

BRITISH COLUMBIA
POWER CORPORATION
LIMITED

ANNUAL
REPORT



1944

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The Board of Directors of

British Columbia Power Corporation, Limited

presents its Report for the year 1944

for the information of Shareholders, Employees, Customers,

and the public generally.

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

for the year ending December 31, 1944

To be submitted at the Annual General Meeting, April 26th, 1945

In addition to the difficulties which attend the conduct of all business in wartime, the operations of the Company and its subsidiaries for some time past have been complicated through discussions by the B. C. municipal and provincial governments on the form of the ownership. The operations conducted by the Companies are essential public services which must be maintained and extended no matter which way that controversy is decided, and the directors, officials and all other employees have had to keep this cardinal point in mind at a time when everything conspired to make it difficult to do so. Furthermore, the anticipated requirements of these essential public services demand substantial expenditures for the renewal, betterment and expansion of the properties; these expenditures must be planned now in order to be put into performance as soon as both possible and necessary, and the present owners of the property are the only ones who are able to make these plans. It is a matter of public duty, therefore, that the present owners make such plans, and they have done so. The plans have been publicly announced in broad terms, and, as the time approaches when they can be put into performance, they are being worked out in increasing detail and in increasingly concrete terms. These matters are referred to at greater length later in this report, but since they provide the atmosphere in which the operations of the year 1944 were conducted they have been alluded to at the outset before turning to the discussion of the results of the year.

RESULTS OF OPERATIONS

Gross Revenues:

The gross revenues from operations for the year amounted to \$25,207,072, an increase of \$1,372,501 or 5.76 per cent over the previous year. The various departments contributed as follows:

	1944	1943	Percent Increase
Electric	\$10,533,385	\$ 9,906,273	6.33
Railway	10,776,412	10,220,557	5.44
Stages, Taxis and Motor Freight.....	1,222,853	1,043,014	17.24
Gas	2,257,318	2,201,704	2.53
Miscellaneous	417,104	463,023	*9.92
TOTAL	\$25,207,072	\$23,834,571	5.76

* Decrease

The corresponding indices of the volume of services rendered are as follows:

	1944	1943	Percent Increase
Kilowatt Hours delivered to customers.....	696,981,097	666,882,069	4.51
Passengers carried:			
Railway	141,445,964	131,619,270	7.47
Stages and Taxis.....	2,826,544	2,486,367	13.68
Railway Freight Tonnage carried.....	911,091	890,137	2.35
Cubic Feet of Gas sold.....	2,346,450,000	2,279,227,000	2.95

Source and Disposition of 1944 Revenues

A statement designed to show, in a more readable form than the traditional statement on page 13, where the money came from and where it went.

THE YEAR'S GROSS REVENUES

From sales of electricity, transportation, gas, water and miscellaneous services.....	\$25,207,072
From interest on temporary investments, etc.....	32,847
	\$25,239,919

THE YEAR'S EXPENSES AND APPROPRIATIONS

For Employees:

Payrolls (<i>operating only—does not include work on property extensions and replacements</i>).....	\$8,877,294
Pensions—	
Payments to pensioners from general funds.....	\$ 118,767
Payments to Pension Fund Trustee:	
In respect of services rendered by employees during the year	439,000
In respect of past services.....	737,237
	1,295,004
	\$10,172,298

For Materials and Services Purchased..... 4,923,283
A multiplicity of supplies and services for operation and maintenance

For Wear and Exhaustion of Property..... 2,829,360
Provision for future retirement of plant and equipment when its useful life has expired, invested in additional property and bonds.

Required for Government

Property taxes, water rentals, etc.....	\$ 959,381
<i>Does not include sales tax, gasoline tax, customs duty and excise merged with cost of materials above, nor sales tax on gas and electricity bills collected from customers and paid to the Government.</i>	
Dominion taxes on income (<i>of which \$190,000 is recoverable after the war</i>)	2,540,000
	3,499,381

For Return on Capital Invested (*Over 30,000 investors*)

Interest and other costs on bonds and debentures (<i>Average rate 4.24%</i>).....	1,543,199
Dividends on Preferred Stock (<i>Average rate 5.19%</i>).....	621,840
Dividends on common stock (<i>\$1.60 per share</i>).....	1,600,000

Carried Forward for Future Needs..... 50,558

\$25,239,919

Note: Cents omitted for ease in reading.

In the Electric Department there was some reduction in the industrial power required for ship-building, which, however, was more than taken up by the increased requirements of the lumber industry. Restrictions upon the use of metals were relaxed during 1944 for rural extensions, with the result that 2,481 rural residential and farm customers were connected during the year, bringing the accumulated total to 25,116 at the year-end. As affecting both Electric and Gas Departments the supply of appliances remained very limited and under rigid control; and with Gas, furthermore, restrictions on the use of coal and oil for its manufacture required that new business be confined to domestic range users, except for a few industrial accounts accepted by the consent of the Power Controller.

