

BRITISH COLUMBIA
POWER CORPORATION
LIMITED

ANNUAL
REPORT

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1940

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BRITISH COLUMBIA POWER CORPORATION,
LIMITED

ANNUAL REPORT

For the year ending December 31
1940

1940
**BRITISH COLUMBIA POWER CORPORATION,
 LIMITED**

Officers

W. G. MURRIN	- - - - -	<i>President</i>
A. T. GOWARD	- - - - -	<i>Vice-President</i>
E. H. ADAMS	- - - - -	<i>Vice-President and Treasurer</i>
E. ROGERS	- - - - -	<i>Secretary</i>

Directors

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

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

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

FACTS ABOUT YOUR CORPORATION AND ITS SUBSIDIARIES

(As at December 31, 1940)

1. It serves a territory of over 1,500 square miles;
2. It renders service to a population of over 450,000, embracing 28 different communities;
3. It has 11 hydro-electric plants and 3 steam electric plants;
4. It has 92 substations and transformer stations;
5. It has 636 miles of high-tension transmission lines;
6. It has 3,007 miles of low-tension distribution lines;
7. It has 52 city street car and bus routes;
8. It has 4 interurban lines;
9. It has more than 3,900 employees;
10. It paid out in wages and salaries during the year more than \$6,100,000;
11. It operates 168 miles of street car lines;
12. It operates 161 miles of interurban lines, a total of 329 miles;
13. It operates 422 city and interurban passenger cars;
14. It operates 10 electric locomotives;
15. It operates 169 express, freight and service cars;
16. It operates 102 motor buses and 24 motor freight trucks;
17. It operates 396 route miles of motor bus and 120 route miles of motor freight service;
18. It operated 18,903,763 passenger car and bus miles during the year;
19. It generated by its power plants 636,897,376 K.W.H. during the year;
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., April 3, 1941.

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 24th day of April, 1941, at the hour of 11.30 o'clock a.m.

- (1) To receive the Annual Report of the Directors;
- (2) To receive the Consolidated Balance Sheet as at December 31, 1940, the Consolidated Statement of Profit and Loss and Earned Surplus Account for the financial period ending on that date and the Report of the Auditors;
- (3) To elect Directors for the ensuing year;
- (4) To appoint Auditors for the ensuing year;
- (5) 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.

ANNUAL REPORT
of the Directors of
**BRITISH COLUMBIA POWER
CORPORATION, LIMITED**

for the year ending December 31, 1940

To be submitted at the Annual General Meeting April 24, 1941

TO THE SHAREHOLDERS:

Your Directors beg to submit their Report on the financial position of the Company and its Subsidiaries as at December 31, 1940 and the results of the combined operations for the year ending on that date.

The operations represent services rendered in the province of British Columbia to more than 450,000 of its population which is considerably in excess of one-half of the provincial total. A brief reference, therefore, to the economic trends in British Columbia in 1940 gives a background to the discussion of the results of operations. The dollar value of production in the four basic industries of the province rose, according to official estimates, by approximately 11% in 1940 over 1939; the corresponding increases in the four components were as follows:—agriculture 16.4%, fisheries 5.7%, forestry 10.5% and mining 9.6%. Volume of employment increased in 1940 over 1939 by 19% in the province generally and by 16% in the city of Vancouver.

The above factors in greater or lesser part, in combination with the Company's own active efforts and capital expenditures to increase the volume of its business, are in the main the surrounding circumstances of the increased gross revenues for 1940.

RESULTS OF OPERATIONS

The following is a condensed consolidated statement of the revenues and expenses of all departments of the business for the year ending December 31, 1940:

Gross Revenues	\$ 16,951,170.84
<i>Deduct—</i>	
Expenses of Operation and Maintenance	\$ 7,580,950.40
Provision for Depreciation and Renewals.....	2,305,102.80
	9,886,053.20
Balance	\$ 7,065,117.64
<i>Deduct—</i>	
Property Taxes	\$ 839,665.16
Provision for Income and Excess Profits Taxes .	1,932,500.00
	2,772,165.16
Net Revenue	\$ 4,292,952.48
<i>Deduct—</i>	
Bond Interest, Amortization of Bond Refunding Expense and Preference Dividends	2,231,687.67
	\$ 2,061,264.81
<i>Deduct—</i>	
Dividends on Class "A" Shares for the year.....	2,000,000.00
	\$ 61,264.81

Increased gross revenues were obtained in 1940 over 1939 but the much heavier scale of taxation prevented any part of this increase from being reflected in net revenue. Moreover, there are special circumstances surrounding the increase in revenues. The substantial gain in railway freight revenues is directly traceable to war conditions and has therefore a limited duration. Furthermore, the increase in gross revenues generally, while in some part accompanied by capital expenditure to serve new customers, in large part arose from the greater use of existing facilities. Especially in the light and power department which produced a substantial part of the gross revenue increase the utilization of existing facilities approaches in some cases the maximum economic capacity so that in general it may be said that a continuance in the trend of demand for electrical service will shortly require substantial expenditures for additional plant capacity.

