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ANNUAL 56<sup>th</sup> REPORT



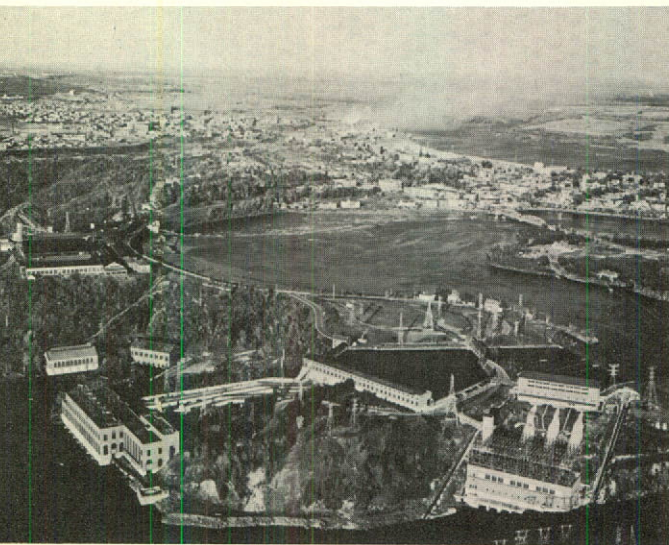
*The Shawinigan Water and Power Company*



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**THE COVER PICTURE** is an aerial view of the Company's power developments at Shawinigan Falls on the St. Maurice River, about 20 miles above the point where it flows into the St. Lawrence River at Trois-Rivières, Quebec.

At the left is No. 2 powerhouse, built in progressive stages from 1911 to 1929, containing 5 horizontal generating units with a combined capacity of 73,000 kilowatts (92,500 horsepower) and 3 vertical units of 30,000 kilowatts (43,000 horsepower) each. At the right is No. 3 powerhouse which was completed in 1948 containing three vertical units of 50,000 kilowatts (65,000 horsepower) each. The original powerhouse, No. 1, which first came into production in 1903, was dismantled in 1951.

In the background is the city of Shawinigan Falls with its many industries, including Shawinigan Chemicals Limited on the riverbank, Canadian Industries Limited on the left, and the smelter of the Aluminum Company of Canada Limited in the middle distance. Immediately behind No. 2 powerhouse is the Aluminum Company's original smelter which now houses that company's wire mill and fabricating plant, and the wood pile and part of the newsprint mill of the Belgo Division of The Consolidated Paper Corporation Limited.

In the distance are the Laurentian mountains whose thousands of lakes feed the tributary streams of the St. Maurice River, here seen winding past the city towards the powerhouses.

On the back cover is a picture of some of the 220,000-volt transformers and bus structure at the Trois-Rivières Terminal Station.

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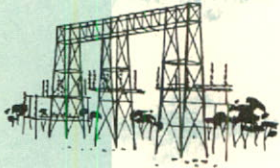


A painting by the well-known Canadian artist Franklin Arbuckle, R.C.A., O.S.A., depicting the St. Maurice Valley, the heart of Shawinigan's electrical system and the centre of its main chemical industries.

The artist has caught in remarkable perspective the 240-mile sweep of the St. Maurice from the Laurentians to its juncture with the St. Lawrence at Trois-Rivières and, at its source, the immense Gouin Reservoir, the principal storage reservoir of the St. Maurice watershed.

All the power plants and undeveloped power sites are shown as completed developments; undeveloped sites are named in italics. With the river's power fully developed, it will produce some 1,865,000 kilowatts (2,500,000 horsepower) for the industry, commerce, agriculture, towns and cities of a growing and prosperous Quebec.

# HIGHLIGHTS



## THE SHAWINIGAN WATER AND POWER COMPANY

- System peak load 1,403,400 kilowatts (1,881,233 horsepower), 4.0% over 1952.
- Total kilowatthours sold 7,853,370,000, down 3.7%.
- Kilowatthours sold to residential, farm, commercial and municipal consumers increased 15.7%.
- Gross revenue from power sales \$38,800,816, up 3.3%.
- Earnings per Common Share from power operations \$1.46 vs. \$1.15 in 1952.
- Total Gross Revenue \$41,802,403, up 4.6%.
- Total Earnings \$2.26 per Common Share vs. \$1.91 in 1952.
- Dividends paid per Common Share \$1.20 regular, plus 25 cents special.
- Dams on Megiscane and Susie Rivers closed, diverting additional water into Gouin Reservoir.
- Unusually dry summer and fall, but water storage reserves at year-end 97% of long-term average.
- New contract signed for purchase of 300,000 kilowatts (400,000 horsepower) from Hydro-Quebec.
- 9,974 new customers added.
- New commitments for sale of firm power 33,400 kilowatts (44,800 horsepower).
- Capital expenditures for the year \$8,548,000.



## SHAWINIGAN CHEMICALS LIMITED

- Total sales 2.8% higher. U.S. sales up 29.4%; overseas sales down 26.8%; Canadian sales approximately the same as in 1952.
- Net profit from manufacturing operations increased 40.6%.
- Total Net Income increased 15.2%.
- Total dividends paid \$4.00 per share, the same as in 1952.
- Capital expenditures for the year (including advances to Associated Companies) \$3,551,000.
- New additions to plants of Canadian Resins and Chemicals Limited commenced operation.
- Plants of B.A.-Shawinigan Limited and St. Maurice Chemicals Limited started production.

## THE PRESIDENT'S LETTER

The year 1953 was in many respects a satisfactory and encouraging one for our Company. The results, however, do not permit of any relaxation in our efforts to improve our position further, to the end that we may continue both to satisfy and stimulate the long term growth of demand for the Company's services.

We were able to report in 1952 that gross revenue, total energy sold, and peak load, had all reached new records. This past year, though results were reasonably good, gross revenue from power sales increased by only about three per cent, total kilowatthours sold were slightly lower, and the total peak load was slightly higher than in 1952.

Revenue from the sale of secondary power in 1953, although a little lower than in 1952, was still substantial due to large amounts of water in storage and unusually heavy rainfall in the early months of the year. We did, however, have an almost unprecedentedly dry summer and a lower than average run-off in the fall, necessitating larger purchases of power from other producers than in 1952. The effect of abundant rainfall on the profit picture of the Company is highly important, from two points of view — first, it enables us to earn additional revenue through the sale of surplus or secondary power, and second, it reduces the proportion of our total power supply purchased from other producers. It is obvious, however, that we cannot depend upon earnings derived from exceptional water conditions.

Federal Income Tax, despite higher taxable income, was lower for two reasons — first, the allowance from January 1, 1953 of payments under the Quebec Act to Insure the Progress of Education as a deductible expense for

Income Tax purposes, and second, the 1953 Amendment to the Federal Income Tax Act whereby, as an allowance for the Provincial Profits Tax, seven per cent of the Company's taxable income, instead of only five per cent as in the past, may be deducted from Federal Income Tax payable.

The rate of return on our large investment in power operations is still far from adequate and it is abundantly clear that improved prices for primary electric energy remain our most urgent need. Early in the year, we made application to the Provincial Electricity Board for authority to increase rates for residential, farm, commercial and small power services, which rates, as we pointed out a year ago, are still substantially below 1939 levels. A public hearing was held in June, and it is expected that the Board's decision will be rendered shortly.

Last year we stated that to provide for further anticipated increases in demand throughout our territory, new sources of power supply would be required and that a decision as to these sources would have to be reached in 1953. This has been done. First, it was decided that three additional generating units — one in each of three generating stations — would be installed at Rapide Blanc, Tranche, and at the La Tuque plant of St. Maurice Power Corporation, on the Upper St. Maurice River, thus increasing the total installed hydro-electric capacity by about 112,000 kilowatts (150,000 horsepower). Then, a contract was concluded with the Quebec Hydro-Electric Commission to purchase 300,000 kilowatts (400,000 horsepower) from its new Bersimis River development, the first delivery of 60,000 kilowatts (80,000 horsepower) to start in December, 1956, and an additional 60,000 kilowatts (80,000 horsepower) to be taken each year until the total contract amount is reached. We believe that this power, together with the additions now being made to the Upper St. Maurice plants, will take care of our growing needs for some years to come. Still in reserve, for development as and when required, are sites on the Upper St. Maurice River, with an additional potential of some 522,000 kilowatts (700,000 horsepower).

We estimate that our capital expenditures over the next four years for the additional generating units mentioned above and for the normal expansion of our transmission and distribution facilities, will be about fifty million dollars. We believe that these expenditures can be met to a large extent from present funds and from those which will be realized through the Company's operations, but some new issues may be required before the completion of the four-year period.

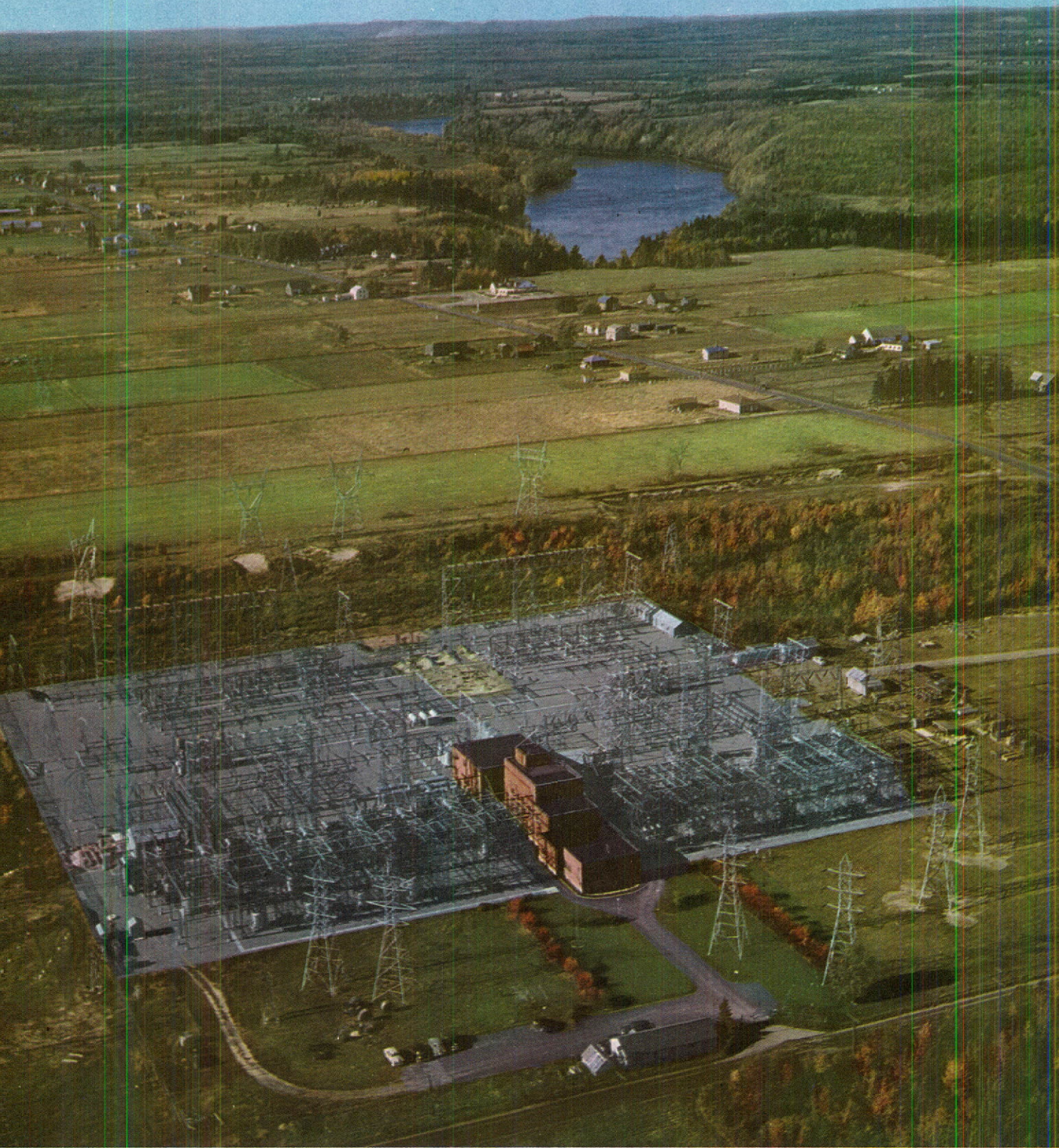
The business of Shawinigan has been generally better than in 1952. Exports have been lower than last year but in the United States subsidiary and associated companies sales have been considerably higher. In Canada, sales of Shawinigan Limited and St. Maurice Company have been higher than in the year. Canadian Resins and Chemicals Company has been active in the domestic market, although sales have been lower than in 1952.

Summarizing the record of the past year, we are pleased with the progress and that much has been accomplished. We are confident of our position in the future, to which we are committed. We restate our belief that our policy of striving for the best possible service at the lowest possible cost, dealing fairly and courteously with all, is the only sound and desirable basis for conducting our business. We believe that, through this policy, we have been able to maintain our good relationship with our customers, investors, employees and with the elected representatives of the public in federal, provincial and municipal fields.

