

LOWER ST. LAWRENCE POWER COMPANY



ANNUAL REPORT

1946

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LOWER ST. LAWRENCE POWER COMPANY

Incorporated by Letters Patent of the Province of Quebec,
12th July, 1922

BOARD OF DIRECTORS

J. A. BRILLANT
RIMOUSKI

T. A. BERNIER
RIMOUSKI

P. E. GAGNON
RIMOUSKI

J. H. BROCHU
RIMOUSKI

NORMAN GENDREAU
RIMOUSKI

JEAN DUCHESNEAU
RIMOUSKI

G. A. LAVOIE
RIMOUSKI

MISS A. DUBE
RIMOUSKI

GEORGES MASSON
RIMOUSKI

EXECUTIVE OFFICERS

Honourable J. A. BRILLANT, L.C., C.B.E.
President

T. A. BERNIER, C.E.
Vice-President

P. E. GAGNON, K.C.
Secretary

NORMAN GENDREAU
Treasurer

HEAD OFFICE

46 Cathedral Avenue, Rimouski, Quebec, Canada

TWENTY-FOURTH ANNUAL REPORT
OF THE
BOARD OF DIRECTORS
OF
LOWER ST. LAWRENCE POWER COMPANY
FOR THE YEAR ENDED 31st DECEMBER 1946

The Directors of the company submit the Balance Sheet as at 31st December 1946 together with a comparative statement of Profit and Loss Account and the report of the company's auditors.

FINANCIAL STATEMENTS

The company's operations for the year 1946 resulted in a net profit of \$93,452 after payment of all expenses and fixed charges, as compared with a net profit of \$85,229 for the year 1945, and for comparative purposes the following figures are submitted for the years 1943 to 1946 inclusive.

	<u>Year ended 31st December:</u>			
	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
Total Revenue	\$ 465,639	\$ 524,928	\$ 607,155	\$ 725,163
Deduct:				
Operating Expenses and Taxes	<u>247,944</u>	<u>222,029</u>	<u>257,213</u>	<u>359,075</u>
Net Operating Profit	<u>217,695</u>	<u>302,899</u>	<u>349,942</u>	<u>366,088</u>
Deduct:				
Interest on Funded Debt and Amortization of Financing Expense	76,594	77,052	97,419	101,853
Provision for Depreciation	74,762	75,279	86,136	94,769
Income and Excess profits Taxes	<u>28,361</u>	<u>60,892</u>	<u>81,158</u>	<u>76,014</u>
	<u>179,717</u>	<u>213,223</u>	<u>264,713</u>	<u>272,636</u>
Net Profit	<u>\$ 37,978</u>	<u>\$ 89,676</u>	<u>\$ 85,229</u>	<u>\$ 93,452</u>

The total revenue for the year 1946 showed an increase of \$118,008 over 1945, an increase of 19.4%.

Power sales amounted to \$543,318 as compared with \$471,613 in the preceding year.

The sales to residential and commercial customers have increased steadily for many years. This trend was continued in 1946 and the increase in revenue from these sources amounted to \$28,032.00, or 8.9% over 1945. Sales to such clients accounted for 62.8% of the total power sales.

During the latter part of the year, some difficulties were experienced by the company as a result of an extremely low rain fall in the summer and fall, but in spite of this the company's earnings, both gross and net, were at an all-time high. The situation has now been rectified by the installation of two 1,600 h.p. Diesel Generators at Rimouski and will further be improved by the completion of the new 6,000 h.p. hydro-electric plant. The two plants will almost double the company's generating capacity and give a flexibility of operation not formerly possessed so that, it is estimated, a further demand about twice the present demand could be met even in low water periods.

In the report of the Directors for the year 1945, reference was made to the fact that the company had the matter of standard profits under review with the Department of National Revenue and a satisfactory award has now been obtained. As a result of this, an amount of \$112,267.97 has been returned to surplus account from the reserve for excess profits taxes, and the estimated refundable portion of excess profits tax, which was calculated on the maximum tax liability, has been reduced substantially. The statement of profit and loss submitted with this report includes the results for the year 1945 for comparative purposes, and as indicated therein the tax provision for 1945 is stated at the corrected amount.

