

*Annual Report*  
CANADA NORTHERN POWER  
CORPORATION  
LIMITED



*Year ended*  
DECEMBER THIRTY-FIRST  
1940

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# CANADA NORTHERN POWER CORPORATION, LIMITED

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Montreal, Que., March 6th, 1941.

## TO THE SHAREHOLDERS:

Your Directors herein submit their report of the operations of your Company for the year ended December 31st, 1940.

It will be seen by reference to the comparative statement of operations that owing to the rate reduction, the loss of the Lake Shore Mines contract and the continued increase in taxation, net earnings show a decrease from those of the previous year. It is expected that service to Noranda Mines, Limited, will be discontinued sometime during 1941, as your Company's contract with that Company expired nearly three years ago and has been taken by the Quebec (Government) Electricity Syndicate for its power plant presently under construction.

Regular dividends on the 7% Cumulative Preferred Stock, and dividends amounting to \$1.08 per share on the no par value Common Stock, were paid out of the earnings for the year.

**Power Demand** There was a decrease of less than 1% in the demand for power, 742,829,599 kilowatt hours having been sold as compared with 749,904,042 kilowatt hours in 1939. The number of customers, however, increased from 25,209 at December 31st, 1939, to 25,882 at the close of 1940.

**Construction Activities** The largest project undertaken during the year in the construction field was the provision of additional frequency changer capacity at Kirkland Lake Substation. This consisted of the installation of two units of 2,500 and 1,250 k.v.a. capacity, respectively. This installation was rendered necessary by the increase in load at those mines in the Kirkland Lake area equipped to use 60 cycle power and by the growth of the domestic and commercial load at Kirkland Lake, where power of that frequency is used. Three short distribution lines to serve new customers were built during the year, the longest (7½ miles) being to the property of Mic-Mac Mines, Limited, in Bousquet Township, situate between the Noranda and Cadillac Camps in Northern Quebec. A distribution system was installed to serve the residents of Thornloe, a

village in the agricultural belt north of New Liskeard, Ontario.

**New Power Customers** Contracts for the supply of power were entered into with the following companies during the year; Pascalis Gold Mines, Limited, whose property adjoins the Perron Gold Mines, east of Blouin Lake Substation, and Brock Gold Mines, Limited, adjoining the property of the Upper Canada Mines in the Eastern Kirkland Lake district.

**Municipal Contracts** On June 17th the electors of the Village of Thornloe, Ontario, by an almost unanimous vote ratified the signing of a 10-year contract for the supply of light and power to the residents of that municipality; and in December the Municipal Council of the Town of Val d'Or, Quebec, renewed the contract providing for electric service to the residents of that town for a period of five years.

**Merchandise Department** Sales of electrical appliances by the Merchandise Department during the year amounted to \$169,961.

**Taxation** The necessity for drastic increases in taxation to finance war expenditures has added still further to the heavy burden endured by your Company through this item; and while both the shareholders and customers will be proud of the contribution they are thus making towards the country's war effort, they cannot fail to realize the discrimination against them by the operation of the unfair principle of tax exemption of publicly-owned utilities.

The following table, showing the amounts paid under this head in proportion to the business of the Company for the past ten years, illustrates the growing heavy burden the item of taxation imposes and the increasing difficulty of meeting competition from the publicly-owned competitors who do not pay these taxes:

Year	Taxes	Net Earnings	Percentage
1931	\$335,000	\$2,280,104	14.70%
1932	365,191	2,389,081	15.28%
1933	394,467	2,590,812	15.22%
1934	437,045	2,712,730	16.1 %
1935	477,955	2,770,678	17.2 %
1936	517,429	2,804,914	18.44%
1937	538,543	2,901,639	18.5 %
1938	546,607	2,840,984	19.24%
1939	543,891	2,755,385	19.7 %
1940	693,066	2,413,469	28.72%

The above figures do not include several miscellaneous taxes, among which are tax on gasoline, licenses for automobiles and trucks, meter inspection tax, tax on telephone bills, sales tax (Federal and Municipal), tax on meals, tax on railway fares, customs duties, nor the 8% Federal Tax and the 2% Provincial (Quebec) tax on electric light bills.