On behalf of the Directors, I would like to express appreciation and thanks to all employees, whose loyalty and hard work have made possible the progress of the past year.

Ce rapport a été imprimé en français et en anglais. Si vous préférez recevoir un exemplaire français, il nous fera plaisir de vous l'expédier. Veuillez adresser votre demande au:  
Service des Relations Extérieures et de la Publicité  
The Shawinigan Water and Power Company  
Immeuble Shawinigan  
600 ouest, rue Dorchester, Montréal, Qué.

*J. A. Fuller*  
President.



*The Company's terminal station at Trois-Rivières where power, transmitted from the generating stations, is distributed at suitable voltages to major load centres in the territory served by the Shawinigan System.*



# *The Shawinigan Water and Power Company*

## **56<sup>th</sup> ANNUAL REPORT**

OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1953

### **OPERATIONS**

Total sales of electricity in 1953 amounted to 7,853,370,000 kilowatt-hours, 3.7 per cent less than in 1952. Of this our own generating stations produced 78.5 per cent, which compares with 82 per cent in 1952 and 76 per cent in 1951.

Despite sales of considerable quantities of secondary power during the early months of the year, total kilowatt-hour sales to industrial customers were 7.6 per cent lower than in 1952. There were, however, substantial increases in the amount of power sold both to other utilities for resale and to residential, farm, commercial and municipal consumers. The average annual

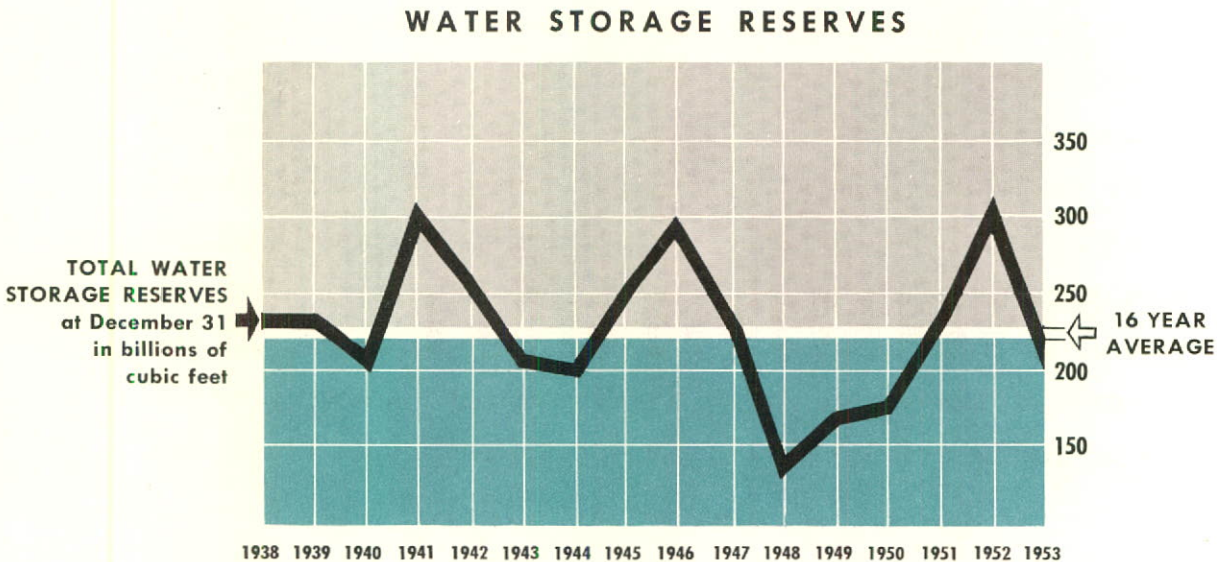
consumption by residential customers again increased and amounted to 1,900 kilowatthours as compared with 1,721 kilowatthours in 1952.

An unusually dry summer and fall in the St. Maurice Valley watershed necessitated somewhat heavier withdrawals of water than usual from the storage reservoirs. However, the large amount of water in storage at the start of the year, and good riverflow conditions in the early months, enabled these withdrawals to be made without undue depletion of storage reserves. Also, in order to conserve our own water resources, we increased the amount of power purchased from other

suppliers. In October, the dams constructed for the Quebec Streams Commission on the Megiscane and Susie Rivers to divert the upper reaches of those rivers into the Gouin Reservoir were closed. The resulting increase in the flow of the St. Maurice, after the spring break-up in 1954, will raise the primary power producing capacity of our plants by some 20,000 kilowatts (27,000 horsepower).

**INDUSTRIAL ACTIVITY**—The level of industrial activity remained high throughout our territory, particularly in the asbestos mining districts where extensive developments are taking place. However,

the total amount of primary power sold to large industrial customers was lower than in 1952 due principally to reduced purchases by the Aluminum Company of Canada in Shawinigan Falls, which reduction was not entirely offset by increased sales to other industrial consumers. The total peak load on the Company's system reached 1,403,400 kilowatts (1,881,233 horsepower) as compared with 1,349,100 kilowatts (1,808,445 horsepower) in 1952. Additional commitments made during the year for the sale of primary power, including new contracts and revisions of existing contracts, totalled 33,400 kilowatts (44,800 horsepower).



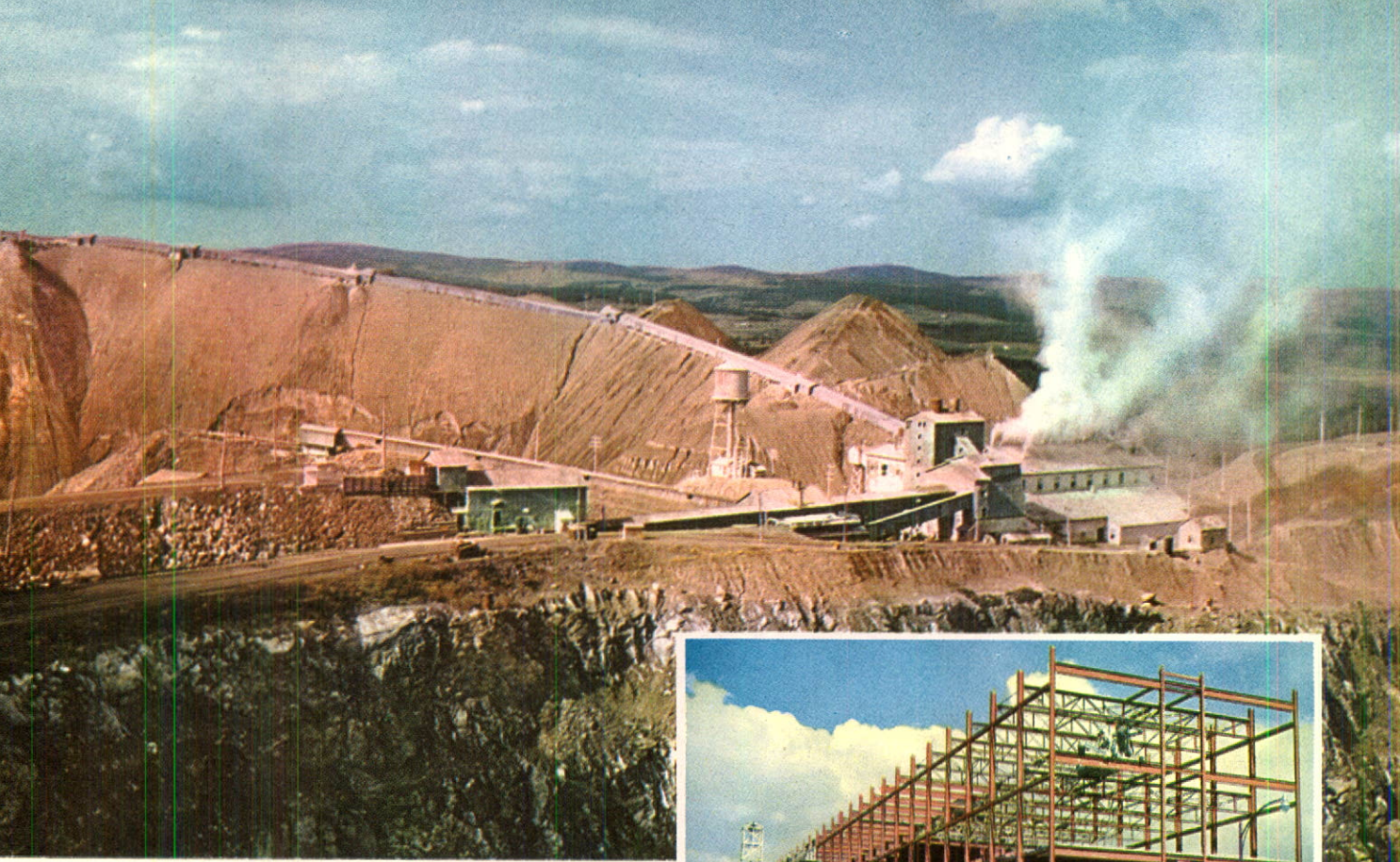
**DISTRIBUTION**—During 1953, 9,971 new customers were added to our distribution system, bringing the total number of customers served to 204,919. These customers live in 591 different municipalities of the Province.

There was an increase of 15.7 per cent in the consumption of electricity by residential, farm, commercial and municipal customers. There was also an increase in the number of smaller industrial and power customers, and of 9.3 per cent in the total amount of electricity sold to them.

**SALES DEVELOPMENT**—Our Industrial Development Department had an active year working with industrialists who are contemplating either the establishment of new plants in Canada or the enlargement of their existing installations. Forty-nine new industrial customers were connected to our lines during the year, and others are now constructing plants and will be served during the coming year. Negotiations are continuing with a number of others, and it is hoped that decisions will soon

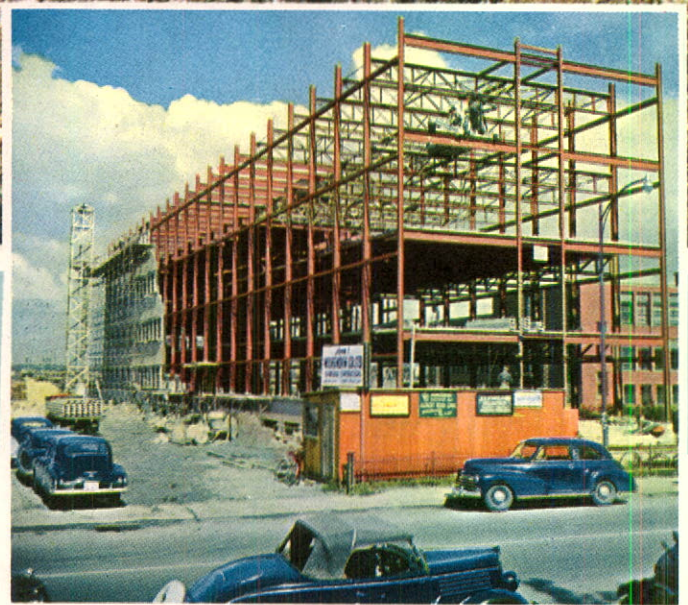
be made favouring location in Shawinigan territory. The specialized free advisory services of our Commercial and Distribution Department were continued throughout the year. These services include industrial advisors, home service specialists, lighting specialists, dealer advisors and agronomists. The last named group work with our 41,350 farm customers, assisting them to improve and modernize their farming operations through increased use of electricity. The agronomists also conduct special courses in the theory and application of electricity, and work extensively with young people in farming areas to acquaint them with modern electrical farm equipment and methods.

A six-month range and water heater sales campaign, sponsored jointly by the Company and the electrical appliance dealers in the territory, was most successful, and resulted in the sale and installation in our customers' premises of a total of 3,999 electric ranges and 2,192 electric water heaters. All districts throughout the system exceeded the quotas allotted to them.



*The asbestos mining district of the Province of Quebec produces the greater part of the world's supply of asbestos. Here is one of the many large asbestos mines whose power requirements are supplied by Shawinigan. The Company's power load in the asbestos mining area is growing rapidly.*

**MAINTENANCE** — Extensive maintenance work was carried out during the year to ensure efficient and uninterrupted operation of our plants and equipment. Included in this work was the overhaul and rewinding of two generators in the Grand'Mère generating station; repairs to one of the turbines at Rapide Blanc; the replacing of joints on the conductors of the 220,000-volt transmission line



*Construction work in progress on the Company's new office and service building at Trois-Rivières.*

from Rapide Blanc to Trois-Rivières; and repairs to the towers on the two Ile Maligne-Quebec transmission lines. Expenditure for all repair and maintenance work during 1953 was \$3,299,542, as compared with \$3,117,962 in 1952.