The attached balance sheet reflects the fact that the company is in the process of building a new hydro-electric plant, which is referred to later in this report, and for that purpose the company has resorted to temporary loans. Since the end of the year the company has sold an additional \$1,000,000 par value of its first mortgage bonds to reimburse it for expenditures already made and to provide funds to complete the projects now underway.

EXPANSION PROGRAMME

The company presently supplies electric service to 12,169 customers representing an increase of 1,446 over the previous year.

During the year, electric service was extended to four municipalities making a total of seventy-one communities now served, having a population in excess of 118,000.

The programme for the year included the construction of 117 miles of rural distribution lines and the continuation of the new 6,000 h.p. hydro-electric power development, undertaken in the previous year, on the Metis River at a site located approximately one and one quarter miles downstream from the Metis Falls plant. However, due to difficulties in procuring materials and equipment, only 76 miles of lines were put in service, and it is estimated that the Lower Metis River power plant will be completed in June 1947.

Capital expenditures, during the year, for the construction of the new hydro-electric plant and for the additions and extensions to existing facilities amounted to \$1,300,832.

GENERAL

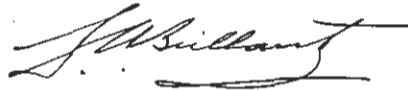
The Directors are pleased to report that an employee pension plan was established during the year. Pensions at normal retirement age to a maximum of \$1,200 per year are to be purchased from the Annuity Branch of the Federal Department of Labour. The company is contributing the full amount of the cost of past service annuities and will contribute an amount equal to the contribution of an employee for future service.

The Group Assurance Plan was extended during the year to cover hospitalization and surgeons' fees for our employees and their dependents.

The Directors wish to record their appreciation of the loyal and efficient support of the personnel of the organization which has made possible the satisfactory results of the year's operations.

A map of the territory served by the company, together with charts showing the growth of power sales and investments in utility plant, are appended to this report.

Submitted on behalf of the Board of Directors,



President.

LOWER ST. LAWRENCE POWER COMPANY

BALANCE SHEET AS AT 31st DECEMBER 1946

ASSETS

Fixed Assets :			
Land, water power sites, plant, buildings, transmission and distribution systems, motor vehicles, etc. — at cost (Note 1)	4,878,098.12		
Current Assets :			
Cash	28,299.44		
Accounts receivable, less reserve for bad debts	37,218.07		
Inventory of merchandise and stores, based on inventory records verified by physical count during the year by employees of the company and valued at cost			
Merchandise for sale	62,994.00		
Maintenance and construction stores	58,673.34	121,667.34	
Prepaid expenses and deferred charges	15,468.88	202,653.73	
Sinking Fund for First Mortgage Bonds :			
Cash on deposit with trustee		210.00	
Investments and Advances :			
Investment in and advances to La Compagnie de Distribution Electrique de Temiscouata Limitée, an affiliated company		18,545.67	
Investment in Quebec Telephone and Power Corporation — at cost			
3,305 Class "A" shares			
19,681 Class "B" shares		110,624.66	
Miscellaneous — at cost	5,200.00		
Refundable portion of excess profits tax	3,601.61	137,971.94	
Financing Expense , less amounts written off		127,721.67	
		<u>\$ 5,346,655.46</u>	