Rates

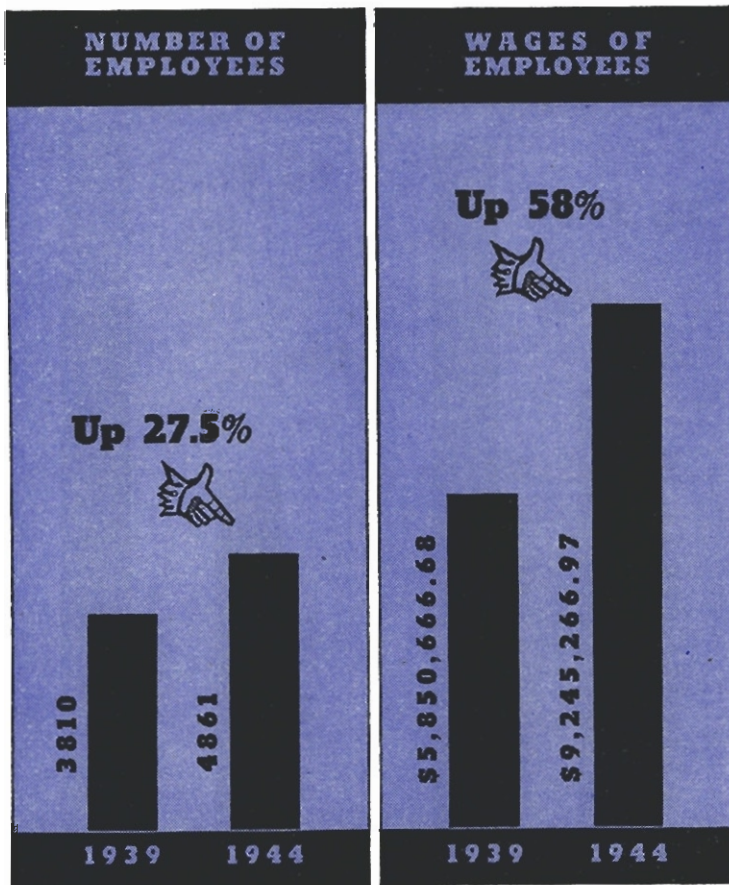
For 1944, as for 1943, the Public Utilities Commission of British Columbia ordered that electrical energy be supplied by the Companies without charge to domestic users and other specified classes of consumers in certain areas for one month and in the other areas for two months. The Companies, as of January 1, 1945, made voluntary reductions in their residential and commercial electric lighting schedules for the Vancouver Island South and Alberni areas; such reductions amount annually to the equivalent of one of the two months' free billing which had been ordered for those areas by the Public Utilities Commission in 1943 and 1944. The Companies are now proceeding to give a thorough review to their rate structures in order to be equipped with complete information for any action which may be considered.

This graph shows the great increase in the volume of service rendered in the fifth year of war compared with the last pre-war year.



Operating Expenses

The total cost of operation amounted to \$21,424,321, an increase of \$1,449,022, or 7.25% over the previous year. This increase, however, is the net result of certain substantial increases and a resulting decrease in taxes. During the shortage of water for hydro generation up to October, 1944, the Vancouver steam plant was brought to bear; this involved substantial costs from which the Companies are free in years of normal water supply. Another important element of increased cost was in the price of coal used for the manufacture of gas. In the Transportation services, where increased service and increased cost are intimately related, the larger volume of service occasioned higher operating expenses in the ordinary course. In addition, however, the costs of maintenance of track and equipment have risen in recent years far beyond the proportions of increased service, and this trend has been accentuated with each successive year. This condition has been experienced by all street-car and bus operators and is the result of a combination of factors, amongst which may be mentioned increased wage levels and higher material prices; the poorer quality of maintenance materials; and also the unavailability of new equipment coupled with the full use of the existing fleets, which makes it impossible to remove units from service long enough for the usual infrequent but periodic overhauls and has transformed the renewal programmes into a succession of frequent, quick and costly "spot" repairs. In addition, the accounts of the year 1944 reflect increased rates of pay, involving approximately \$375,000 for the ten months of that year affected; the circumstances giving rise to the increased rates are recited later in this report. There was also a special payment of \$737,236.90 into the Pension Fund which is referred to at length later in the report. An immediate effect of these increased operating expenses is a reduction in the Income Tax liability to



The number of employees has increased more than 1,000 to render the increased service in the fifth year of war.