GROSS REVENUES FROM OPERATIONS

Transportation System—The increase in gross passenger revenues from electric railway (including urban feeder bus) traffic is reflected in the comparative figures of passengers carried:

	Year Ending December 31	
	1940	1939
Passengers carried	76,411,790	72,667,204

Electric railway freight traffic shows a marked gain, from 306,931 tons in 1939 to 487,173 tons in 1940. Substantially all of this increase and even part of the 1939 volume results from war conditions and must be viewed as temporary. Of the increase of approximately 180,000 tons in 1940, 90,000 tons represents the Company's part in the rail shipment of B. C. lumber to the Atlantic for export to the United Kingdom; this movement replaces former water-borne shipments from B. C. ports. A further 60,000 tons was involved in the movement of lumber and shingles consigned to the Prairies and Eastern Canada chiefly for military construction. Finally, an additional 25,000 tons was obtained in the west-bound commodity traffic which in peace-time reaches British Columbia by way of the Panama Canal.

The revenues from passenger motor coach operations in the aggregate were virtually unchanged but this result was achieved by obtaining increased traffic on domestic routes to replace the business of the Vancouver-Seattle run which dropped to small proportions from July, 1940, when passport and foreign exchange regulations curtailed Canadian travel to the United States.

Power and Light System—During the year 1940 light and power service was extended to 4,137 additional customers bringing the total to 147,497 at the end of the year. This increase in patronage was coupled with a greater use of existing facilities, as indicated by the rise of 8.5% in kilowatt hours of electrical energy sold to the public. The comparative figures for volume of sales, excluding power used by the railway system, are as follows:

	Year Ending December 31	
	1940	1939
Kilowatt Hours sold	498,974,839	459,709,925

Gas System—In this department 827 additional customers were connected to the system in 1940 bringing the total to 53,074 at the end of the year. Notwithstanding the competition of sawdust and other cheap wood-refuse fuels, gas sales gained in 1940. Here also an increased utilization of existing facilities was combined

with the increase in number of customers, resulting in a gain of 2.6% in the volume of gas sold. The comparative figures of gas sold are as follows:

	Year Ending December 31	
	1940	1939
Cubic Feet of Gas sold.....	1,444,700,000	1,407,351,000

EXPENSES

Expenses of Operation and Maintenance—In addition to the charges traceable to the greater volume of business, the increase in expenses for 1940 includes two items worthy of comment in this report. The Company's plants being essential facilities have since the outbreak of war been under guard to prevent interruption to service by sabotage or other causes. The costs in salaries of guards and patrolling expenses are borne entirely by the Company. The increased operating expenses for 1940 include also the cost of additional holidays with pay to employees working at hourly and daily rates; the holiday period for such employees was raised in 1940 from ten days to two weeks.

Property, Income and Excess Profits Taxes—The provision in 1940 for the taxes named (which are exclusive of indirect imposts, such as gasoline, sales, import and other taxes) represents an increase of approximately 50% over the previous year. We realise that the very heavy expenditures connected with Canada's war effort require the raising of large sums of money through additional taxation. It will be seen from the summary of operating results given earlier in this report that the provision for Property, Income and Excess Profits Taxes absorbs about 39% of the balance of revenue remaining after the deduction of operating and maintenance expenses and depreciation and before making any provision for fixed charges in the form of bond interest and fixed preferential dividends, or any return on the capital stock of the Company.

In complying with the requirements of the taxation acts, the Company has made what it considers to be a reasonable provision for its liability under The Excess Profits Tax Act. The possibility of revision in that Act and the indefiniteness as to the actual application and official interpretation of the Act make it difficult to accurately determine the provision which will constitute the eventual liability.

PLANT ADDITIONS AND EXTENSIONS OF FACILITIES

No major expenditures on plant additions or extensions were undertaken during 1940. Of the charges to Property Account for the year involving \$922,267, the greater part arose in providing light, power and gas facilities to new customers for such services.

The likelihood of major property expenditures in the near future has been referred to earlier in this report.

PUBLIC UTILITIES COMMISSION

Reference was made in the two previous Annual Reports to the Public Utilities Act and to an appraisal of plant and property, which is being made by the Commission constituted thereunder, preparatory to an examination of the rates being charged by our subsidiary companies for the various services coming within the purview of the Act. The preliminary studies by the Commission's engineering and accounting experts are now entering their final stages and it is understood public hearings before the Commission will take place very shortly.

STAFF

The Directors wish to record their appreciation of the co-operation and loyalty of the entire organization.

AUDITORS' EXAMINATION

The report of your Auditors, Messrs. Price, Waterhouse & Co., is appended to the Consolidated Balance Sheet submitted herewith.

Respectfully submitted on behalf of the Board,



President.