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 25th day of March, 1941, at 3 o'clock in the afternoon, daylight saving time.

Respectfully submitted on behalf of the Board.

**Rates** On January 1st, 1940, another substantial reduction in rates for mine power was put into effect. This brought the rate for amounts up to 10,000 horsepower to \$3.00 per horsepower per month, plus \$1.25 per horsepower per month for larger amounts.

The effect of this and earlier reductions has been to reduce the cost of mining, thereby making possible the treatment of ores of lower grade and increasing the amount of gold produced at a time when the output of that metal is of such great importance to the provision of foreign exchange.

The reduction accentuates the fact that when the item of taxation is taken into consideration the cost of power supplied by the Company is as low as the cost to the users of power furnished by any organization supplying similar service on the Continent. This is further borne out by a comparison of the total kilowatt hour output of the Company with the gross electric revenue, from which it will be seen that we receive sixty-six one-hundredths of a cent per kilowatt hour before considering taxes, and after taxes amounting to \$693,066 are deducted, only fifty-seven one-hundredths of a cent per kilowatt hour.

**Plants and Properties** The high standard of efficiency of the various plants and equipment of the Company has been maintained throughout the year, all being in first-class condition.

**Employees** Your Directors are pleased to place on record their appreciation of the efficient and faithful service rendered by the employees of the Company.

  
PRESIDENT

# CANADA NORTHERN POWER CORPORATION, LIMITED

## AND SUBSIDIARY COMPANIES

### *Consolidated Balance Sheet as at 31st December, 1940*

ASSETS	1940	1939	LIABILITIES	1940	1939
Plant Investment:			To THE PUBLIC:		
Properties, Plant and Equipment, Franchises, Organization, etc. at cost less net adjustments arising as a result of consolidation	\$35,213,143.20	\$35,535,666.40	Funded Debt—		
Cash in Banks.....	805,968.16	1,089,593.51	Collateral Trust 5% Sinking Fund Gold Bonds, Series "A", due 1953.....	\$17,000,000.00	
Call Loan.....	645,000.00	480,000.00	Less:		
Investments—			Redeemed and cancelled to date by Sink- ing Fund.....	2,434,500.00	
Marketable Securities..... \$1,313,559.97 (Market Value - \$1,273,685.00)			Accounts Payable and Accrued Liabilities.....	243,164.36	\$14,832,000.00
Other Investments at book value..... 383,904.24			Provision for Taxes.....	463,206.24	232,909.14
	1,697,464.21	1,528,837.65	Bond Interest accrued including provision for exchange.....	132,524.74	123,417.78
Notes Receivable.....	37,000.00	61,500.00	Subsidiary Company Dividends Payable.....	18,553.08	20,611.90
Accounts Receivable, including accrued revenue.....	486,620.27	534,537.35	Preferred Dividend Payable.....	96,250.00	96,250.00
Merchandise and Maintenance Supplies—			Common Dividend Payable.....	100,000.00	120,000.00
Inventories as shown by book records, valued at cost as certified to by responsible officers of the Company. Book records are adjusted periodically to agree with physical inven- tories.....	241,482.09	254,084.54	Customers' Deposits including interest.....	221,518.59	211,214.05
	\$ 3,913,534.73	\$ 3,948,553.05		1,275,217.01	\$15,964,191.60
Prepaid and Deferred Charges.....	62,995.91	62,570.39	To THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
Montreal Trust Company—Bond Redemption Account.....	3,761.90	20,197.90	Capital Stock:		
Bonds of the Corporation purchased in anticipation of Sinking Fund Requirements—Par Value.....	239,000.00	32,000.00	6% Cumulative Convertible Preferred Shares of \$100.00 each— (Redeemable at \$110.00 and accrued dividend after 60 days notice).....	1,202,100.00	1,202,100.00
			Common Shares of No Par Value.....	197,998.04	197,998.04
			Minority Shareholders' Interest in Surplus of Subsidiaries.....	2,697.62	2,729.95
			To THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION, LIMITED:		
			Capital Stock:		
			7% Cumulative Preferred Shares of \$100.00 each (Redeemable at \$110.00 and accrued dividend after 30 days notice).		
			Authorized.....	75,000 shares	
			Issued.....	55,000 shares	5,500,000.00
			Common Shares of No Par Value:		
			Authorized.....	500,000 shares	
			Issued.....	400,000 shares	2,148,796.00
			Reserves:		
			Depreciation.....	11,780,137.55	11,721,749.76
			Bad Debts.....	36,813.97	39,502.95
			Miscellaneous.....	150,459.92	150,613.36
			Surplus—Balance as at 31st December 1940.....	2,572,715.63	2,643,269.93
			Special Reserve (being the net profits on securities, less premiums on bonds purchased for Sinking Fund purposes, since 1st January, 1938).....		28,036.15
				\$39,432,435.74	\$39,598,987.74