The average annual pay per employee was \$1,535.00 in 1939; it is \$1,902.00 in the fifth year of war.



which the Companies would otherwise have been subject. This liability for the year 1944 is estimated at \$2,540,000. As against this immediate effect there is a loss through the related reduction in the recoverable taxes which the Companies would otherwise have been entitled to receive in the post-war period.

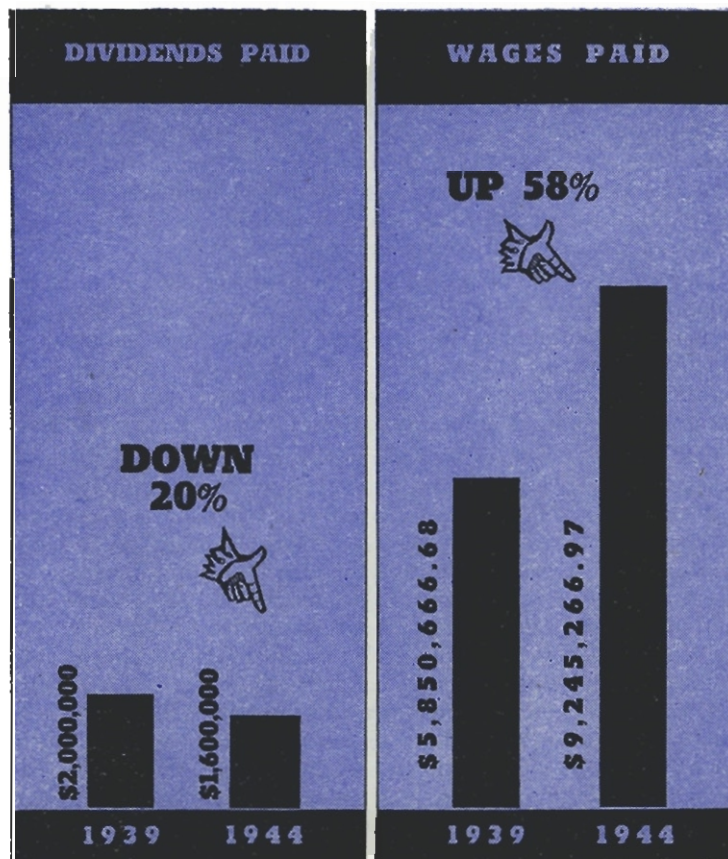
The amount provided for depreciation in 1944 is again based on the allowances authorized by the Public Utilities Commission.

Reference has been made at the outset of this section on Operating Expenses to the interrelation of provisions for income taxes and other elements of operating cost. Mention has also been made of the manner in which in recent years wartime shortages have caused the Companies perforce to transform their renewal programmes from the earlier pattern of infrequent but periodic renewals to a succession of "spot" repairs, and, finally, reference has just been made to the Companies' provisions for depreciation. On all matters of 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 tax authorities for the years subsequent to 1939, and those of its subsidiary Companies have not yet been reviewed for the years subsequent to 1940. As the number of years awaiting review increases, the amounts involved in any exception the tax authorities might take to our accounting treatments accumulate. 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.



Not only have wages in total risen, but annual average pay per employee has risen within the wartime wage stabilization policies of the Dominion Government.

Dividends have been reduced by 20% to match the reduced earnings to which the Companies are confined by the Dominion Government's wartime taxation policies.



Net Income and Dividends

The earnings on the "A" shares for 1944 amounted to \$1,650,558 as compared with \$1,735,391 in the previous year; this shows the effect of the Excess Profits Tax Act which limits the income that may be retained by corporations to not more than 70% of pre-war standard profits. As anticipated in the report for the previous year, the dividends on the "A" shares were reduced to match the restricted scale of earnings to which the Company is confined by wartime taxation; the dividends for 1944 amount to \$1,600,000, as compared with \$2,000,000 annually which had been disbursed in previous years.

PLANT ADDITIONS

The net capital additions for the year totalled \$2,076,092. Of the total expenditures, \$727,580 was laid out to connect additional electric customers, chiefly in rural areas. The construction of the additional 8,000 KVA turbo-generator at Brentwood Steam Station on Vancouver Island was completed, and the unit went into operation in May 1944. The property expenditures for the year include \$206,119 to complete the cost of this installation. A third unit of 1,250 KVA at Kamloops Steam Station was also completed; the year's expenditures include \$69,557 for the completion of the Kamloops unit. During the year, also, \$315,468 was expended in completing the purchase price of seventeen P.C.C. street-cars which were delivered up to March 1944, and \$297,217 was expended on twenty passenger buses purchased and put into service during the year.