LIABILITIES

Funded Debt :			
Authorized —			
First mortgage bonds	\$5,000,000.00		
General mortgage bonds	950,000.00		
Issued and outstanding —			
First mortgage bonds —			
3-1/2% serial bonds due 1947 to 1953 Series "A"	210,000.00		
3-3/4% sinking fund bonds due 1965 Series "B"	1,602,000.00	1,812,000.00	
General mortgage bonds —			
4% bonds due 1947 to 1952 Series "A"	210,000.00		
4-1/2% bonds due 1953 to 1960 Series "A"	290,000.00		
4% bonds due 1961 Series "B"	450,000.00	950,000.00	2,762,000.00
Notes due December 1948			175,000.00
Capital Stock :			
Authorized and issued —			
8,000 6% non-cumulative redeemable preferred shares of \$100.00 each		800,000.00	
20,000 common shares without nominal or par value		30,000.00	830,000.00
Reserve for Depreciation			894,554.34
Contributions for Extensions			16,381.74
Current Liabilities :			
(Exclusive of \$65,000.00 funded debt maturing serially)			
Accounts payable and accrued expenses		104,226.05	
Accrued bond interest		25,761.42	
Reserve for income and excess profits taxes		34,709.62	
Reserve for extraordinary non-recurring expenses		20,000.00	184,697.09
Surplus , as per attached statement			484,022.29
			<u>\$ 5,346,655.46</u>

Notes :

- (1) The company has contracted for the construction of a new hydro-electric generating plant on the Metis River at a cost of approximately \$1,050,000, of which \$790,416 is included in the above accounts. Further expenditures necessary to complete other projects in process are estimated at \$140,000.
- (2) Since 31st December 1946 the company has borrowed \$220,000 on its unsecured notes payable on or after 15th January 1949.

Approved on behalf of the Board :

T. A. BERNIER	}	Directors.
N. GENDREAU		

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of Lower St. Lawrence Power Company for the year ended 31st December 1946, and we have obtained all the information and explanations which we have required.

In our opinion, the above balance sheet and attached statement of profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs and of the results of the operations for the year, according to the best of our information and the explanations given to us and as shown by the books of the company.

McDONALD, CURRIE & CO.,
Chartered Accountants.

MONTREAL, 25th February 1947.

