of Vancouver, Winnipeg, Toronto and Montreal, and also a Registrar of the Company's shares, which shall be another Trust Company having offices in the said cities.

The Company's Transfer Agent shall at its office in the City of Vancouver keep the Company's registers of members or share ledgers containing the information which subparagraphs (b) (c) (e) and (f) of subsection 1 of section 103 of the Companies Act require the Company to keep recorded.

The Company's Transfer Agent shall keep at its office in the City of Vancouver the Company's register of transfers in which shall be recorded particulars of every transfer or transmission of shares of the Company made at such office.

The Company's Transfer Agent shall keep at each of its offices in the Cities of Winnipeg, Toronto and Montreal a branch register of transfers in which shall be recorded particulars of every transfer of shares of the Company made at such office. Particulars of every transfer of shares of the Company made on any one of such branch registers of transfers shall be sent in due course of mail to the office of the Company's Transfer Agent in the City of Vancouver and there shall be kept at such office appropriate books in which such particulars may be recorded.

The shares of the Company may be transferred on the register of transfers or on any branch register of transfers irrespective of the location of the register in which was registered the transfer under which the shares were acquired and the Company's Transfer Agent is hereby authorized to effect transfers of the Company's shares by appropriate entries.

Every share certificate exchanged or returned to the Company's Transfer Agent shall be marked "Cancelled" by the Transfer Agent with the date of cancellation.

No transfer shall be recorded nor shall the same be valid or permitted to be entered in the register of transfers or in any branch register of transfers unless or until the certificates representing the shares to be transferred shall have been surrendered and cancelled as aforesaid.

If a share certificate be defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding 25 cents, and on such terms, if any, as to evidence and indemnity, as the Directors may think fit.

- (6) For the transaction of such other business as may properly come before the meeting without notice.

By Order of the Board,

ERNEST ROGERS,

Secretary.

NOTE.—By the charter of the Company only holders of Class B shares are entitled to attend at the Annual General Meeting of Shareholders, and accordingly the above notice is given to such shareholders only.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

Owns and controls the following companies:

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED.

BRITISH COLUMBIA ELECTRIC POWER & GAS COMPANY, LIMITED.

VANCOUVER POWER COMPANY, LIMITED.

WESTERN POWER COMPANY OF CANADA, LIMITED.

BRIDGE RIVER POWER COMPANY, LIMITED.

BURRARD POWER COMPANY, LIMITED.

VANCOUVER ISLAND POWER COMPANY, LIMITED.

NATIONAL UTILITIES CORPORATION, LIMITED.

VANCOUVER, FRASER VALLEY & SOUTHERN RAILWAY COMPANY.

COLUMBIA ESTATE COMPANY, LIMITED.

BRITISH COLUMBIA RAPID TRANSIT COMPANY, LIMITED.

VICTORIA ELECTRIC COMPANY, LIMITED.

VICTORIA GAS COMPANY, LIMITED.

ANNUAL REPORT

of the Directors of

BRITISH COLUMBIA POWER CORPORATION, LIMITED

for the year ended June 30, 1938

TO THE SHAREHOLDERS:

Your Directors beg to submit the following Report and Financial Statements, duly certified by Messrs. Price, Waterhouse & Co., Chartered Accountants, covering the operations of your Company and its Subsidiaries for the year ended 30th June, 1938.

PLANT ADDITIONS AND BETTERMENTS

The responsibility of giving efficient and uninterrupted service in the large and scattered area served by your Company is one that has always had the fullest attention of your Directors. The expenditures on plant extensions and improvements during the year amounted to \$1,792,247, including large expenditures on plant and facilities which, while not immediately producing the full measure of revenue which might be looked for from such expenditures, play an important part in our future development plans to meet increasing power demands, and to assure as far as possible uninterrupted service in the face of any emergency.

Two of the major projects coming within this category are the Grandview (Vancouver) substation and the second unit of 47,000 horse-power at the Ruskin hydro-electric plant, which have involved capital expenditures over the past two years of \$1,050,082 and \$733,071 respectively. Another major capital expenditure completed during the year occurred in connection with the changeover from electric railway to motor-bus operation in the City of New Westminster, involving a cash outlay of \$307,000. This cash expenditure does not earn any additional revenue return as it takes the place of the street railway investment there, but it was done, in co-operation with the City Council and the people of that city, to meet traffic changes in New Westminster resulting from the construction of the new Fraser River Bridge.