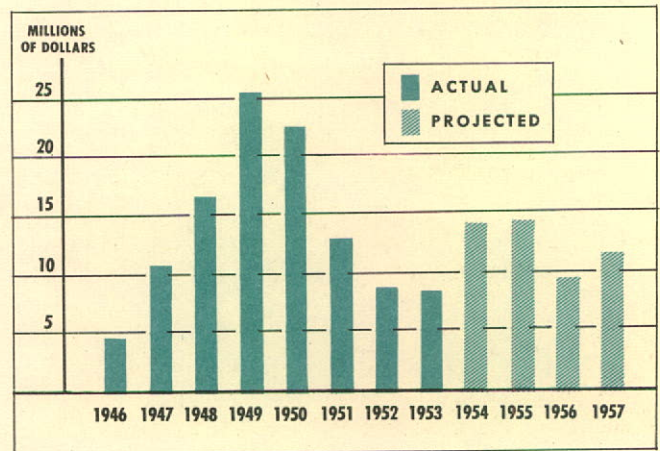
**OPERATING STATISTICS**—On page 35 of this report is a tabulation of principal

operating statistics for the seven-year period from 1947 to 1953.

## **CAPITAL EXPENDITURES**

Capital expenditures for the year totalled \$8,548,000 which compares with \$8,835,000 in 1952. The major items of expenditure were: preliminary work in connection with the installation of the additional generating units at Rapide Blanc and Trenché powerhouses and the construction of an additional high voltage line from La Tuque to Trois-Rivières; completion of the project of increasing the voltage of the two Ile Maligne-Quebec transmission lines; additional transmission lines and terminal facilities, including the new Victoriaville-Asbestos line which was placed in operation in November; extensions and alterations to distribution

**ACTUAL AND PROJECTED CAPITAL EXPENDITURES  
1946-1957**



systems; and construction of a new service building at Trois-Rivières.

The chart above shows annual capital expenditures made since 1946 together with projected expenditures until the end of 1957.

## **ENGINEERING AND CONSTRUCTION**

Our wholly owned subsidiary, The Shawinigan Engineering Company Limited, was actively engaged throughout the year in a number of different

projects, both for the parent company and its subsidiary and associated companies, and for other companies. Included was work in connection with

new transmission lines from La Tuque to Trois-Rivières, from Quebec to Chaudière and Beauceville with an additional overhead crossing of the St. Lawrence River near the Quebec Bridge, and from Victoriaville to Asbestos; work in connection with the additional generating units at Rapide Blanc, Trenche and La Tuque; the closing of the dams diverting the Megiscane and Susie Rivers into the Gouin Reservoir; construction of and additions to terminal stations and substations throughout the system, and further surveys of the Upper St. Maurice power sites.

Work done for subsidiary and associated companies included the completion of additions and extensions to the plants of Canadian Resins and Chemicals Limited at Shawinigan Falls and construction of the plant of St. Maurice Chemicals Limited at Varennes.

For other companies, Shawinigan Engineering completed the design work in connection with the two new generating stations on the Peribonka River for the Aluminum Company of Canada Limited, and did design and survey work for a number of companies in various parts of Canada.

## **EMPLOYEES**

At the end of 1953 there were 2,297 regular employees in the Company's service, of whom 18.7 per cent had 25 years' service or more, and a further 15.7 per cent from 15 to 24 years'; regular employees of subsidiary and associated companies numbered 3,604, making a grand total of 5,901. Former employees of all the Shawinigan companies on pension totalled 423.

During November a Stock Purchase

Plan was made available to all regular employees of the Company and its wholly owned subsidiaries, who had three years or more of continuous service. Under this plan, eligible employees were given the opportunity of purchasing Common Shares of the Company on an instalment basis, at a price approximately 15 per cent below the market value. The result obtained was gratifying, and out of 3,595 eligible

employees, 1,297, or 36 per cent, subscribed for a total of 31,441 shares, an average subscription of 24.2 shares.

During the year, amendments were made to our Group Life Insurance, Retirement Income, and Hospitalization plans, which improved the benefits provided by these plans.

In order to give fuller recognition of long service by employees, a new policy was inaugurated during the year in all

the Shawinigan companies. On completing 25 years of service, all employees are now awarded a gold button or pin, in the form of their respective Company's coat-of-arms or emblem, and are presented with either a watch, a silver tray or a silver cigarette box at their option.

The award was made retroactive and the number of employees of all companies with 25 years or more of service, who were so honoured in 1953, totalled 716.

*An important phase of the Company's development work is to acquaint farmers with modern methods of farm electrification. This model of an electrified farm was shown during the year at various exhibitions and fairs throughout Shawinigan territory, and is available to agricultural schools and colleges for use in their farm electrification courses.*



## FINANCIAL RESULTS

Revenue from sales of electricity totalled \$38,800,816, an increase of 3.3% over 1952, and once again a new record. Revenue from primary power sales to industrial customers was down 1.5%, to other utilities for resale up 10.2%, and to residential, farm, commercial and municipal consumers up 12.2%. Revenue from sale of secondary power was 5.1% lower than in 1952.

Other revenue from power operations was substantially higher, largely due to increased rentals received from others for the transmission of power over the Company's lines.

Dividends from subsidiary and other companies were 4.8% higher, principally as a result of the increase from \$1.00 to \$1.20 per share in the dividend paid by Quebec Power Company.

Operating expenses, other than Depreciation, were 5.7% higher than in 1952. This increase resulted principally from further increases in the cost of materials and supplies, higher wage levels and higher municipal taxes and water rentals. Another factor was the 9.3% larger expenditure for purchases of power from other generating companies,

occasioned by the very dry weather during the summer and fall. Provision for Depreciation charged to Profit and Loss Account amounted to \$6,590,000, of which \$290,000 represented Special Depreciation applicable to the cost of raising the voltage of the Quebec-Ile Maligne lines. Provision for Income and Profits Taxes totalled \$3,808,000 as compared with \$4,126,000 in 1952.

In January 1953 the Exchequer Court rendered its judgment upholding the action of the Minister of National Revenue in disallowing payments under the Quebec Act to Insure the Progress of Education as a deductible expense for Income Tax purposes. Subsequently, however, the 1953 Amendments to the Federal Income Tax Act provided that from January 1, 1953 such payments would be allowed. Since this provision was not made retroactive to cover payments from 1946 to 1952, the Company, with other Quebec electric utilities, decided to appeal the case to the Supreme Court of Canada.

Later in the year, however, the appeal was withdrawn after a compromise



settlement was reached by the utility companies with the Federal Government, whereby one-half of the payments made under the Quebec Act to Insure the Progress of Education from 1946 to 1952 inclusive were allowed as an expense for tax purposes. Under this settlement, the amount to be rebated to our Company is estimated at \$526,379 and this has been included in Accounts Receivable and added to Earned Surplus Account.

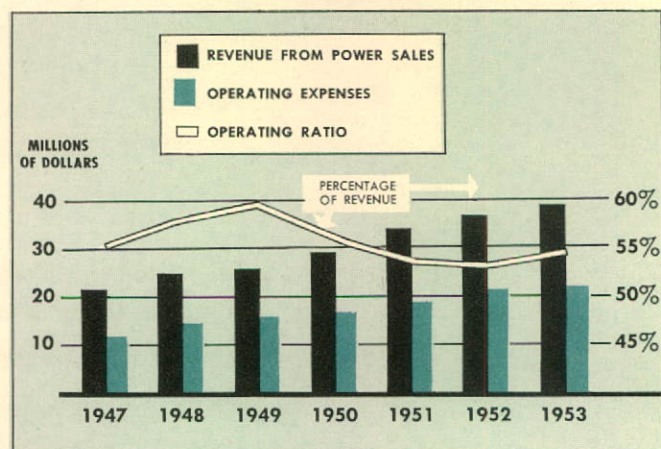
At the end of the first quarter of the year, in view of above normal storage and riverflow conditions, it was decided to transfer an amount of \$666,000 less applicable Income and Profits Taxes, or a net of \$364,000, to the Water Storage Equalization Reserve which was established in 1952 to equalize earnings in future periods of subnormal rainfall. Despite the low precipitation later in the year, water in storage was not unduly depleted by withdrawals, and it was therefore not considered necessary to make any change in the original amount allocated to the Reserve.

After all charges and after providing for dividends on the Preferred Shares, net earnings from all sources available for dividends on the Common Shares

totalled \$2.26 per share as against \$1.91 per share in 1952. The portion of these earnings derived from power operations was \$1.46 compared to \$1.15 in 1952, about half the improvement being due to a greater margin of revenue over expenditure, and half to lower Income Tax as explained in the President's letter. Regular quarterly dividends totalling \$1.20 per share were paid during the year and, for the fourth consecutive year, a special dividend of 25 cents per share was paid at the year-end, bringing total dividends for the year to \$1.45 per share.

A comparative analysis of revenues and their disposition appears on the following pages:

**RATIO OF OPERATING EXPENSES**  
(excluding Provision for Depreciation)  
**TO REVENUE FROM POWER SALES**

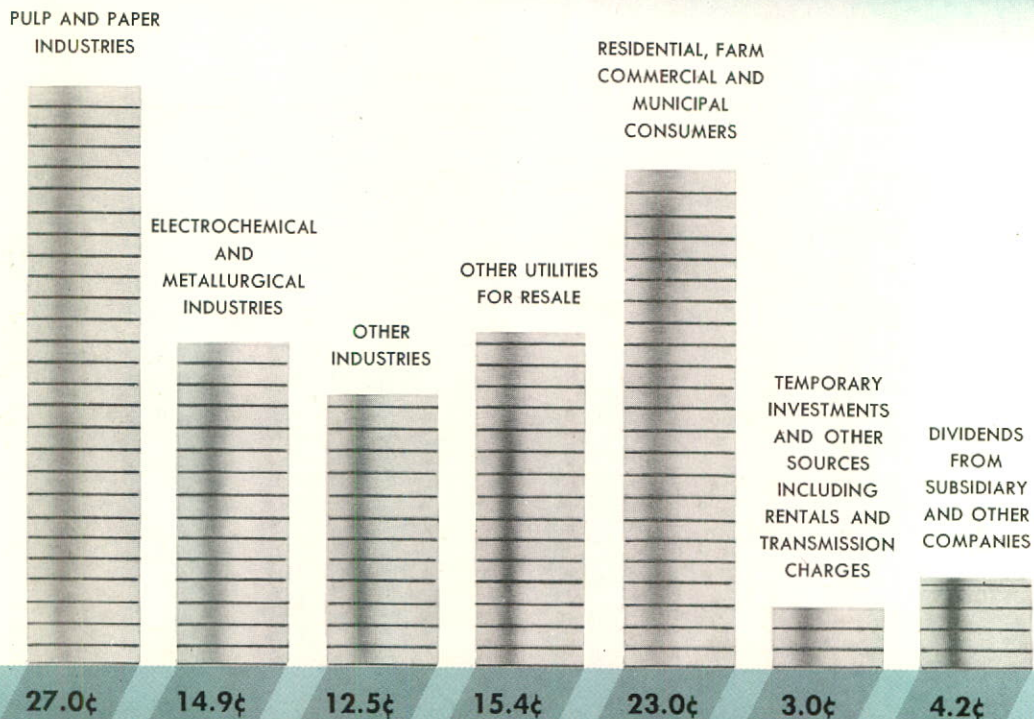


# REVENUE

WE RECEIVED:	1953	1952	Increase
FROM OUR CUSTOMERS FOR POWER AND ELECTRICITY:			
INDUSTRIES—Pulp and paper.....	\$11,300,099	\$10,709,708	5.5%
Electrochemical and Metallurgical....	6,239,499	7,517,089	17.0%*
Other Industries.....	5,201,159	4,802,258	8.3%
TOTAL FROM INDUSTRIES.....	22,740,757	23,029,055	1.3%*
OTHER UTILITIES FOR RESALE.....	6,443,617	5,956,443	8.2%
SALES TO RESIDENTIAL, FARM, COMMERCIAL AND MUNICIPAL CUSTOMERS.....	9,616,442	8,571,213	12.2%
TOTAL REVENUES FROM POWER SALES.....	38,800,816	37,556,711	3.3%
FROM TEMPORARY INVESTMENTS AND FROM OTHER SOURCES, INCLUDING RENTALS AND TRANSMISSION CHARGES.....	1,256,199	738,378	70.1%
DIVIDENDS FROM SUBSIDIARY AND OTHER COMPANIES...	1,745,388	1,664,601	4.8%
TOTAL REVENUE.....	<u>\$41,802,403</u>	<u>\$39,959,690</u>	4.6%