LITIGATION

Reference was made in last year's report to an action brought on April 1, 1943, by the Crown against the British Columbia Electric Railway Company, Limited, to recover tax (and interest thereon) which the Federal authorities claimed should have been withheld from dividends paid up to April 1941 to non-resident holders of the 5% Cumulative Perpetual Preference Stock of that Company; with the passage of another year the judgment has not yet been rendered. The attached Balance Sheet shows as a contingent liability the amount claimed in the action with interest to December 31, 1944.

PERSONNEL

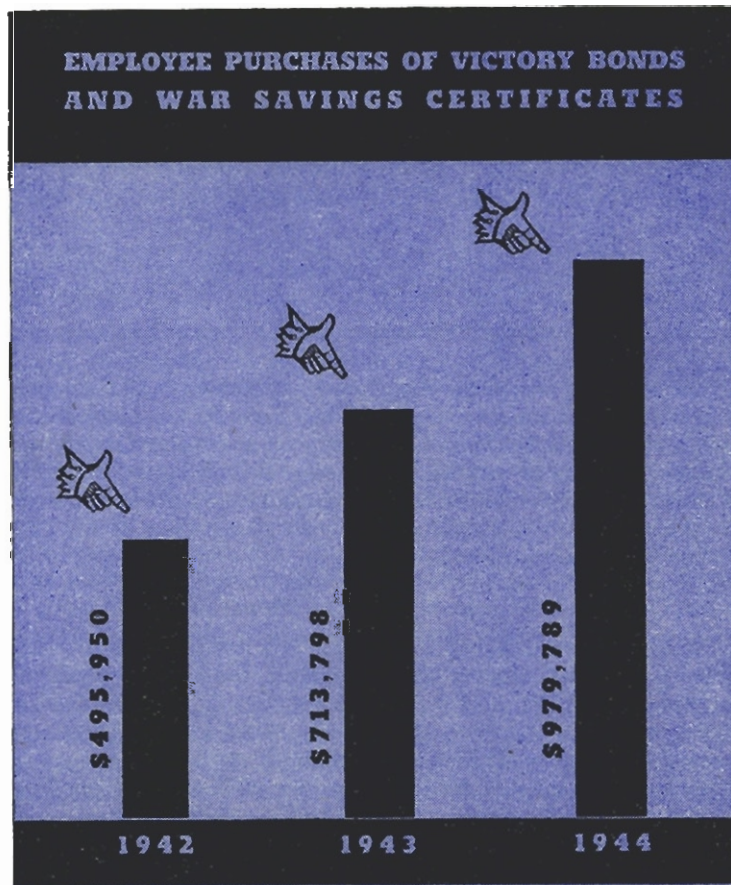
As noted in the last Annual Report, two vacancies in the Board of Directors existed at that time. Subsequently, at the annual meeting, Mr. George Kidd did not offer himself for re-election. These three vacancies were filled at the last Annual General Meeting by the election of Mr. G. T. Cunningham, Mr. J. H. McDonald and Mr. J. L. Trumbull, all of Vancouver. In the autumn of 1944, Mr. E. H. Adams resigned as an officer and director and was replaced on the Board by Mr. A. E. Grauer, a vice-president of the Company.

Towards the close of the year, a number of changes were made in the Company's management group for the purpose of enlarging and defining the scope of the duties of the senior officials. These changes are indicated in the attached listing of the officers of the Company. Other important functions were also given clearer and more formal recognition, notably by the appointment of a Personnel Manager under whose supervision a job and salary evaluation for the office staff is now being made as agreed upon with the Head Office Employees' Association.

On June 12, 1944, the street railway workers applied to the Regional War Labour Board of British Columbia for substantial increases in their rates of pay. Without attempting to set down here the history of the lengthy controversy, it may be mentioned that, on January 9, 1945, the men went on strike against an award of the National War Labour Board and remained out for ten days. The strike was terminated by the Union making a new application to the Regional Board which brought down its decision on January 25, 1945, awarding a general increase in rates of pay of four and one-half cents per hour retroactive to March 1, 1944, with additional adjustments for certain categories, notably skilled workers and track maintenance men. The period for appeal to the Regional Board expired February 24 without any appeal being taken, and on March 2, 1945, the Companies paid the men the retroactive increases. It has been an established policy of the Companies for many years to pass on to all employees any general increase awarded to the employees of one of the major services. Consequently, the Companies are joining with the organizations representing such other employees in applications to the authorities to be permitted to carry out this policy in the present case, and provision has been included in the 1944 expenses for the additional pay.