Approved on behalf of the Board:

A. J. NESBITT  
JAS. B. WOODYATT } Directors.

\$39,432,435.74    \$39,598,987.74

#### Auditors' Report

We have made an examination of the books of account of Canada Northern Power Corporation, Limited, and its Subsidiaries for the year ended 31st December, 1940, and have obtained all the information and explanations which we have required. In our opinion, subject to final determination of the Companies' liability for Income and Excess Profits taxes, the attached Consolidated Balance Sheet and relative Consolidated Statements of Income and Expenditure and of Surplus, set forth correctly the combined financial position of the Companies at 31st December, 1940, and the results from operations for the year ended 31st December, 1940, according to the information and explanations received by us and as shown by the books of the Companies.

Montreal, 21st February, 1941.

P. S. ROSS & SONS,  
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Income and Expenditure*  
*For the Year Ended 31st, December, 1940*

Gross Earnings from Operations.....		\$4,952,188.20
DEDUCT:		
Operating Expenses.....	\$2,139,960.63	
Directors' Fees.....	15,025.00	
Executive Officers' Salaries.....	29,119.00	
Legal Fees.....	20,802.00	
Provision for Bad Debts.....	4,924.67	2,209,831.30
Net Operating Profit before interest, depreciation and income and excess profits taxes.....		\$2,742,356.90
Income from Investments.....		68,275.79
		<u>\$2,810,632.69</u>
DEDUCT:		
Interest on—Bonds, including exchange.....	819,798.75	
—Customers' Deposits.....	7,739.36	
Provision for—Depreciation.....	733,000.00	
—Income and excess profits taxes.....	402,088.59	1,962,626.70
Net Income for the year transferred to Surplus.....		<u>\$ 848,005.99</u>

*Consolidated Statement of Surplus*  
*For the Year Ended 31st December, 1940*

Balance at Credit—1st January, 1940.....		\$2,643,269.93
DEDUCT:		
Adjustment affecting previous financial periods—(net).....		19,197.08
		<u>\$2,624,072.85</u>
ADD:		
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.....	\$848,005.99	
DEDUCT:		
Premium on Bonds purchased for Sinking Fund purposes... ..	\$34,133.75	
LESS:		
Transferred from Special Reserve.....	\$28,036.15	
Profits from sale of securities.....	560.11	28,596.26
		<u>5,537.49</u>
		<u>\$3,466,541.35</u>
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.....	\$ 72,126.00	
Common.....	4,699.72	76,825.72
7% Cumulative Preferred Stock.....		385,000.00
Common Stock.....		432,000.00
		<u>893,825.72</u>
Balance at Credit—31st December, 1940.....		<u>\$2,572,715.63</u>

Examined and Certified in accordance with our attached Report.

P. S. Ross & Sons,  
Chartered Accountants.

Montreal, 21st February, 1941.