\*Decrease

## THE REVENUE DOLLAR



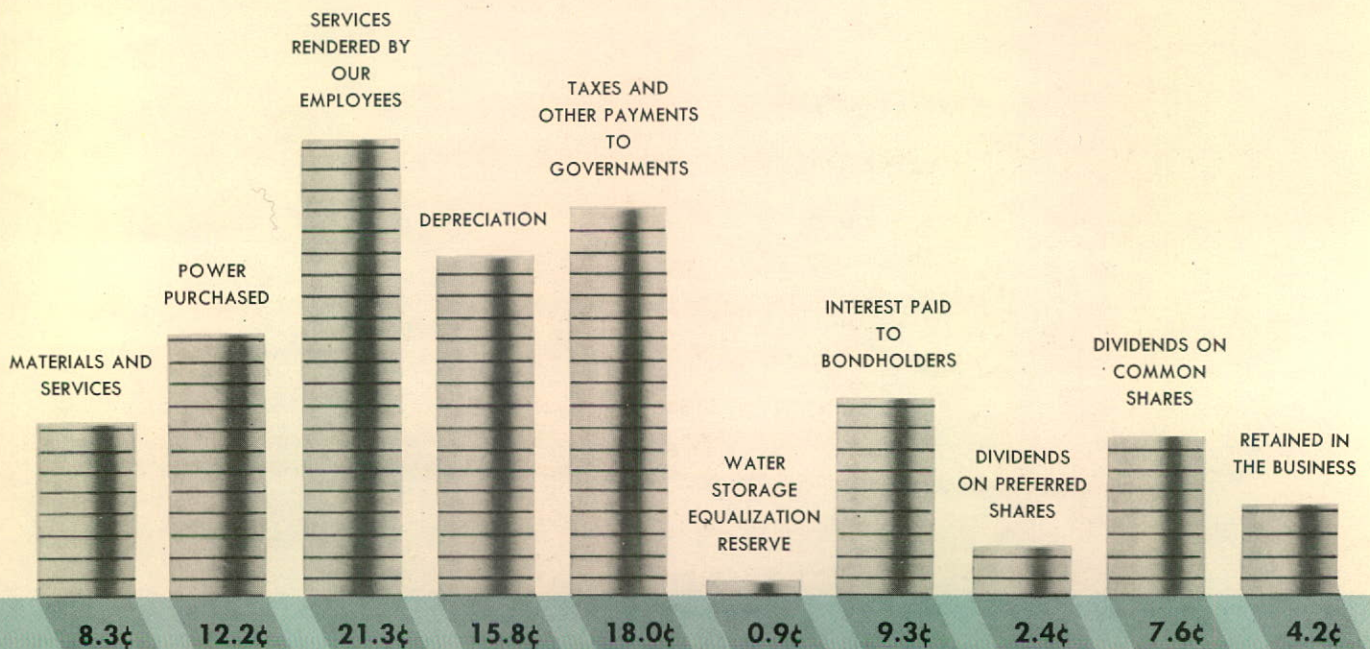
## DISPOSITION OF REVENUE

	1953	1952	Increase
MATERIALS AND SERVICES BOUGHT FROM OTHERS.....	\$3,453,519	\$3,290,566	4.9%
POWER PURCHASED.....	5,088,073	4,653,183	9.3%
†SERVICES RENDERED BY OUR EMPLOYEES, INCLUDING BENEFITS.....	8,909,510	8,499,857	4.8%
PAYMENTS TO GOVERNMENTS:			
Income Tax payable to Federal Govern- ment.....	\$3,201,000	3,547,500	
Profits Tax payable to Province of Quebec	607,000	578,500	
Water Rentals.....	1,053,150	1,012,409	
Property, School and other levies.....	<u>2,679,433</u>	<u>2,579,680</u>	
	7,540,583	7,718,089	2.3%*
PROVISION FOR REPLACEMENT OF PLANT AND EQUIPMENT:			
Normal Depreciation.....	6,300,000	6,000,000	
Special Depreciation—Ile Maligne Lines	<u>290,000</u>	<u>142,000</u>	
	6,590,000	6,142,000	7.3%
PROVISION FOR WATER STORAGE EQUALIZA- TION RESERVE OF \$666,000, LESS IN- COME AND PROFITS TAXES APPLICABLE..	364,000	524,000	30.5%*
PAID FOR THE USE OF MONEY INVESTED IN THE BUSINESS:			
Amount paid as interest to Bondholders	3,904,154	3,938,494	
Dividends on Preferred Shares.....	1,025,000	1,025,000	
Dividends on Common Shares.....	<u>3,158,462</u>	<u>3,158,462</u>	
	8,087,616	8,121,956	.4%*
	<u>40,033,301</u>	<u>38,949,651</u>	2.8%
RETAINED IN THE BUSINESS FOR FUTURE NEEDS.....	1,769,102	1,010,039	
	<u>\$41,802,403</u>	<u>\$39,959,690</u>	

†Excluding wages and salaries charged to capital and other accounts.

\*Decrease

## AND ITS DISPOSITION



## SOURCES AND ALLOCATION OF FUNDS

The following statement indicates the funds which became available to the Company in 1953 and 1952 and how they were utilized.

	1953	1952
WORKING CAPITAL, JANUARY 1.....	\$14,452,565	\$14,788,793
SOURCES OF FUNDS:		
Net Profit for the year.....	\$5,952,564	5,193,501
Depreciation and Amortization.....	6,647,939	6,211,076
Disposal of Fixed Assets.....	303,333	295,368
Advances received re construction of transmission lines.....	—	578,550
Reduction in provision for Income Tax resulting from additional Capital Cost Allowance (\$2,700,000) charged to Earned Surplus Account.....	1,037,000	1,217,000
Water Storage Equalization Reserve, less Income and Profits Taxes applicable....	364,000	524,000
Estimated refund of one half of Federal Taxes paid for the years 1946-1952 inclusive re disallowance of payments made under the Quebec Act to Insure the Progress of Education.....	526,379	—
Miscellaneous items.....	91,064	277,060
	<u>14,922,279</u>	<u>14,296,555</u>
TOTAL FUNDS.....	29,374,844	29,085,348
ALLOCATION OF FUNDS:		
Capital expenditures for the year.....	8,548,000	8,835,000
Additions to Stores and Moveable Plant..	11,127	267,321
Bonds redeemed under sinking fund provisions.....	1,343,000	1,347,000
Instalments repaid on account of advances received re construction of transmission lines.....	576,297	—
Dividends—Preferred Shares.....	1,025,000	1,025,000
Common Shares.....	3,158,462	3,158,462
	<u>14,661,886</u>	<u>14,632,783</u>
WORKING CAPITAL, DECEMBER 31.....	<u>\$14,712,958</u>	<u>\$14,452,565</u>

## FINANCIAL POSITION

The Company's Balance Sheet as at December 31, 1953, with comparative figures for 1952, will be found on pages 30 and 31. Fixed Assets were \$7,255,906 higher at the end of 1953 as a result of capital expenditures made during the

year, less retirements. Net Current Assets were \$260,393 higher, as monies which became available from the year's operations exceeded expenditures on capital account. Funded Debt was reduced by \$1,343,000 through operation

of the sinking fund. Earned Surplus was increased from \$10,233,349 to \$11,066,424 as described below. No new financing was carried out during the year, but the Employee Stock Purchase

Plan, mentioned elsewhere in this report, resulted in subscriptions for a total of 31,441 Common Shares which will be issued on completion of installment payments by the subscribers.

## EARNED SURPLUS ACCOUNT

At the end of the year a number of adjustments were made to Earned Surplus Account as set out in the following

statement. Comparative figures, showing the adjustments made in 1952, are also given:

	For the Years Ended December 31, 1953 and 1952	
	1953	1952
SURPLUS CARRIED FORWARD FROM PREVIOUS YEAR.....	\$10,233,349	\$ 9,775,637
TRANSFERRED FROM CONTINGENT AND INSURANCE RESERVES.....	—	1,527,381
ESTIMATED REFUND OF ONE HALF OF FEDERAL TAXES PAID FOR THE YEARS 1946-1952 INCLUSIVE RE DISALLOWANCE OF PAYMENTS MADE UNDER THE QUEBEC ACT TO INSURE THE PROGRESS OF EDUCATION.....	526,379	—
PROFITS ARISING FROM THE SALE OF PROPERTIES AND FROM OTHER TRANSACTIONS.....	497,302	—
NET PROFIT TRANSFERRED FROM PROFIT AND LOSS ACCOUNT.....	<u>5,952,564</u>	<u>5,193,501</u>
	<u>17,209,594</u>	<u>16,496,519</u>
<i>Deduct:</i>		
AMORTIZATION OF BOND PREMIUM, DISCOUNT AND EXPENSE ONE TENTH OF ADDITIONAL COST FOR PAST SERVICE, EMPLOYEES' RETIREMENT INCOME PLAN (EIGHTH ANNUAL PAYMENT).....	224,338	224,338
*EXCESS OF CAPITAL COST ALLOWANCE (DEPRECIATION) FOR 1953 OVER THE NORMAL PROVISION CHARGED TO PROFIT AND LOSS ACCOUNT.... \$2,700,000	72,370	72,370
Less: Reduction in Provision for Income Tax <u>1,037,000</u>		<u>3,000,000</u>
		<u>1,217,000</u>
	1,663,000	1,783,000
DIVIDENDS ON PREFERRED SHARES.....	1,025,000	1,025,000
DIVIDENDS ON COMMON SHARES.....	3,158,462	3,158,462
	<u>6,143,170</u>	<u>6,263,170</u>
EARNED SURPLUS AS PER BALANCE SHEET.....	<u>\$11,066,424</u>	<u>\$10,233,349</u>

*\*The Provision for normal Depreciation of \$6,300,000 charged to Profit and Loss Account for the year is in accordance with the Company's policy of writing off its depreciable Fixed Assets over their expected life on a straight line basis. Under the regulations of the Income Tax Act, however, permissible normal Capital Cost Allowance (Depreciation) is estimated at an approximate amount of \$9,000,000. By recording this maximum allowance and charging the excess of \$2,700,000 to Earned Surplus Account, a saving of \$1,037,000 was effected in the amount of Federal Income Tax payable for 1953. A net amount of \$1,663,000 was therefore charged to Earned Surplus Account.*



*Plants of Shawinigan Chemicals Limited and Canadian Resins and Chemicals Limited on the bank of the St. Maurice River at Shawinigan Falls.*

## OPERATIONS OF OUR SUBSIDIARY

### SHAWINIGAN CHEMICALS LIMITED

The business of Shawinigan Chemicals Limited during 1953 showed considerable improvement over 1952, although sales in overseas markets again declined. The operations of the Stainless Steel Division were at a considerably higher level, though towards the end of the year the volume of business lessened slightly.

Operations of the associated company, Canadian Resins and Chemicals Limited were adversely affected by exchange restrictions in export markets, where the volume of sales was considerably lower than in 1952. In the Canadian market, the volume of sales increased as a result of intensive sales efforts and would have been greater except for the impact on the market of large quantities of vinyl film and sheeting imported from the United States. Additions to the plants at Shawinigan Falls were completed during the year and the new manufacturing plant for special resins and the additional calender line were placed in operation.

In May, the petrochemical plant of the new associated company B.A.-Shawinigan Limited, owned jointly by Shawinigan Chemicals and The British-American Oil Company Limited, was placed in operation manufacturing phenol and acetone.

The plant of another associated company, St. Maurice Chemicals Limited, at Varennes, Que., owned jointly by Shawinigan Chemicals and Heyden Chemical Corporation of New York City, was completed during the year and started production of formaldehyde in May and of pentaerythritol in August. In April, St. Maurice Chemicals Limited purchased a controlling interest in The McArthur Chemical Co. Ltd., the oldest chemical company in Canada and formerly selling agent for Heyden Chemical Corporation and Shawinigan Chemicals Limited. This company will continue to act as selling agent for both companies, and as distributor of products of St. Maurice Chemicals Limited.

## FINANCIAL RESULTS

### SALES AND EARNINGS FROM MANUFACTURING OPERATIONS

Total sales of Shawinigan Chemicals Limited were 2.8% higher than in 1952. Sales in the Canadian market were approximately the same and in the United States market up 29.4%, but in overseas markets were 26.8% lower.

In the Canadian market, requirements of the textile industry—normally a large consumer of certain of the Company's chemical products—were lower than in 1952 owing to restricted operations in that industry, but the demand for other chemical products was greater and sales

of the Stainless Steel Division were considerably higher. However, competition in the domestic market is becoming increasingly severe, not only from other Canadian manufacturers, but also from chemical companies in Europe where wage levels are much lower than in Canada. In the overseas markets, competition is also increasing and there was a continued shortage of dollars which had an adverse effect on the volume of business.

Earnings from manufacturing operations, be-

fore Income and Profits Taxes but after inclusion in manufacturing costs of the maximum amount allowable for depreciation under the provisions of the Income Tax Act, amounted to \$2,583,284 as compared with \$2,033,466 in 1952. The proportion of Income and Profits Taxes applicable

to manufacturing operations was higher than in 1952 owing to higher taxable Income. The resulting net profit from manufacturing operations was \$1,361,370 as compared with \$968,290 in the previous year.

## INCOME FROM OTHER SOURCES

### SHAWINIGAN, LIMITED, LONDON, ENGLAND

Sales of products of Shawinigan Chemicals Limited by this wholly owned subsidiary, which acts as its selling agent in the United Kingdom and European markets, were considerably lower than in 1952, again due to increased competition and the continued shortage of dollars. The reduction, however, was more than offset by an increase in commissions earned on the sales of products of other chemical manufacturers, with the result that net profit for the year (subject to audit) totalled £16,372 as compared with £15,886 in 1952. Dividends received by Shawinigan Chemicals for the year totalled \$27,552, after conversion at the rates of exchange prevailing at the time payments were received.