LOWER ST. LAWRENCE POWER COMPANY

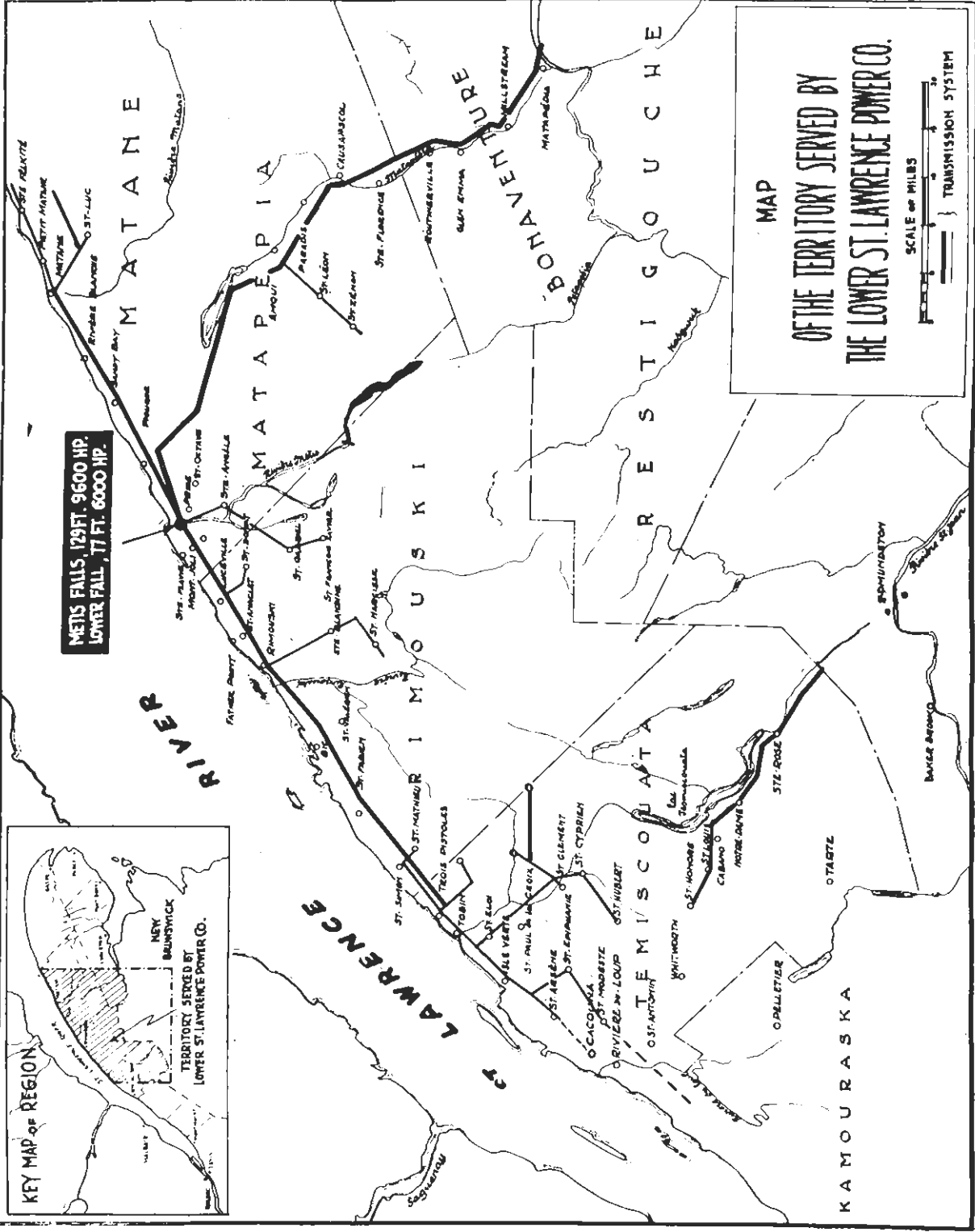
STATEMENT OF PROFIT AND LOSS FOR THE YEARS ENDED 31st DECEMBER 1945 AND 1946

	<u>1945</u>	<u>1946</u>
Gross revenue from sale of power	543,317.92	636,248.26
Profit from retail stores and electrical contracting	53,530.51	76,513.08
Miscellaneous revenue	10,306.92	12,402.01
	607,155.35	725,163.35
Operating expense	241,372.59	314,303.02
Taxes	14,283.70	16,047.10
Miscellaneous interest	1,556.61	1,249.47
Provision for extraordinary expenses	—	20,000.00
Contribution to employees' pension fund	—	7,476.03
	257,212.90	359,075.62
Operating profit	349,942.45	366,087.73
Bond interest	91,798.63	93,531.70
Amortization of financing expenses	5,620.70	8,320.95
Provision for depreciation	86,135.91	94,769.39
Provision for income and excess profits taxes	81,157.64*	76,014.13
	264,712.88	272,636.17
Net profit for the year, transferred to surplus account	\$ 85,229.57	93,451.56

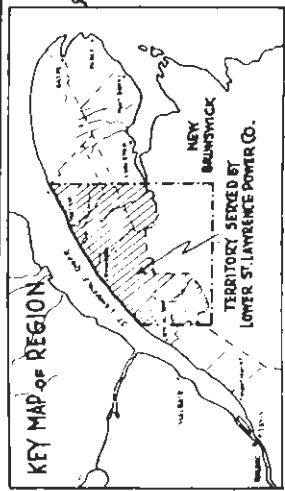
* 1945 taxes and the resulting net profit are corrected to reflect the true liability as indicated by assessments now pending.

STATEMENT OF SURPLUS

Balance — 31st December 1945		274,701.15
Adjustment of provision for income and excess profits taxes	112,267.97	
Refundable portion of excess profits tax for 1945	3,601.61	
Net profit for the year ended 31st December 1946	93,451.56	209,321.14
Balance — 31st December 1946		\$ 484,022.29



**METS FALLS, 129 FT. 9600 HP.
LOWER FALL, 77 FT. 8000 HP.**



**MAP
OF THE TERRITORY SERVED BY
THE LOWER ST. LAWRENCE POWER CO.**

SCALE OF MILES

TRANSMISSION SYSTEM

COMMUNITIES SERVED

Rimouski County

Rimouski
Sacre-Coeur
Bic
Sainte-Cecile du Bic
Saint-Valerien
Saint-Yves
Pointe-au-Pere
Saint-Anaclet
Sainte-Luce
Luceville
Saint-Donat
Sainte-Blandine
Saint-Narcisse
Macpes
Saint-Gabriel
Les Hauteurs
Saint-Fabien
Saint-Simon
Saint-Mathieu