Mention was made in the 1943 Report of the actuarial study undertaken to obtain data on the Pension Fund. Since the liabilities arising under the pension plan look to the Companies' covenant and general assets for their security, it had previously been found satisfactory to handle pension liabilities as they arose without making any segregation of funds for that purpose in advance. It is also a fact that the present income tax laws permit a company to obtain substantial tax benefits to assist it in funding pension obligations. Accordingly, the British Columbia Electric Railway Company, after obtaining the necessary consent from the Minister of National Revenue, paid into a fund, held by The Royal Trust Company as trustee, \$400,000 for 1943 and \$439,000 for 1944 in conformity with the actuaries' findings as to the potential pension liability accruing with respect to employees' services rendered in those years. In addition, the Company has taken steps looking to the bringing of the fund into closer relationship with its accumulated potential pension liability with respect to services rendered in earlier years, in order to shift the burden from the general assets of the Company to a segregated fund. The money set aside for this purpose in 1944 amounts to approximately \$737,000, and the effect which the recognition of this payment by the tax authorities will have upon the year's tax bill has been allowed for in the provisions made for taxes. At the date of this Report, the required consent of the Minister of National Revenue has not yet been obtained for this payment in respect to past services. If this consent is obtained, the Company proposes to make payments of similar type into the fund each year for a period of years. Subject to acceptance by the Minister of National Revenue of the payment of \$737,000 referred to above, the Pension Fund held by The Royal Trust Company as trustee amounted at December 31, 1944, in round figures to one and three-quarter million dollars. From the inception of the pension plan in 1927, 324 employees have been granted pensions, 65 of them in the year 1944. In the interval, 68 pensioners have died, and 256 remain on the rolls.

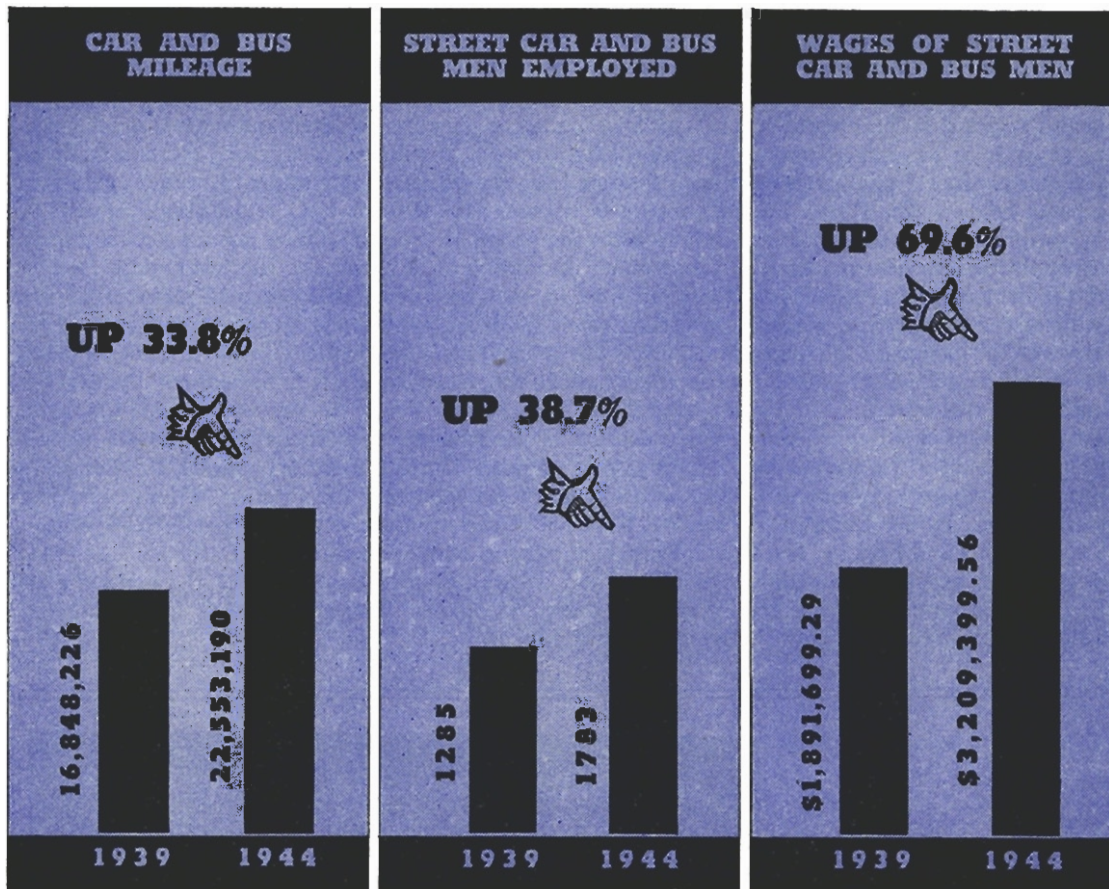
**EMPLOYEE PURCHASES OF VICTORY BONDS
AND WAR SAVINGS CERTIFICATES**



★

With each year, as the financial requirements of the Government's war programmes have risen, employees have made greater subscriptions to Victory Bonds and War Savings Certificates.