### SHAWINIGAN PRODUCTS CORPORATION, NEW YORK CITY

— This wholly owned subsidiary of Shawinigan Chemicals Limited acts as selling agent in the United States for products of Shawinigan Chemicals and of its own associated companies, Shawinigan Resins Corporation of Springfield, Massachusetts and Midwest Carbide Corporation of Keokuk, Iowa, in both of which it holds a 50 per cent stock interest. The latter company is erecting a new calcium carbide plant at Pryor, Oklahoma, which is expected to be in operation in the late spring of 1954. During 1953, Shawinigan Products Corporation also purchased a controlling interest in Gelvatex

Coatings Corporation of Pasadena, California, manufacturers of special finishes formulated from vinyl acetate resins and emulsions. To meet the growing demand for its products, that company is erecting a new plant at Anaheim, California, which is also scheduled to start production early in 1954.

Sales of Shawinigan Products Corporation and of its associated companies were higher than in 1952. Shawinigan Resins Corporation, jointly owned by the Products Corporation and Monsanto Chemical Company, had a more profitable year but, in view of large capital expenditures entailed by its current programme of expansion, its rate of dividend was not increased, the total received by Shawinigan Products Corporation from this source in 1953 amounting to \$143,000, U.S. Funds.

Total net earnings (subject to audit) of Shawinigan Products Corporation for the year were \$402,800 as against \$420,345 in 1952. Dividends paid to Shawinigan Chemicals in 1953 totalled \$344,000 U.S. Funds, the same amount as in 1952.

### CANADIAN RESINS AND CHEMICALS LIMITED

— The earnings of Canadian Resins and Chemicals Limited, jointly owned by Shawinigan Chemicals Limited and Union Carbide Canada Limited, were somewhat lower than in 1952 because of a reduced volume of export



sales. The new special resins plant and the additional calender line are expected to open up new markets in Canada for the Company's products. A dividend of \$155,232, approximately the same as in 1952, was included in the income of Shawinigan Chemicals for 1953.

**INCOME FROM ROYALTIES** — Income received from royalties on patents in 1953 totalled

\$309,794 Canadian Funds, which compares with \$489,468 Canadian Funds in 1952, the reduction being due to the expiry of certain patents during the year. The major patents remaining under licence will expire in 1956 and, while some revenue will be received thereafter from royalties on other patents which are now or may in the future be licensed, it is not expected to be of large proportions.

### NET EARNINGS AND DIVIDENDS

The following statement shows the profits earned by Shawinigan Chemicals from manufacturing operations and other sources in 1953 and 1952.

Total net income from all sources, after Income and Profits Taxes, amounted to \$2,043,423 as compared with \$1,773,498 in 1952. Regular

dividends of \$3.00 per share were paid during the year, and an extra dividend of \$1.00 per share during the final quarter, the same total as in the previous year. The remaining amount of \$918,323 was retained in the business for future needs.

#### Comparative Statement of Sales and Earnings

	1953	1952
INCOME FROM SALE OF PRODUCTS.....	\$21,417,982	\$20,836,687
The cost of making and selling these products was.....	<u>18,834,698</u>	<u>18,803,221</u>
<i>Note: Included in this cost is an amount of \$1,316,751 (\$1,340,709 in 1952) to provide for replacement of plant and equipment (Depreciation).</i>		
This left earnings on manufacturing operations before Income and Profits Taxes of.....	2,583,284	2,033,466
Estimated proportion of such taxes payable on profits from manufacturing operations.....	<u>1,221,914</u>	<u>1,065,176</u>
THIS LEFT A PROFIT ON MANUFACTURING OPERATIONS OF.....	1,361,370	968,290
Income from investments in subsidiary and associated companies, royalties on patents and other sources.....	\$803,139	1,070,032
Estimated proportion of Income and Profits Taxes payable on this income.....	<u>121,086</u>	<u>264,824</u>
	<u>682,053</u>	<u>805,208</u>
NET INCOME FROM ALL SOURCES THEREFORE WAS.....	2,043,423	1,773,498
Dividends paid to the parent company for use of money invested in the business.....	<u>1,125,100</u>	<u>1,125,100</u>
BALANCE RETAINED IN THE BUSINESS FOR FUTURE NEEDS.....	<u>\$ 918,323</u>	<u>\$ 648,398</u>

## CAPITAL EXPENDITURES

Total expenditures during the year on capital account were \$3,551,000 including advances of \$2,375,000 to associated companies for plant construction. This compares with a total of \$4,381,000 in 1952.

A total of \$1,176,000 was spent for additions and extensions to the company's plants at Shawinigan Falls, which included installation of a new gasometer, enlargement of the Stainless

Steel foundry, and dust abatement equipment at the Carbide Plant.

Capital expenditures of Canadian Resins and Chemicals Limited for the year totalled \$2,265,000 which compares with \$1,245,000 in the previous year. This expenditure was principally for the construction of the new special resins plant and the additional calender line.

## FINANCIAL POSITION

A summary of Shawinigan Chemicals' financial position at the year end, with comparative figures for 1952, appears below. Investments in subsidiary and associated companies increased as a result of advances made to B.A.-Shawinigan

Limited and St. Maurice Chemicals Limited. The value of plant and equipment also increased as a result of expenditures on capital account during the year.

### Financial Position as at December 31, 1953 and 1952

OWNED			OWED		
	1953	1952		1953	1952
Cash and marketable securities.....	\$1,659,032	\$2,085,931	For materials, services and taxes.....	\$1,876,236	\$1,659,691
Raw materials, supplies and finished goods.....	4,004,424	4,127,628	Purchase of patent.....	—	30,000
Due from customers.....	1,833,118	2,274,908	Reserve to provide for replacement of plant and equipment (Depreciation)	14,935,580	13,720,359
Investments in subsidiary and associated companies	7,095,855	4,720,855	Contingent and insurance reserves.....	1,527,361	1,527,361
Other assets.....	679,604	568,394	TOTAL OWED.....	18,339,177	16,937,411
Property, plant and equipment.....	22,162,810	21,127,939	Net Worth (Total owned less total owed).....	19,095,666	17,968,244
TOTAL OWNED.....	<u>\$37,434,843</u>	<u>\$34,905,655</u>		<u>\$37,434,843</u>	<u>\$34,905,655</u>

## CHANGES OF DIRECTORS AND OFFICERS

On February 1, 1954, Mr. H. S. Reid, Executive Vice-President, retired after completing more than 39 years of service. Mr. Reid first joined the predecessor company of Shawinigan Chemicals in 1915, when he went to Shawinigan Falls as research chemist of Canadian Electro Products Company, which was formed to manu-

facture acetone from acetylene for the Imperial Munitions Board. He became General Manager of that Company in 1923 and was appointed Vice-President of Shawinigan Chemicals Limited on its formation in 1927 to consolidate the operations of the two wholly owned subsidiaries, Canada Carbide Company and Canadian Electro



*One of the four large pulp and paper mills at Trois-Rivières. The pulp and paper industry is not only a large consumer of Shawinigan power but also provides a market for some of the products of Shawinigan Chemicals Limited.*

Products Company; he was appointed Executive Vice-President in 1951. He is succeeded as Executive Vice-President by Dr. R. S. Jane, formerly Vice-President in Charge of Research and Development. Mr. J. H. Gibbs, Vice-President of Manufacture, was appointed a Director of the Company in April 1953. In September 1953, Mr. P. W. Blaylock, formerly

### **THE OUTLOOK**

During the past few years, Shawinigan Chemicals and its subsidiary and associated companies have established new companies, built new plants, and expanded existing ones. Research has played a most important role in making this expansion possible, and it will continue to be an important part of the companies' activities.

Assistant to Dr. Jane, was appointed Vice-President in Charge of Development. Mr. H. D. Ross, formerly Senior Superintendent of the plants in Shawinigan Falls and Superintendent of the Carbide Division, was appointed Assistant Vice-President in December 1953 and transferred to Montreal.

Capital expenditures for the new plants and plant extensions have been substantial. It is believed, however, that for the time being, the major capital expenditures are behind us, and emphasis will now be upon consolidation and profitable operation of the new and expanded manufacturing facilities.

## CHANGES OF DIRECTORS AND OFFICERS

It is with the deepest regret that we report the death, in March 1953, of Mr. James Wilson, O.B.E. Mr. Wilson had been associated with the Company since 1911 and had been a member of the Board of Directors since 1920. During his long service with the Company, he held many high offices including that of Secretary from 1914 to 1937, Vice-President and Secretary from 1933 to 1937, Vice-President and General Mana-

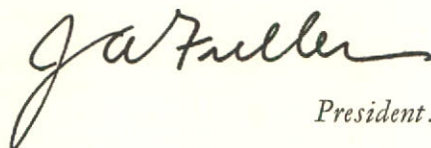
ger from 1937 to 1939, President from 1939 to 1950 and Chairman of the Executive Committee from 1947 to 1950. Mr. W. F. Mainguy, Executive Vice-President, was elected a Director at the Annual Meeting in 1953. Mr. M. Balls, Assistant Vice-President and Manager of the Hydraulic Resources Department, retired at the end of the year after having completed more than 27 years of service.

### A REVIEW

On the following pages we have shown by means of charts, in as brief a form as possible, some outstanding features of the Company's progress and

development over the past two decades. We believe that the story they tell will be of interest to all our shareholders.

On behalf of the Board of Directors,



*President.*

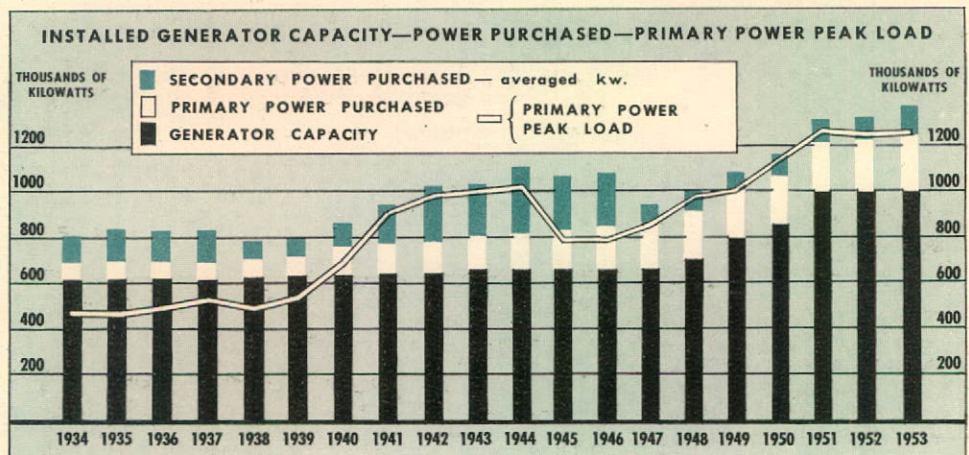
# 20 YEARS OF PROGRESS

The series of charts on the following pages gives a graphic picture of the Company's growth and progress over the past twenty years. The starting point for this picture is 1934 when Shawinigan was 36 years old, then through the difficult conditions created by the depression, into the upheaval of World War II, and finally through the period of great expansion which has taken place from 1946 until the present time.

In the twenty years from 1934 to 1953, the Company's material assets have nearly doubled, its financial position has been strengthened, its interests and markets have become more diversified, and its importance as a factor in the economy of Quebec and Canada has increased immeasurably.

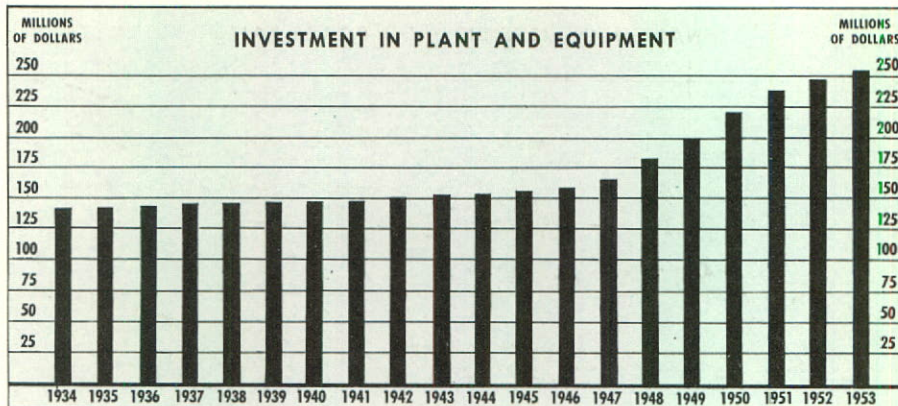
We believe that this record of stability, growth, and progress, through the ups and downs of both peace and war is a good basis for confidence in the future of our Company.