CANADA NORTHERN POWER CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Operating Statement*  
*For Years Ending December 31st*

	1936	1937	1938	1939	1940
Electric Revenue.....	\$4,494,937	\$4,884,548	\$5,052,287	\$5,166,160	\$4,921,871
(*) Miscellaneous Revenue.....	77,880	101,132	93,719	98,894	98,593
Gross Earnings.....	<u>\$4,572,817</u>	<u>\$4,985,680</u>	<u>\$5,146,006</u>	<u>\$5,265,054</u>	<u>\$5,020,464</u>
Purchased Power.....	480,179	706,429	912,580	1,119,379	1,075,276
Operation.....	656,641	718,311	722,452	717,607	715,213
Maintenance.....	113,654	120,758	123,383	128,792	123,440
Taxes.....	517,429	538,543	546,607	543,891	693,066
	<u>\$1,767,903</u>	<u>\$2,084,041</u>	<u>\$2,305,022</u>	<u>\$2,509,669</u>	<u>\$2,606,995</u>
Net Earnings.....	2,804,914	2,901,639	2,840,984	2,755,385	2,413,469
Bad Debts.....	4,575	4,921	5,055	5,164	4,925
Interest.....	815,885	802,653	780,995	802,231	827,538
	<u>\$ 820,460</u>	<u>\$ 807,574</u>	<u>\$ 786,050</u>	<u>\$ 807,395</u>	<u>\$ 832,463</u>
Surplus for Year.....	1,984,454	2,094,065	2,054,934	1,947,990	1,581,006
(A) Surplus brought forward.....	(B) 1,342,006	1,647,931	2,028,586	2,379,501	2,624,073
	<u>\$3,326,460</u>	<u>\$3,741,996</u>	<u>\$4,083,520</u>	<u>\$4,327,491</u>	<u>\$4,205,079</u>
Preferred Dividends Paid.....	462,520	459,546	457,126	457,126	457,126
Common Dividends Paid.....	493,312	493,226	493,034	490,394	436,700
Transferred to Depreciation Reserve.....	720,000	739,000	728,000	725,000	733,000
Premium on Bonds purchased for Sinking Fund.....	.....	24,843	.....	.....	5,537
Bond Redemption Expense.....	.....	.....	.....	11,701	.....
	<u>\$1,675,832</u>	<u>\$1,716,615</u>	<u>\$1,678,160</u>	<u>\$1,684,221</u>	<u>\$1,632,363</u>
Surplus Carried Forward.....	<u>\$1,650,628</u>	<u>\$2,025,381</u>	<u>\$2,405,360</u>	<u>\$2,643,270</u>	<u>\$2,572,716</u>
Sinking Fund Instalments Paid....	<u>\$ 201,825</u>	<u>\$ 211,925</u>	<u>\$ 243,575</u>	<u>\$ 255,350</u>	<u>\$ 279,375</u>
Customers Connected.....	17,508	19,782	22,568	25,209	25,882
Shareholders.....	4,013	4,016	4,000	3,998	4,031
Kilowatt Hours Output.....	<u>594,753,243</u>	<u>649,123,556</u>	<u>700,848,611</u>	<u>749,904,042</u>	<u>742,829,599</u>

(A)—Adjusted for prior year charges.

(B)—Adjustment after addition of Profit on Sale of Securities and deduction of Bond Discount.

(\*)—Miscellaneous Revenue includes compressed air gross earnings, pulp and merchandise net profits and earnings from investments, etc.

OFFICERS

*President*

A. J. NESBITT, Montreal

*Vice-President*

JAS. B. WOODYATT, Montreal

*Vice-President and General Manager*

B. V. HARRISON, New Liskeard

*Directors*

F. O. BLACKWELL.....New York  
B. V. HARRISON.....New Liskeard  
L. C. HASKELL.....Montreal  
DAN. McLACHLIN.....Arnprior  
A. J. NESBITT.....Montreal  
ALFRED H. PARADIS.....Montreal  
JOS. SIMARD.....Montreal  
P. A. THOMSON.....Montreal  
JAS. B. WOODYATT.....Montreal

*Secretary*

L. C. HASKELL

*Treasurer*

CHAS. JOHNSTONE

*Assistant Secretary*

V. J. NIXON

*Assistant Treasurer*

T. IRVING

*Assistant Secretary-Treasurer*

H. A. SEYMOUR

*Fiscal Agents*

NESBITT, THOMSON & COMPANY, LIMITED

*Auditors*

P. S. ROSS & SONS

*Transfer Agents and Registrars*

MONTREAL TRUST COMPANY, MONTREAL, P.Q. AND TORONTO, ONT.

*Head Office*

355 ST. JAMES STREET WEST  
MONTREAL  
CANADA