Expenditures amounting to \$646,000 were made on light and power and gas extensions and improvements, to provide facilities to meet increasing power demands and to give service to over 4,000 additional electric consumers and 2,000 gas consumers in the urban and city areas.

INCOME AND EXPENSE STATEMENT

The following is a consolidated statement of income and expenses for the year:

Gross Revenue	\$ 15,057,311.41
EXPENSES:	
Operation and Maintenance.....	\$ 7,026,272.86
Income and Property Taxes.....	1,705,540.62
Provision for Depreciation and Renewals.....	1,868,988.62
	10,600,802.10
Net Revenue	\$ 4,456,509.31
<i>Deduct—</i>	
Bond Interest, Amortization of Bond Discount, Cost of Exchange, and Preference Dividends.....	2,412,641.72
	\$ 2,043,867.59
Dividends on Class "A" Shares for the year.....	2,000,000.00
	\$ 43,867.59

GROSS INCOME

While the total income from all sources shows an increase of \$148,523 over last year, the general recession in business throughout the country which became apparent in the last half of our fiscal year is reflected in the income statements for that period.

Transportation System

	1938	1937
Passengers Carried.....	71,528,921	70,875,942
Freight Carried (Tons).....	290,306	349,164

As a result of the reduced quantity of freight handled, mainly on account of American regulations controlling the export of manufactured wood products, the total traffic receipts show a reduction of \$35,000 from last year.

Power and Light Sales

	1938	1937
K.W.H. Sold	428,635,502	423,384,644

While the total output of electrical energy shows an increase over last year there has been a slight decrease in the sale of industrial power, principally due to the comparatively small quantity of wheat shipped through local elevators. The total revenue from electrical energy sales shows an increase of 3% over last year as a result of additional services added and intensive merchandise sales in conjunction with local dealers. The reported sales of electrical merchandise totalled \$1,860,420, of which the Company's direct sales were \$669,020.

Gas Sales—The quantity of gas sold compares as follows:

	1938	1937
Thousand Cubic Feet.....	1,347,978	1,298,827

While there has been an increase in gas sales of over 49 million cubic feet there has only been a slight increase in the total gas revenue, for the reason that gas rates were reduced during the year at an estimated annual saving to consumers in the areas served of \$60,000.

EXPENSES

The expenses of operation and maintenance show an increase over last year of \$219,768, due principally to the revision of our wages agreements with employees whereby they have been granted annual holidays with pay, and to an additional provision of \$48,000 to meet the cost of accidents.

TAXES

The burden of taxation continues to increase. To meet the liability for taxes arising out of increased assessments and increased rates of taxation it has been necessary to raise the provision for taxes in this year's accounts by \$47,298. The following figures illustrate the serious increase in taxation over a ten-year period in relation to the gross income from all sources:

	1938	1929	% Increase
Gross Income	\$15,057,311	\$14,681,263	2.5
Total Taxes	1,705,540	934,985	82.4
Percentage of Gross Revenue absorbed by taxes	11.3%	6.4%	

The above taxes include only the direct property and income taxes paid. There are many indirect taxes such as Dominion sales tax, Provincial gasoline tax, water rentals, licence fees, etc., which are not included in the foregoing figures and which

amount to over \$500,000 annually. Taken together the total taxes payable amount to more than is paid to the Class "A" shareholders who have invested their money in the plant and facilities necessary to serve the public.

It is obvious that payment of the foregoing increase in taxes has not come out of increased revenue so much as through the introduction of internal economies. This means that the savings through reduction of interest charges arising out of refunding operations and any other economies have been substantially diverted to taxation authorities.

INTEREST CHARGES

The refunding of bonds at lower rates of interest which was completed during the last fiscal year has resulted in a reduction of interest charges amounting to \$121,963 during the current year.

GENERAL

Victoria City Services—The agreement with the City of Victoria regarding street railway services expires at the end of the year, and the City authorities have been informed that while the Company is willing to continue the service, even though it is unprofitable, until some other means of transportation has been arranged by the City, the Company has no desire to enter into an agreement to render transportation service in the future. Other agreements for the use of water at the Goldstream hydro plant and for street lighting services are the subject of negotiation at present.