*The growth in the demand for power, now more than two and a half times what it was twenty years ago, has been met by adding nearly 65 per cent to the Company's generating capacity, and by additional purchases both of primary power under long term contracts and of secondary power when available.*

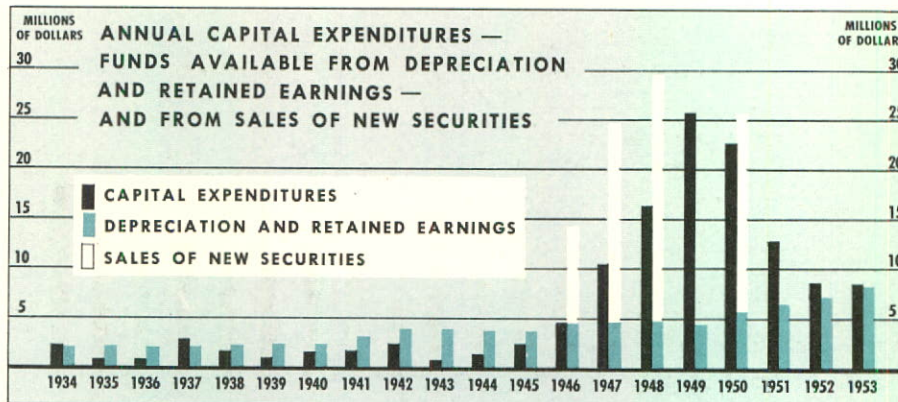


Additions to our plant included the building of new generating stations, transmission and terminal facilities to distribute the additional power, and thousands of miles of distribution lines to serve the 146,000 new customers added during the last 20 years. All this has required the investment of large sums of money.

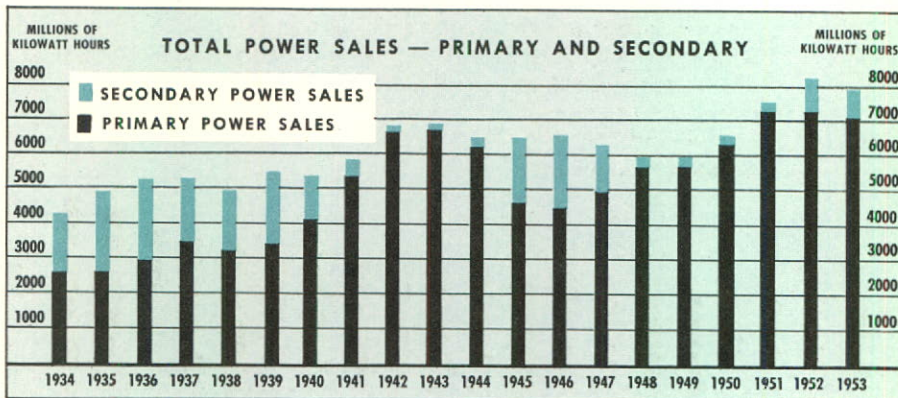
The accompanying chart illustrates the increase in the value of our plant and equipment which has resulted, particularly since the end of the war.



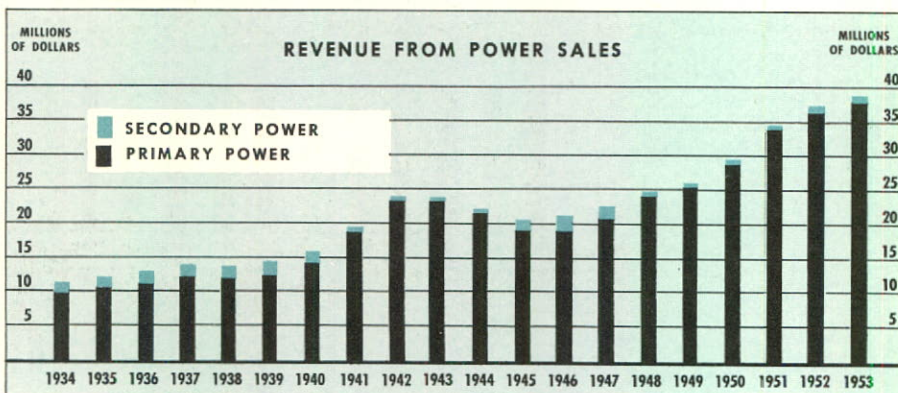
From 1934 till the end of the war, funds which became available from depreciation and retained earnings were sufficient to provide for all capital expenditures. Since that time, however, the growth which has taken place — the most rapid in the Company's history — has necessitated the raising of \$75,000,000 of additional capital. From 1946 to 1950, \$50,000,000 of new Bonds and \$25,000,000 of new Preferred Shares were issued.

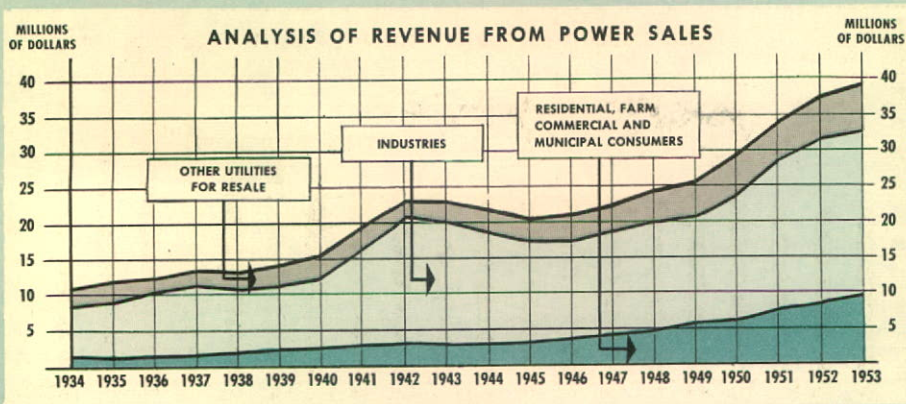


Sales of primary energy, except for the abnormal conditions which prevailed during and immediately after the war, have shown a steady and satisfactory growth. In 1953, the quantity of primary power sold was approximately three times the quantity sold in 1934.

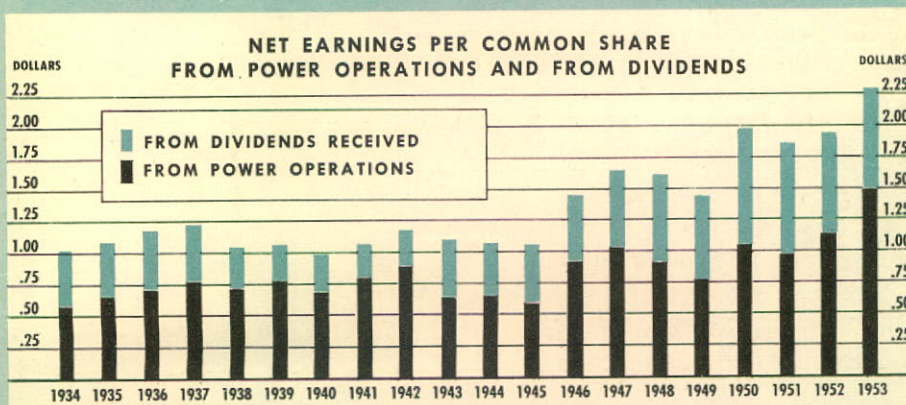


Revenue from sales of power has also shown a steady increase and during the twenty years under review has more than tripled. It is interesting to note that the increase in revenue is greater than the increase in total energy sold, resulting from the smaller proportion of secondary power sales, the larger proportion of primary power sold at "retail", and the higher prices obtained from large industrial power users.

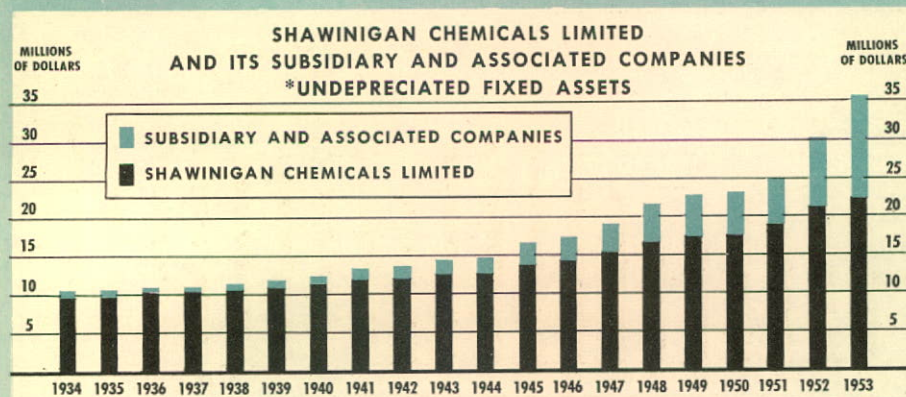




The very marked increase in demand for industrial power during the war years and since 1949 is clearly demonstrated by this chart. The steady growth and increasing importance of sales to residential, farm, commercial and municipal consumers is also evident. Revenue from this source has increased nearly six times over the twenty-year period.



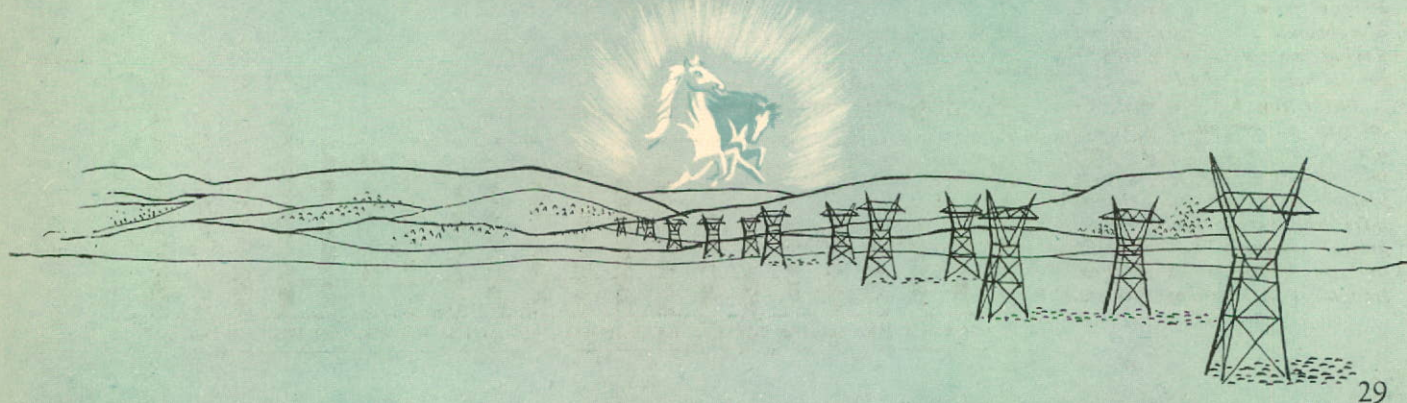
The importance to the Common Shareholders of dividends received from Subsidiary and other companies is emphasized by this chart. While earnings from power operations have increased substantially, further improvement is still needed to produce a fair rate of return on our large investment in plant and equipment.



\*The amounts of Fixed Assets of Subsidiary and Associated Companies included in the chart are only the proportions represented by stock holdings of Shawinigan Chemicals in those companies.

Over the past few years, Dividends received from Shawinigan Chemicals Limited, the Company's wholly owned Chemical manufacturing subsidiary, have been an important factor in the overall earnings position.

The uninterrupted growth of Shawinigan Chemicals over the past twenty years is evidenced by the accompanying chart. Most significant is the rapid expansion during the past three years, reflecting not only extensive additions to its own plants, but also investments in new associated companies, both in Canada and the United States.



# The Shawinigan Water

Comparative Balance Sheet as at

## ASSETS

	1953	1952
<b>Fixed Assets:</b>		
Power Developments.....	\$80,272,942	\$80,971,524
Properties.....	28,048,545	27,703,245
Machinery.....	40,838,669	40,488,641
Transmission Lines and Distribution System.....	<u>109,545,836</u>	<u>102,286,676</u>
<b>Total Fixed Assets (at cost of construction or acquisition).....</b>	<b>\$258,705,992</b>	<b>251,450,086</b>
<b>Mattawin River and Other Storage Dams (at cost).....</b>	<b>4,073,658</b>	
Less: Amortization to date.....	<u>1,283,438</u>	2,790,220
		2,848,159
<b>Securities of Subsidiary and Other Companies (at cost, less net adjustments).....</b>	<b>14,843,671</b>	<b>14,898,671</b>
<b>Deposit with Quebec Government.....</b>	<b>125,000</b>	<b>125,000</b>
(\$125,000 Province of Quebec Bonds, deposited with the Quebec Government as provided in the emphyteutic lease dated June 22, 1928.)		
<b>Stores and Moveable Plant (at cost).....</b>	<b>3,433,063</b>	<b>3,421,936</b>
<b>Current Assets:</b>		
Cash in Banks and on Hand.....	1,917,095	2,759,642
Call Loans.....	720,000	720,000
Temporary Investments (at cost, less reserve).....	12,734,768	12,008,661
(Government Bonds and other investments, market value \$12,753,212.)		
Accounts and Bills Receivable.....	5,347,928	4,375,616
Prepaid Charges.....	<u>1,018,857</u>	<u>1,152,052</u>
<b>Total Current Assets.....</b>	<b>21,738,648</b>	<b>21,015,971</b>
<b>Unamortized Bond Premium, Discount and Expense.....</b>	<b>2,818,882</b>	<b>3,043,219</b>
<b>TOTAL ASSETS.....</b>	<b><u>\$304,455,476</u></b>	<b><u>\$296,803,042</u></b>

### AUDITORS' REPORT

We have audited the books and accounts of The Shawinigan Water and Power Company for the year ended December 31, 1953. In connection therewith we examined or tested the accounting records and other supporting evidence and made a general review of the accounting methods of the Company.