★



The staff of street car and feeder bus operators has been increased in even greater proportion than the increased volume of service, which has kept the amount of work of each operator within reasonable bounds.

The greater loads of passengers carried have, of course, made the work more exacting. Average annual wages per operator have risen from \$1,472 in 1939 to \$1,800 in 1944.

Men and women of the Companies' personnel to the number of 876 have enlisted with the armed services in the present war. They have the assurance that the organization will perform its legal and moral obligations when these men and women return to civilian life. Already, 109 have returned to positions with the Companies. It is also gratifying to report again the full participation of employees in wartime civilian services and to round out this section of the report by an expression of appreciation for the manner in which all members of the organization have carried out their duties during the year.

POWER SUPPLY

Precipitation in this area in 1944 was at a low point, the like of which had not been experienced in the Companies' history. As an example, the average precipitation over the forty years ended September 30, 1943, at Lake Coquitlam was slightly less than 141 inches; in the climatic year ended September 30, 1944, it was only 98.44 inches. To offset the deficiency of water, it was necessary to operate the Vancouver Steam Plant for the greater part of 1944. Short-term arrangements were also made with the Puget Sound Power & Light Company for delivery of a limited amount of off-peak energy. These measures, helped by an appeal to consumers to curtail non-essential uses, enabled the Companies to come through the dry season without harmful effect on the essential supply to their customers.

LOOKING AHEAD

For the last two or more years, officials in all departments, with the advice of experts specially qualified in the various fields, have been preparing plans for the betterment and extension of the Companies' property and services, so that, when removal of wartime restrictions and anticipated demands combine to indicate the time for commencement, plans will be available in detail to permit the beginning of construction programmes without delay. It will be understood, of course, that plans must be kept under constant review and that those parts which are closest to implementation will be in the greatest detail. The broad lines of these plans, however, were publicly announced on September 30, 1944, calling for an expenditure of \$50,000,000 in a 10-year development programme.

A beginning is to be made immediately with the construction of a new Main Street Substation in Vancouver which will be the first step in a programme of substituting fewer and larger substations for the numerous smaller ones which are typical of the earlier period of a large city's growth. Vancouver has now reached the end of this earlier stage, and the form and extent of the metropolitan area have become defined. The earlier pattern of adding small substations as the city grew was proper for that period and the present plan of fewer and larger substations is best for the stage upon which Vancouver is now entering.

Without going into all the components of the 10-year development programme, which have been covered in the Company's press announcements, one other important project may be singled out for reference since it has been the subject of persistent misconception. This is the Bridge River project, for the construction of the initial units of which \$17,000,000 is included in the programme. Construction at Bridge River was begun in the late 1920's when the rapid growth of the load curve indicated that its first units would be required by the end of the construction period, and certain of the important works were completed by the time the deepening depression caused the Board to decide that construction should be suspended in the spring of 1932. As a relatively small intervening development, the second unit of the Ruskin Generating Station was installed and brought into service in November 1938. When the war began in 1939, the Companies' Lower Mainland system had available in hydro and steam capacity, 187,200 kilowatts to handle an hourly peak load of slightly below 120,000 kilowatts; in other words, the capacity exceeded the peak load by over 56%. By 1942, the projection of the load curve for the Lower Mainland system again showed that, if construction were resumed on Bridge River, its first units would be required by the end of the construction period and, accordingly, the Company made application to the appropriate Dominion Government officials for permission to resume construction as a war project which would have carried with it the allowance of special wartime depreciation provisions; permission was refused. A year later, however, these officials stated that consent could be obtained for construction, but were unable to give any engagement that materials and manpower would be available; with this uncertainty, the end of 1943 was too late to allow for the bringing in of Bridge River before the anticipated date when its energy would be required, and the refusal to grant special wartime depreciation provisions would have made the high construction costs a burden on the community. Accordingly, in the spirit of the Hyde Park Agreement, negotiations were begun with the Bonneville Power Administration with a view to obtaining a temporary source of economical energy, because of wartime conditions, to meet anticipated system requirements for the next few years until the time when the Bridge River construction can be undertaken. The Company has never deviated from regarding Bridge River as the source of its next permanent large source of supply, and the purpose of giving this brief recital of the history of the project from its inception to the present time has been to put the facts on record, to show that the action taken by the Board with respect to this project from time to time has been wise in the circumstances as they have developed.