New Westminster Services—The street railway system in this city was replaced in July, 1937, by the introduction of a modern motor-bus system, after an amicable period of negotiations and friendly assistance by the New Westminster City Council, and the residents of this area have expressed their approval of the improved type of service now being given.

CONCLUSION

The year under review may be considered fairly satisfactory taking into account the general effect on business of the short wheat crop last year which directly affected many businesses in the area served by your Company with resultant reductions in income.

Your Company has enjoyed over many years an enviable position in the financial markets of the world, and its securities stand high in investment circles. This has

not been an unimportant factor in establishing the credit of the Province of British Columbia, which is a very young country and which has needed and still needs large amounts of capital for the development of its natural resources.

It is difficult to look very far into the future in the present unsettled state of world affairs, but with increased activity in the building trade, with the increased spending power which will result from the much improved wheat situation on the Prairies this year, and with our plants and facilities in good operating condition, we are not only in a position to render efficient service but are well equipped to meet any demand for increased business.

Your Directors would like to express their appreciation to all members of the staff for their efforts during the year, and for the efficiency and enthusiasm with which their work has been carried out in helping to maintain and increase the business of the Company.

AUDIT OF ACCOUNTS

The Balance Sheet and Accounts have been certified by Messrs. Price, Waterhouse & Co., Chartered Accountants.

Respectfully submitted on behalf of the Board.


President.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Consolidated Balance Sheet as at June 30, 1938

ASSETS

CURRENT AND WORKING ASSETS:

Cash at Bank and on hand.....	\$ 348,018.20	
Accounts Receivable less Reserve.....	1,665,158.47	
Insurance Unexpired and Prepaid Items.....	247,936.51	
Employees' Housing Loans, Mortgages, etc.....	172,013.62	
Stores, Materials and Supplies as determined and certified to by responsible officials of the Companies, valued at average cost.....	1,682,759.05	
	<u>4,115,885.85</u>	

INVESTMENTS:

Corporation's Shares purchased by Subsidiaries for re-sale to customers and employees.....	\$ 812,234.00	
Sundry Investments.....	3,609.00	
	<u>815,843.00</u>	
(Market value June 30, 1938, \$639,338.75).....	815,843.00	
City of Vancouver 3% Instalment Debentures, at cost.....	177,768.00	
	<u>993,611.00</u>	

BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond conversion expenses and discount on new bonds issued—balance.....	1,098,879.27	
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PROPERTY ACCOUNT:

Book values which represent the cost of acquisition, and the cost of subsequent additions, including discount on bonds of \$728,670.56, which is charged to Construction Accounts of Subsidiary Companies.....	\$ 142,689,358.30	
Less Provision for Depreciation and Renewals.....	27,042,832.00	
	<u>115,646,526.30</u>	

NOTE: An appraisal of the properties of the British Columbia Power Corporation, Limited and its subsidiaries, made by Stone & Webster Engineering Corporation of Boston, Massachusetts, as of December 31, 1936, shows a total replacement cost as at that date (after a deduction for existing physical depreciation) of \$131,802,312. This foregoing total includes an amount of \$15,000,000 for going concern value.

After adding the cost of property additions and deducting the depreciation provision made by the Corporation subsequent to December 31, 1936, the properties on the basis of the above appraisal have a value at June 30, 1938, of \$133,709,038.98.

\$ 121,854,902.42

Approved on behalf of the Board:


Director.


Director.

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable.....	\$ 1,284,388.71	
Reserve for Income and other Taxes.....	1,257,248.76	
Debenture and Bond Interest Accrued.....	329,363.71	
Dividends Declared, since paid.....	749,600.00	
	<u>3,620,601.18</u>	

BOND DEBT (as per statement attached)..... 38,399,104.60

CAPITAL STOCKS OF SUBSIDIARY COMPANIES HELD BY PUBLIC:

<i>British Columbia Electric Railway Co., Ltd.—</i>		
5% Cumulative Perpetual Preference Stock.....	\$ 6,984,000.00	
<i>British Columbia Electric Power & Gas Co., Ltd.—</i>		
6% Cumulative Preference Shares.....	5,000,000.00	
The Company has the right to redeem these 6% Preference Shares with a premium of 5%, subject to the sanction of the Supreme Court of British Columbia.		
Minority Shareholders of Subsidiary Companies.....	3,446.25	
	<u>11,987,446.25</u>	

RESERVES:

General and Accident.....	1,276,077.94	
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CAPITAL:

Authorized—

1,500,000 Class "A" Shares without nominal or par value entitled to non-cumulative preferential dividends 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..... \$ 59,250,000.00

CAPITAL SURPLUS:

Surpluses of Subsidiary Companies as at May 19, 1928, the date of the acquisition of their Capital Stocks by the Corporation.....	6,115,764.59	
EARNED SURPLUS (As per statement attached).....	1,205,907.86	
	<u>66,571,672.45</u>	

\$ 121,854,902.42

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of the British Columbia Power Corporation, Limited and its Subsidiary Companies for the year ending June 30, 1938, and have obtained all the information and explanations which we have required and we report that, in our opinion, the above Consolidated Balance Sheet at June 30, 1938, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Corporation and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

VANCOUVER, B. C.,
August 16, 1938.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

*Consolidated Statement of Profit and Loss and Earned Surplus Account
for the Year Ending June 30, 1938*

Gross Revenue from Operations.....	\$ 14,993,244.31	
Income from Investments.....	64,067.10	
		\$ 15,057,311.41
<i>Deduct—</i>		
Expenses, including Municipal Taxes.....	\$ 7,573,820.56	
Legal Fees and Executive Remuneration.....	102,560.00	
Directors' Fees	21,000.00	
Provision for Accidents.....	108,000.00	
Provision for Depreciation and Renewals	1,868,988.62	
Provision for Income Taxes.....	926,432.92	
		10,600,802.10
		\$ 4,456,509.31
<i>Deduct—</i>		
Interest on Bond Debt.....	\$ 1,643,609.76	
Cost of Exchange.....	39,851.96	
Bond Discount and Conversion Expense written off.....	79,980.00	
		1,763,441.72
Net Profit for the year.....		\$ 2,693,067.59
<i>Deduct—</i>		
Dividends on Preference Stocks of Subsidiary Companies:		
5% Cumulative Perpetual Preference Stock.....	\$ 349,200.00	
6% Cumulative Preference Shares.....	300,000.00	
		649,200.00
		\$ 2,043,867.59
<i>Deduct—</i>		
Dividends on Class "A" Shares for the year ending June 30, 1938.....		2,000,000.00
		\$ 43,867.59
<i>Add—</i>		
Earned Surplus—Balance at June 30, 1937.....	\$ 1,305,630.27	
<i>Deduct—</i>		
Adjustments in respect of depreciation for prior years.....	143,590.00	
		1,162,040.27
Earned Surplus—Balance at June 30, 1938.....		\$ 1,205,907.86

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Bond Debt as at June 30, 1938

BRITISH COLUMBIA POWER CORPORATION LTD.:

First Refunding and Collateral Trust Serial Bonds 3%,

Series "A"—

Authorized and Issued:

Maturing March 1, 1939.....	\$400,000.00	
" March 1, 1940.....	400,000.00	
" March 1, 1941.....	400,000.00	
	\$ 1,200,000.00	

First Refunding and Collateral Trust Serial Bonds 3½%,

Series "A"—

Authorized and Issued:

Maturing March 1, 1942.....	\$400,000.00	
" March 1, 1943.....	400,000.00	
" March 1, 1944.....	400,000.00	
" March 1, 1945.....	400,000.00	
	1,600,000.00	

First Refunding and Collateral Trust Bonds 4¼%,

Series "A"—

Authorized and Issued:

Maturing March 1, 1960.....	10,800,000.00	
	\$ 13,600,000.00	

BRITISH COLUMBIA ELECTRIC RAILWAY CO. LTD.:

4¼% Perpetual Consolidated Debenture Stock.....	£2,788,170 0 0	
	@ \$4.85	13,522,624.50

VANCOUVER POWER CO. LTD.:

4¼% Perpetual Guaranteed Debenture Stock—

Authorized £1,917,350, of which issued.....	£1,500,000 0 0	
	@ \$4.85	7,275,000.00

WESTERN POWER COMPANY OF CANADA LTD.:

First Mortgage 5% Sinking Fund Gold Bonds, maturing July 1, 1949—

Authorized and Issued \$ 5,000,000.00

Less—

Redeemed	\$919,233.24	
Held by British Columbia Electric Railway Co. Ltd.	79,286.66	
	998,519.90	
	4,001,480.10	

As per Consolidated Balance Sheet \$ 38,399,104.60

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