Stores, Moveable Plant, Cash Funds and Customers' Accounts have been verified periodically by your Internal Audit Department which has furnished us with certificates to that effect.

We have received all the information and explanations we have required, and in our opinion, based on our examination, the above Balance Sheet and related Statements of Profit and Loss and Surplus set forth a true and correct view of the affairs of The Shawinigan Water and Power Company as at December 31, 1953, and the result of operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books and records of the Company.

Montreal, January 29, 1954.

(Signed) SHARP, MILNE & CO.,  
Chartered Accountants.



**LIABILITIES**

	1953	1952
<b>Capital Stock and Earned Surplus:</b>		
<u>Cumulative Redeemable Preferred Stock:</u>		
Authorized—600,000 Shares of \$50 par value .....	\$30,000,000	
Issued—Series "A" 4% 400,000 Shares of \$50 par value.....	\$20,000,000	\$20,000,000
Series "B" 4½% 100,000 Shares of \$50 par value.....	5,000,000	5,000,000
<u>Common Stock:</u>		
Authorized—2,600,000 Shares of no par value		
Issued —2,178,250 Shares of no par value† .....	67,562,997	67,562,997
<u>Earned Surplus</u> .....	11,066,424	10,233,349
<b>Total Capital Stock and Earned Surplus</b> .....	<b>\$103,629,421</b>	<b>102,796,346</b>
<b>Funded Debt:</b>		
<u>First Mortgage and Collateral Trust Sinking Fund Bonds:</u>		
Series "H" 3½% maturing January 1, 1970.....	\$18,761,000	
Less: Redeemed under Sinking Fund Provisions .....	2,266,500	16,494,500
Series "J" 3½% maturing February 1, 1970.....	9,164,000	
Less: Redeemed under Sinking Fund Provisions .....	301,000	8,863,000
Series "L" 3% maturing March 1, 1961.....	12,828,000	
Less: Redeemed under Sinking Fund Provisions .....	641,000	12,187,000
Series "M" 3% maturing April 15, 1971.....	25,000,000	25,000,000
Series "N" 3% maturing May 15, 1971.....	10,000,000	
Less: Redeemed under Sinking Fund Provisions .....	2,737,500	7,262,500
Series "O" 3¼% maturing April 1, 1972.....	13,806,500	
Less: Redeemed under Sinking Fund Provisions .....	977,500	12,829,000
Series "P" 3½% maturing October 1, 1973.....	25,000,000	
Less: Redeemed under Sinking Fund Provisions .....	2,339,000	22,661,000
Series "Q" 3% maturing March 1, 1975.....	15,000,000	15,000,000
<b>Total Funded Debt</b> .....	<b>120,297,000</b>	<b>121,640,000</b>
(Principal and Interest payable in Canadian Funds with the exception of Series "M" and "Q" payable in United States Funds.)		
<b>Deferred Liabilities</b> .....	<b>3,352,203</b>	<b>3,928,500</b>
(Advances received on account of cost of transmission lines, less instalments repaid.)		
<b>Current Liabilities:</b>		
Accounts Payable (including Provision for Income and Profits Taxes) ..	4,947,963	4,477,416
Accrued Bond Interest, and Dividends Payable.....	2,077,727	2,085,990
<b>Total Current Liabilities</b> .....	<b>7,025,690</b>	<b>6,563,406</b>
<b>Reserves:</b>		
Depreciation.....	68,763,162*	60,850,790
Water Storage Equalization.....	888,000	524,000
Contingent.....	500,000	500,000
<b>Total Reserves</b> .....	<b>70,151,162</b>	<b>61,874,790</b>
<b>TOTAL LIABILITIES</b> .....	<b>\$304,455,476</b>	<b>\$296,803,042</b>

†Shares reserved under Employee Stock Purchase Plan referred to on page 12, which will be issued only on completion of instalment payments, are not included above.

\*Includes a total of \$5,700,000 additional Capital Cost Allowances transferred from Earned Surplus in 1952 and 1953.

Approved on behalf of the Directors,

SYDNEY G. DOBSON  
RAYMOND DUPUIS

Directors.

# The Shawinigan Water and Power Company

## COMPARATIVE STATEMENT OF PROFIT AND LOSS ACCOUNT

For the years ended December 31, 1953 and 1952

	1953	1952
Revenue from Power Sales.....	\$38,800,816	\$37,556,711
Revenue from Temporary Investments and from Other Sources, including Rentals and Transmission Charges.....	1,256,199	738,378
Dividends from Subsidiary and Other Companies.....	1,745,388	1,664,601
Total Revenue.....	<u>41,802,403</u>	<u>39,959,690</u>
Deduct:		
Operating Expenses.....	4,289,355	4,164,454
Power Purchased.....	5,088,073	4,653,183
Maintenance and Repairs.....	3,299,542	3,117,962
Taxes, other than Income and Profits Taxes.....	2,679,433	2,579,680
General Expenses.....	4,774,132	4,508,007
Water Storage Rentals.....	1,053,150	1,012,409
Provision for Depreciation.....	6,590,000	6,142,000
Total Operating Expenses.....	<u>27,773,685</u>	<u>26,177,695</u>
Net Profit before Bond Interest, Water Storage Equalization Reserve and Income and Profits Taxes.....	14,028,718	13,781,995
Deduct:		
Interest paid and accrued on Bonds.....	3,904,154	3,938,494
Net Profit before Water Storage Equalization Reserve and Income and Profits Taxes.....	10,124,564	9,843,501
Deduct:		
Provision for Water Storage Equalization Reserve of \$666,000, less Income and Profits Taxes applicable.....	364,000	524,000
Net Profit before Income and Profits Taxes.....	9,760,564	9,319,501
Deduct:		
Provision for Income and Profits Taxes.....	3,808,000	4,126,000
Net Profit transferred to Earned Surplus Account.....	<u>\$5,952,564</u>	<u>\$5,193,501</u>

## COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT

For the years ended December 31, 1953 and 1952

	1953	1952
Surplus carried forward from previous year.....	\$10,233,349	\$9,775,637
Transferred from Contingent and Insurance Reserves.....	—	1,527,381
Estimated refund of one-half of Federal taxes paid for the years 1946-1952 inclusive re disallowance of payments made under the Quebec Act to Insure the Progress of Education.....	526,379	—
Profits arising from the sale of property and from other transactions.....	497,302	—
Net Profit transferred from Profit and Loss Account.....	5,952,564	5,193,501
	<u>17,209,594</u>	<u>16,496,519</u>
Deduct:		
Amortization of Bond Premium, Discount and Expense.....	224,338	224,338
One tenth of additional cost for past service, Employees' Retirement Income Plan (eighth annual payment).....	72,370	72,370
Excess of Capital Cost Allowance for 1953 over the normal provision for Depreciation charged to Profit and Loss Account.....	\$2,700,000	—
Less: Reduction in Provision for Income Tax.....	1,037,000	—
	1,663,000	1,783,000
Dividends on Preferred Shares.....	1,025,000	1,025,000
Dividends on Common Shares.....	3,158,462	3,158,462
	<u>6,143,170</u>	<u>6,263,170</u>
Earned Surplus as per Balance Sheet.....	<u>\$11,066,424</u>	<u>\$10,233,349</u>

Montreal, January 29, 1954.

Audited and Verified, per our Report attached,  
(Signed) SHARP, MILNE & CO., Chartered Accountants.

# The Shawinigan Water and Power Company

## Comparative Statement of Profit and Loss Account For the Years ended December 31, 1944-1953

(In Thousands of Dollars)

	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944
Revenue from Power Sales.....	\$38,801	\$37,557	\$34,651	\$29,270	\$25,880	\$24,792	\$22,671	\$21,169	\$20,806	\$22,082
Revenue from Temporary Investments and from other sources, including Rentals and Transmission Charges.....	1,256	738	897	1,514	1,281	1,032	749	399	245	330
Dividends from Subsidiary and Other Companies.....	1,745	1,665	1,921	1,956	1,384	1,468	1,303	1,178	935	861
<b>Total Revenue.....</b>	<b>41,802</b>	<b>39,960</b>	<b>37,469</b>	<b>32,740</b>	<b>28,545</b>	<b>27,292</b>	<b>24,723</b>	<b>22,746</b>	<b>21,986</b>	<b>23,273</b>
<b>Deduct:</b>										
Operating Expenses.....	4,289	4,165	3,478	3,227	3,124	2,757	2,582	2,087	1,869	1,873
Power Purchased.....	5,088	4,653	5,173	5,015	4,512	4,446	3,557	3,594	3,466	4,354
Maintenance and Repairs.....	3,300	3,118	2,783	2,104	2,158	1,899	1,729	1,729	2,043	2,794
Taxes, other than Income and Profits Taxes.....	2,679	2,580	2,204	1,876	1,811	1,612	1,353	1,245	913	865
General Expenses.....	4,774	4,508	4,049	3,554	3,219	3,178	2,751	2,325	2,059	2,064
Water Storage Rentals.....	1,053	1,012	978	672	655	628	668	616	575	549
Provision for Depreciation.....	6,590	6,142	5,600	4,300	3,600	3,500	3,250	3,150	3,000	3,000
<b>Total Operating Expenses.....</b>	<b>27,773</b>	<b>26,178</b>	<b>24,265</b>	<b>20,748</b>	<b>19,079</b>	<b>18,020</b>	<b>15,890</b>	<b>14,746</b>	<b>13,925</b>	<b>15,499</b>
<b>Net Profit before Bond Interest, Water Storage Equalization Reserve and Income and Profits Taxes.....</b>	<b>14,029</b>	<b>13,782</b>	<b>13,204</b>	<b>11,992</b>	<b>9,466</b>	<b>9,272</b>	<b>8,833</b>	<b>8,000</b>	<b>8,061</b>	<b>7,774</b>
<b>Deduct:</b>										
Interest paid and accrued on Bonds.....	3,904	3,938	4,067	4,016	3,695	2,981	2,842	2,959	3,163	3,724
<b>Net Profit before Water Storage Equalization Reserve and Income and Profits Taxes.....</b>	<b>10,125</b>	<b>9,844</b>	<b>9,137</b>	<b>7,976</b>	<b>5,771</b>	<b>6,291</b>	<b>5,991</b>	<b>5,041</b>	<b>4,898</b>	<b>4,050</b>
<b>Deduct:</b>										
Provision for Water Storage Equalization Reserve, less Income and Profits Taxes applicable.....	364	524	—	—	—	—	—	—	—	—
<b>Net Profit before Income and Profits Taxes.....</b>	<b>9,761</b>	<b>9,320</b>	<b>9,137</b>	<b>7,976</b>	<b>5,771</b>	<b>6,291</b>	<b>5,991</b>	<b>5,041</b>	<b>4,898</b>	<b>4,050</b>
<b>Deduct:</b>										
Provision for Income and Profits Taxes.....	3,808	4,126	4,091	2,668	1,848	2,040	2,043	1,849	2,592†	1,726†
<b>Net Profit.....</b>	<b>\$5,953</b>	<b>\$5,194</b>	<b>\$5,046</b>	<b>\$5,308</b>	<b>\$3,923</b>	<b>\$4,251</b>	<b>\$3,948</b>	<b>\$3,192</b>	<b>\$2,306</b>	<b>\$2,324</b>

† Including Refundable Portion of Dominion of Canada Excess Profits Tax.

### Earnings and Dividends:

#### Preferred Shares, \$50 Par Value:

Earned per Share.....	\$11.90	\$10.38	\$10.09	\$10.61	\$9.80	\$10.62	\$9.87	—	—	—
Dividends per Share:										
Series "A" 4% (400,000 shares).....	2.00	2.00	2.00	2.00	2.00	2.00	1.00*	—	—	—
Series "B" 4½% (100,000 shares).....	2.25	2.25	2.25	1.87½†	—	—	—	—	—	—

\*For six months only.

†For ten months only.