Matane County

Mont-Joli
Sainte-Flavie
Saint-Joseph de Lepage
Sainte-Angele
Grand-Remous
Saint-Octave de Metis
Grand-Metis
Priceville
Saint-Antoine de Padoue
Matane
Petite Matane
Sainte-Felicite
Baie-des-Sables
Les Boules
Saint-Ulric
Metis Beach
Saint-Luc

Bonaventure County

Matapedia

Matapedia County

Amqui
Saint-Moise
Saint-Damase
Sayabec
Val-Brillant
Saint-Leon le Grand
Saint-Zenon
Lac-au-Saumon
Causapscal
Sainte-Florence

Riviere-du-Loup County

Trois-Pistoles
Cacouna
Sainte-Françoise
Tobin
Saint-Eloi Station
Isle-Verte
Saint-Arsene
Saint-Epiphane
Saint-Hubert
Saint-Medard
Saint-Modeste
Saint-Eloi
Saint-Clement
Saint-Jean de Dieu
Saint-Cyprien
Saint-Paul de la Croix

Temiscouata County

Cabano
Sainte-Rose du Degelis
Notre-Dame du Lac
Saint-Louis du Ha! Ha!
Saint-Honore

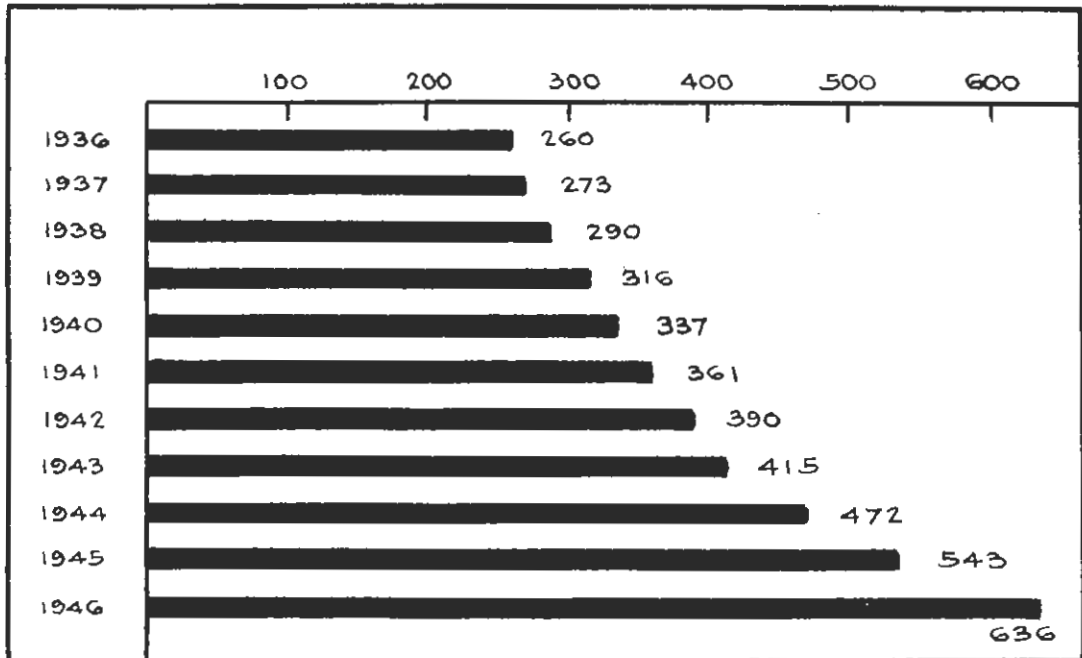
Wholesale

L'Electricité Municipale
Cap-Chat et Sainte-Anne
des Monts

New Brunswick

Campbellton

GROSS REVENUE FROM SALE OF POWER
THOUSAND DOLLARS



FIXED ASSETS
POWER DEVELOPMENT, PLANT AND DISTRIBUTION SYSTEM
THOUSAND DOLLARS