The Rural Electrification Committee set up by the Government of B. C. brought in its final report on January 16, 1945 and, subsequently, the Government announced its plans to set up a British Columbia Power Commission which will have power, up to an aggregate limit of \$10,000,000, to acquire existing generation and distribution facilities and to construct new generation and distribution facilities. During the two years in which the Rural Electrification Committee was making its investigations, the Companies were surveying their rural areas for their own purposes as well as to produce information for the use of the Committee. When the Companies'

studies were completed and a decision had been made, they announced their plan of a five-year programme the completion of which would bring the coverage in their rural areas to what the Rural Electrification Committee viewed as the fullest feasible. The announcement of the Companies' plans at the same time as the Government's announcement of its plans has led to an impression in some quarters that the two plans are duplicating and conflicting, whereas they are complementary in that one supplements the other. That this is their true relationship is clear from reading the two plans side by side, or from reading the report of the Rural Electrification Committee.

Meetings amongst municipal representatives and between a committee of the municipalities and the Provincial Government to discuss the taking over of the Companies' properties have been continued during the year. It is difficult to describe briefly the present status of these discussions beyond saying that it has been arranged between the municipalities and the Provincial Government that experts shall be retained to advise upon the feasibility of the proposal. Discrimination in taxation as between private and public ownership has, during wartime, involved inequalities of burden of such magnitude that the discussion of the alternative forms of ownership has been largely confined to this one factor, and the merits working in the contrary direction (in favour of private ownership under public regulation) have been given scant attention. Increasing costs of operation have cut the Companies' bill for taxes on income in 1944 to approximately one-half the amount of each of the two years preceding and, coupled with this, there is an increasing volume of public approval for the proposition that the taxation of corporate income as such is bad fiscal policy. This public approval is added to the similar advice the Dominion Government has received from time to time from commissions and committees set up by it to study questions of fiscal policy. The removal of tax discrimination will bring to the front the relative merits of the two forms of ownership and the Company has no misgivings of the outcome of a fair discussion in these proper terms.

Respectfully submitted on behalf of the Board:



President.

March 22, 1945.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Income and Earned Surplus
for the year ending December 31, 1944*

Gross Revenue from Operations.....		\$ 25,207,072.18
<i>Deduct—</i>		
<i>Expenses:</i>		
Operation and Maintenance, including Property Taxes.....	\$ 14,580,953.36	
Legal Fees and Executive Remuneration.....	118,440.92	
Directors' Fees	21,830.69	
Provision for Accidents	157,500.00	
Provision for Employees' Pension Fund.....	1,176,236.90	
Provision for Depreciation and Renewals.....	2,829,359.52	
Provision for Taxes on Income (including \$190,000.00 representing estimated recoverable proportion of excess profits tax for the year).....	2,540,000.00	
	21,424,321.39	
Operating Income		\$ 3,782,750.79
<i>Add—</i>		
Income from Investments	\$ 45,634.52	
<i>Less—</i>		
Loss on Sale of Investments.....	12,787.50	
	32,847.02	
		\$ 3,815,597.81
<i>Deduct—</i>		
Interest on Bond Debt.....	\$ 1,473,242.48	
Bond Refunding Expenses written off	69,956.64	
	1,543,199.12	
Net Income for the Year.....		\$ 2,272,398.69
<i>Add—</i>		
Earned Surplus as at January 1, 1944.....		987,760.05
		\$ 3,260,158.74
<i>Deduct—</i>		
<i>Dividends on Preference Stock of Subsidiaries:</i>		
5% Cumulative Perpetual Preference Stock—£72,000.0.0 at \$4.47	\$ 321,840.00	
6% Cumulative Preference Shares	300,000.00	
	621,840.00	
		\$ 2,638,318.74
<i>Deduct—</i>		
Dividends on Class "A" Shares of Parent Company.....		1,600,000.00
Earned Surplus as at December 31, 1944.....		\$ 1,038,318.74

BRITISH COLUMBIA POWER

AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

CURRENT AND WORKING ASSETS:

Cash on hand and in banks.....	\$ 433,687.85	
Dominion of Canada bonds and City of Vancouver debentures, at cost.... (Quoted market value—\$2,019,385.28)	2,024,624.00	
Accounts receivable, less reserve.....	1,859,842.69	
Employees' housing loans, mortgages, etc.....	24,471.82	
Inventories of stores, materials and supplies, determined as to quantities by book inventories confirmed annually by physical count or measure- ment, valued at average cost.....	1,991,264.37	
		\$ 6,333,890.73

CASH IN HANDS OF TRUSTEE FOR SINKING FUND..... 54,526.23

EMPLOYEES' PENSION FUND (per contra):

Bonds and cash held by trustee.....	\$ 1,033,000.00	
Tentative deposit with trustee (See Directors' report).....	737,236.90	
		1,770,236.90