#### Common Shares, No Par Value:

Earned per Share.....	\$2.26	\$1.91	\$1.84	\$1.98	\$1.43	\$1.58	\$1.62	\$1.46	\$1.05	\$1.06
Dividends per Share.....	1.45	1.45	1.45	1.45	1.20	1.20	1.20	1.05	.92	.90

# The Shawinigan Water and Power Company

## Comparative Balance Sheet As at December 31, 1944-1953 (In Thousands of Dollars)

	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944
<b>ASSETS</b>										
Fixed Assets.....	\$258,706	\$251,450	\$243,918	\$232,003	\$211,987	\$187,297	\$170,797	\$160,054	\$155,770	\$153,660
Matrawin River and Other Storage Dams, less Amortization to date.....	2,790	2,848	2,917	2,986	3,056	3,129	3,194	3,252	3,320	3,368
Securities of Subsidiary and other Companies.....	14,844	14,899	14,944	15,150	15,078	14,791	16,825	16,810	16,717	17,067
Deposit with Quebec Government.....	125	125	125	250	250	250	250	250	250	250
Refundable Portion of Dominion of Canada Excess Profits Tax.....	—	—	—	294	421	1,091	1,533	1,533	1,535	1,241
Stores and Moveable Plant.....	3,433	3,422	3,155	2,857	3,178	3,734	3,257	2,406	1,577	1,132
Funds deposited with Trustee.....	—	—	—	—	—	8,500	—	—	—	—
Current Assets.....	21,738	21,016	21,888	27,184	19,959	31,811	26,521	13,470	7,879	10,783
Unamortized Bond Premium, Discount and Expense.....	2,819	3,043	3,267	3,497	5,417	5,842	5,483	5,566	5,067	—
<i>Total Assets</i> .....	<u>\$304,455</u>	<u>\$296,803</u>	<u>\$290,214</u>	<u>\$284,221</u>	<u>\$259,346</u>	<u>\$256,445</u>	<u>\$227,860</u>	<u>\$203,341</u>	<u>\$192,115</u>	<u>\$187,501</u>
<b>LIABILITIES</b>										
<b>Capital Stock and Earned Surplus</b>										
Cumulative Redeemable Preferred Stock.....	\$25,000	\$25,000	\$25,000	\$25,000	\$20,000	\$20,000	\$20,000	—	—	—
Common Stock†.....	67,563	67,563	67,563	67,563	67,563	67,563	67,563	\$67,563	\$67,563	\$67,563
Earned Surplus.....	11,066	10,233	9,776	8,922	7,588	6,777	5,172	4,535	3,967	3,844
Deferred Surplus.....	—	—	—	294	421	1,091	1,533	1,533	1,535	1,241
Funded Debt.....	120,297	121,640	122,987	124,291	110,543	111,673	87,802	87,802	79,560	79,560
Deferred Liabilities.....	3,352	3,929	3,350	2,068	736	—	—	—	—	—
Current Liabilities.....	7,026	6,563	7,099	6,634	5,408	5,044	4,729	4,026	4,672	3,379
Depreciation Reserve.....	68,763 <sup>o</sup>	60,851	52,794	48,289	45,927	43,137	39,901	36,722	33,654	30,750
Water Storage Equalization Reserve.....	888	524	—	—	—	—	—	—	—	—
Contingent Reserve*.....	500	500	1,645	1,160	1,160	1,160	1,160	1,160	1,164	1,164
<i>Total Liabilities</i> .....	<u>\$304,455</u>	<u>\$296,803</u>	<u>\$290,214</u>	<u>\$284,221</u>	<u>\$259,346</u>	<u>\$256,445</u>	<u>\$227,860</u>	<u>\$203,341</u>	<u>\$192,115</u>	<u>\$187,501</u>

†Shares reserved under Employee Stock Purchase Plan, referred to on page 12, which will be issued only on completion of instalment payments, are not included above.

<sup>o</sup>Includes a total of \$5,700,000 additional Capital Cost Allowances transferred from Earned Surplus in 1952 and 1953.

\*Figures for 1951 and prior years include Insurance Reserve of \$1,000,000, transferred to Earned Surplus Account in 1952.

# The Shawinigan Water and Power Company

## Operating Statistics for the Years 1947 to 1953 inclusive

	1953	1952	1951	1950	1949	1948	1947
Installed Turbine Capacity—Horsepower.....	1,340,200	1,340,200	1,340,200	1,149,200	1,077,700	947,700	882,850
Installed Generator Capacity—Kilowatts.....	995,000	995,000	995,000	854,400	798,450	698,450	648,530
Peak Load, Firm Power—Kilowatts.....	1,249,700	1,249,000	1,253,700	1,147,300	1,011,500	969,610	859,290
Peak Load, Total—Kilowatts.....	1,403,400	1,349,100	1,316,800	1,152,800	1,027,152	1,001,280	1,024,640
Kilowatthours Generated.....	6,161,834,400	6,662,337,800	5,730,077,540	4,686,167,780	4,314,443,363	4,140,680,379	4,654,506,798
Kilowatthours Purchased.....	2,633,543,271	2,441,973,627	2,679,737,892	2,607,405,805	2,350,847,166	2,511,301,873	2,231,983,812
Total.....	8,795,377,671	9,104,311,427	8,409,815,432	7,293,573,585	6,665,290,529	6,651,982,252	6,886,490,610
Kilowatthours Sold:							
Firm Power.....	7,021,238,450	7,277,090,408	7,233,097,847	6,243,448,750	5,714,786,565	5,713,804,662	4,904,895,077
Secondary Power.....	832,131,343	880,833,350	305,323,348	323,090,598	249,433,946	249,906,171	1,355,886,083
Total.....	7,853,369,793	8,157,923,758	7,538,421,195	6,566,539,348	5,964,220,511	5,963,710,833	6,260,781,160
Volume of Water in Storage at year end—Billions of cubic feet.....	210.9	309.9	229.2	172.0	165.6	132.9	233.8
Number of Customers Served:							
Residential.....	139,293	130,818	124,204	116,796	110,601	103,317	94,674
Farm.....	41,359	41,188	40,329	38,578	37,376	32,229	27,045
Commercial.....	20,840	19,621	18,427	17,479	16,465	14,820	13,516
Municipal Services.....	65	57	57	49	48	41	37
Industrial.....	3,390	3,288	3,223	3,196	3,194	3,163	3,025
Other Utilities for resale (including Municipal Systems).....	14	15	15	14	15	15	15
Total.....	204,961	194,987	186,255	176,112	167,699	153,585	138,312
Number of Municipalities Served.....	591	591	590	580	567	551	539
Average annual k.w.h. consumption per Residential Customer.....	1,900	1,721	1,558	1,453	1,352	1,233	1,106
Average annual k.w.h. consumption per Farm Customer.....	1,126	989	858	770	693	636	614
Wages and Salaries paid, including Employee Benefits:							
Charged to Operation.....	\$8,909,510	\$8,499,857	\$7,229,687	\$6,402,339	\$6,014,809	\$5,594,605	\$4,898,763
Charged to Construction.....	634,835	597,402	592,532	592,691	908,745	1,017,918	974,930
Other.....	499,973	510,640	478,121	457,644	583,714	583,714	397,059
Total.....	\$10,044,318	\$9,607,899	\$8,300,340	\$7,452,674	\$7,506,154	\$7,196,237	\$6,270,782

## Regular Employees of Shawinigan and its Subsidiary and Associated Companies

The Shawinigan Water and Power Company.....	2,297	2,260	2,260	2,190	2,314	2,360	2,223
Shawinigan Chemicals Limited.....	1,329	1,532	1,235	1,226	1,266	1,549	1,615
The Shawinigan Engineering Company, Limited.....	251	272	255	241	258	242	195
Canadian Resins and Chemicals Limited.....	446	397	387	334	305	296	258
Quebec Power Company.....	676	673	686	716	700	697	681
The Quebec Railway, Light & Power Company.....	508	492	508	740	763	722	716
Miscellaneous Companies.....	194	135	110	102	199	209	186
Total.....	5,901	5,761	5,441	5,549	5,805	6,075	5,874

# THE SHAWINIGAN WATER AND POWER COMPANY

## DIRECTORS

LT.-COL. L. J. A. AMYOT	*S. G. DOBSON	W. F. MACKLAIER, Q.C.
V. G. BARTRAM	RAYMOND DUPUIS, Q.C.	W. F. MAINGUY
*R. J. BEAUMONT	*J. A. ECCLES	*ARTHUR SURVEYER
*N. J. DAWES	*J. A. FULLER	H. G. WELSFORD
AUGUSTE DESILETS, Q.C.	P. S. GREGORY	

\*Members of Executive Committee

## OFFICERS

R. J. BEAUMONT, <i>Chairman of the Board</i>	
J. A. FULLER, <i>President and Chairman of the Executive Committee</i>	
W. F. MAINGUY, <i>Executive Vice-President</i>	
A. C. ABBOTT, <i>Vice-President, Distribution</i>	E. D. GRAY-DONALD, <i>Vice-President and Chief Engineer</i>
P. S. GREGORY, <i>Vice-President, Power Sales</i>	W. R. WAY, <i>Vice-President, Generation and Transmission</i>
N. P. WOODS, <i>Vice-President, Finance, and Treasurer</i>	
C. W. HEMMING, <i>Comptroller</i>	J. L. T. MARTIN, <i>Secretary</i>
GORDON D. HULME, <i>Assistant Vice-President</i>	L. MCGILLIS, <i>Assistant Vice-President and Manager, Purchasing Dept.</i>
FRANÇOIS ROY, <i>Assistant Vice-President</i>	

HEAD OFFICE: Montreal, Canada

**Registrars:**— National Trust Company Limited  
Montreal, Que. Toronto, Ont.  
Bankers Trust Company  
New York City, U.S.A.

**Bankers:**— The Royal Bank of Canada  
National Canadian Bank

**Transfer Agents:**— The Royal Trust Company  
Montreal, Que. Toronto, Ont.  
Bank of Montreal Trust Company  
New York City, U.S.A.

**Auditors:**— Sharp, Milne & Co.,  
Chartered Accountants, Montreal, Que.

*The Company's Preferred and Common Shares are listed or traded on the Exchanges shown below:*

**Preferred Shares:**— Montreal Stock Exchange; Toronto Stock Exchange.

**Common Shares:**— Montreal Stock Exchange; Toronto Stock Exchange; American Stock Exchange, New York City; London Stock Exchange, London, England; Paris Bourse, Paris, France; Amsterdam Stock Exchange, Amsterdam, Holland.

## SHAWINIGAN CHEMICALS LIMITED

### DIRECTORS

V. G. BARTRAM	J. H. GIBBS	H. S. REID
C. M. CARMICHAEL	P. S. GREGORY	H. S. SUTHERLAND
J. A. FULLER	R. S. JANE	E. R. WILLIAMS
	L. F. LOUTREL	

### OFFICERS

V. G. BARTRAM, *President*

R. S. JANE, <i>Executive Vice-President</i>	J. A. FULLER, <i>Vice-President</i>
J. H. GIBBS, <i>Vice-President, Manufacture</i>	H. S. SUTHERLAND, <i>Vice-President, Sales</i>
C. K. LOCKWOOD, <i>Vice-President, Stainless Steel and Alloys</i>	P. W. BLAYLOCK, <i>Vice-President, Development</i>
P. W. WRIGHT, <i>Secretary-Treasurer</i>	H. D. ROSS, <i>Assistant Vice-President</i>
HEAD OFFICE: <i>Montreal, Canada</i>	WORKS: <i>Shawinigan Falls, Que.</i>

## SHAWINIGAN LIMITED, LONDON, ENGLAND

A. W. SCOTT, *Managing Director*

## SHAWINIGAN PRODUCTS CORPORATION, NEW YORK CITY, N.Y.

L. F. LOUTREL, *President*

C. M. SCHWAB, <i>Vice-President</i>	F. X. LEE, <i>Secretary-Treasurer</i>
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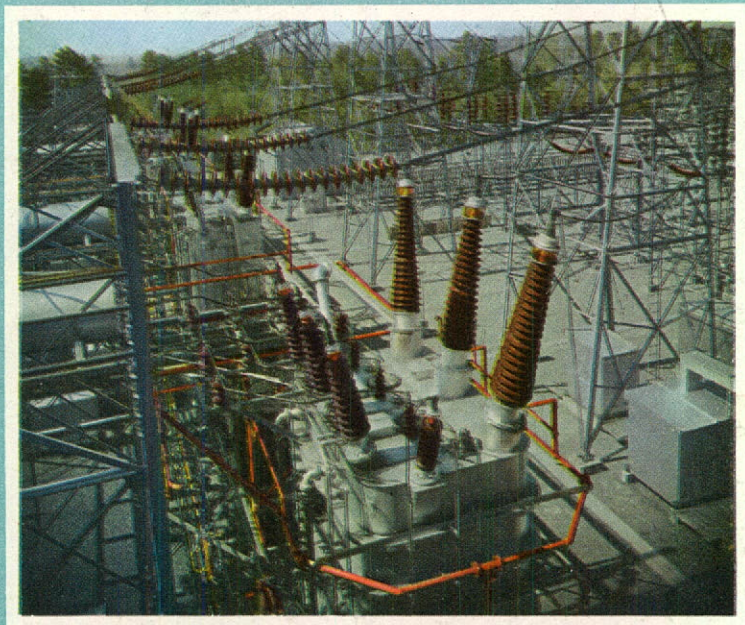
## THE SHAWINIGAN ENGINEERING COMPANY LIMITED

### OFFICERS

R. E. HEARTZ, *President*

E. V. LEIPOLDT, <i>Vice-President</i>	A. L. PATTERSON, <i>Vice-President</i>
N. P. WOODS, <i>Treasurer</i>	J. L. T. MARTIN, <i>Secretary</i>

HEAD OFFICE: *Montreal, Canada*



*220,000-volt Transformers at the Trois-Rivières Terminal Station.*