March 27, 1941.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Consolidated Balance Sheet as at December 31, 1940

ASSETS

CURRENT AND WORKING ASSETS:

Cash at Banks and on hand.....	\$ 1,470,410.76	
Accounts Receivable less Reserve.....	1,738,013.81	
Insurance unexpired and prepaid items.....	211,528.61	
Employees' Housing Loans, Mortgages, etc.	85,570.76	
Stores, Materials and Supplies, determined as to quantities by book inventories confirmed by periodical counts or measurements, valued at average cost	1,545,910.03	
		\$ 5,051,433.97

INVESTMENTS:

Corporation's shares purchased by Subsidiaries for re-sale to customers and employees (Market value December 31, 1940, \$443,475.25)	\$ 666,539.77	
City of Vancouver 3% Instalment Debentures, at cost	116,013.60	
		782,553.37

BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond conversion expenses and discount—balance	1,331,390.72	
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PROPERTY ACCOUNT:


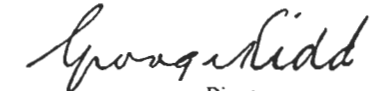
Book values which represent the cost of acquisition, and the cost of subsequent additions, including discount on bonds of \$728,670.56 which is charged to Construction Accounts of Subsidiaries.....	\$ 145,355,679.07	
Less Provision for Depreciation and Renewals	29,970,361.97	
		115,385,317.10

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.

The balance in the Property Account as at December 31, 1936 after deducting the reserve for Depreciation was \$113,739,799.32.

\$ 122,550,695.16

Approved on behalf of the Board:


Director.

Director.

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable	\$ 1,362,188.40	
Reserve for Income, Excess Profits and other Taxes	2,068,756.39	
Debture and Bond Interest accrued.....	508,537.49	
Dividends declared, since paid.....	735,920.00	
		\$ 4,675,402.28
BOND DEBT (as per statement attached)		38,097,624.50

CAPITAL STOCKS OF SUBSIDIARIES 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 Subsidiaries.....	3,446.25	
		11,987,446.25

RESERVES:

General and Accident.....	1,328,703.71	
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CAPITAL:

Authorized—

1,500,000 Class "A" Shares without nominal or par value entitled in each fiscal year 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 Subsidiaries 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)	1,095,753.83	
		66,461,518.42

\$ 122,550,695.16

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 December 31, 1940, and have obtained all the information and explanations which we have required. Subject to final determination of the Companies' liability for Income and Excess Profits Taxes, we report that, in our opinion, the above Consolidated Balance Sheet at December 31, 1940 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.,
March 24, 1941.

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 December 31, 1940*

Gross Revenue from Operations.....	\$ 16,911,254.05	
Income from Investments.....	39,916.79	
	\$ 16,951,170.84	

Deduct—

Expenses including Municipal Taxes.....	\$ 8,247,220.21	
Legal Fees and Executive Remuneration.....	92,395.35	
Directors' Fees	21,000.00	
Provision for Accidents.....	60,000.00	
Provision for Depreciation and Renewals.....	2,305,102.80	
Provision for Income and Excess Profits Taxes.....	1,932,500.00	
	12,658,218.36	
	\$ 4,292,952.48	

Deduct—

Interest on Bond Debt.....	\$ 1,534,204.67	
Bond Refunding Expense written off.....	75,643.00	
	1,609,847.67	

Net Profit for the year..... \$ 2,683,104.81

Deduct—

Dividends on Preference Stocks of Subsidiaries:		
5% Cumulative Perpetual Preference Stock	\$ 321,840.00	
6% Cumulative Preference Shares.....	300,000.00	
	621,840.00	
	\$ 2,061,264.81	

Deduct—

Dividends on Class "A" Shares for the year ending December 31, 1940		2,000,000.00
		\$ 61,264.81

Add—

Earned Surplus—balance at December 31, 1939.....		1,034,489.02
Earned Surplus—balance at December 31, 1940.....		\$ 1,095,753.83

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Bond Debt as at December 31, 1940

BRITISH COLUMBIA POWER CORPORATION, LTD.:

First Refunding and Collateral Trust Serial Bonds 3%,
Series "A"—

Authorized and Issued:

Maturing March 1, 1941.....\$ 400,000.00

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%,
maturing March 1, 1960 -

Authorized and Issued:

Series "A"\$ 10,800,000.00

1939 Series 4,500,000.00

15,300,000.00

\$ 17,300,000.00

NOTE.—The first 1939 Series Sinking Fund Instalment amounting to \$45,000.00 (due September 1, 1940) has since been deposited.

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

As per Consolidated Balance Sheet.....\$ 38,097,624.50

BRITISH COLUMBIA POWER CORPORATION, LIMITED

Owms 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
THE VANCOUVER, FRASER VALLEY AND SOUTHERN RAILWAY COMPANY
COLUMBIA ESTATE COMPANY, LIMITED
BRITISH COLUMBIA RAPID TRANSIT COMPANY, LIMITED
THE VICTORIA ELECTRIC COMPANY LIMITED
VICTORIA GAS COMPANY, LIMITED
B. C. MOTOR TRANSPORTATION, LIMITED