INVESTMENTS:

Corporation's shares held by subsidiaries..... (Quoted market value December 31, 1944—\$353,570.75)		666,539.77
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BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond conversion expenses and discounts less amounts written off.....		1,043,837.33
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DEFERRED CHARGES:

Insurance unexpired, deferred regulatory commission expenses, and other prepaid items		285,308.94
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ESTIMATED RECOVERABLE PROPORTION OF EXCESS PROFITS TAX (per contra) 990,000.00

PROPERTY ACCOUNT:

Book values which represent the cost of acquisition, and the cost of sub- sequent additions, including discount on bonds of \$728,670.56 which is charged to construction accounts of subsidiaries.....	\$ 150,941,410.69	
Less—Provision for depreciation and renewals.....	38,324,342.44	
		112,617,068.25

NOTE: An appraisal of the properties of 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.

\$ 123,761,408.15

APPROVED ON BEHALF OF THE BOARD:


Director.


Director.

CORPORATION, LIMITED

DIARY COMPANIES

as at December 31, 1944

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Accounts payable	\$ 2,531,046.12	
Debenture and bond interest accrued.....	488,133.35	
Dividends declared, since paid.....	635,920.00	
First Refunding and Collateral Trust Bonds 3½%, maturing March 1, 1945	400,000.00	
Bank loan for purchase of Dominion of Canada bonds for employees	\$215,537.66	
Less—Employees' subscriptions unpaid.....	197,951.56	
	17,586.10	
Reserve for taxes on income and other taxes (after a payment of \$1,616,360.00 on 1944 taxes).....	1,484,486.49	
		\$ 5,557,172.06

BOND DEBT (as per statement attached)..... \$ 35,912,624.50

CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

<i>British Columbia Electric Railway Company, Limited—</i>		
5% Cumulative Perpetual Preference Stock, £1,440,000.00 at \$4.85.....	\$ 6,984,000.00	
<i>British Columbia Electric Power & Gas Company Limited—</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, contingent and accident.....	\$ 1,139,845.11	
Employees' pension fund (per contra).....	1,770,236.90	
		2,910,082.01

CAPITAL:

<i>Authorized—</i>		
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.		
<i>Issued—</i>		
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	
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DEFERRED SURPLUS:

Estimated recoverable proportion of excess profits tax (per contra).....	990,000.00	
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EARNED SURPLUS (as per statement attached)..... 1,038,318.74

67,394,083.33

CONTINGENT LIABILITY:

In connection with an action by the Crown against British Columbia Electric Railway Company, Limited, as referred to in the Directors' Annual Report herewith	\$ 394,875.45	
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\$ 123,761,408.15

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of British Columbia Power Corporation, Limited and its subsidiary companies for the year ending December 31, 1944, and have obtained all the information and explanations which we have required.

The Corporation's returns for income and excess profits taxes have been assessed up to and including the year 1939 and those of its subsidiary companies up to and including the year 1940. The returns for the subsequent years have not yet been passed upon by the taxation authorities and, as indicated in the accompanying report of the Directors, the liability included in the attached consolidated balance sheet in respect of taxes on income is subject to the results of such review.

We report that subject to the comment in the foregoing paragraph relative to the reserve for taxes on income, the above consolidated balance sheet at December 31, 1944, is, in our opinion, 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 16, 1945.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Bond Debt as at December 31, 1944

BRITISH COLUMBIA POWER CORPORATION, LIMITED:

<i>First Refunding and Collateral Trust Serial Bonds 3½%, Series "A"--</i>	
Authorized and issued.....	\$ 1,600,000.00
<i>Less—</i>	
Redeemed	1,200,000.00
	400,000.00
Balance, maturing March 1, 1945, included in Balance Sheet under the caption "Current and Accrued Liabilities".....	\$ 400,000.00

<i>First Refunding and Collateral Trust Bonds 4¼%, maturing March 1, 1960—</i>	
<i>Authorized and issued:</i>	
1939 Series	\$ 4,500,000.00
<i>Less—</i>	
Redeemed	185,000.00
	\$ 4,315,000.00
Series "A"	10,800,000.00
	\$ 15,115,000.00

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED:

<i>4¼% Perpetual Consolidated Debenture Stock</i>	£2,788,170.00	
	@ \$4.85	13,522,624.50

VANCOUVER POWER COMPANY, LIMITED:

<i>4¼% Perpetual Guaranteed Debenture Stock—</i>		
Authorized £1,917,350, of which issued.....	£1,500,000.00	
	@ \$4.85	7,275,000.00

As per Consolidated Balance Sheet.....		\$ 35,912,624.50
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