

FIFTY - SEVENTH ANNUAL REPORT

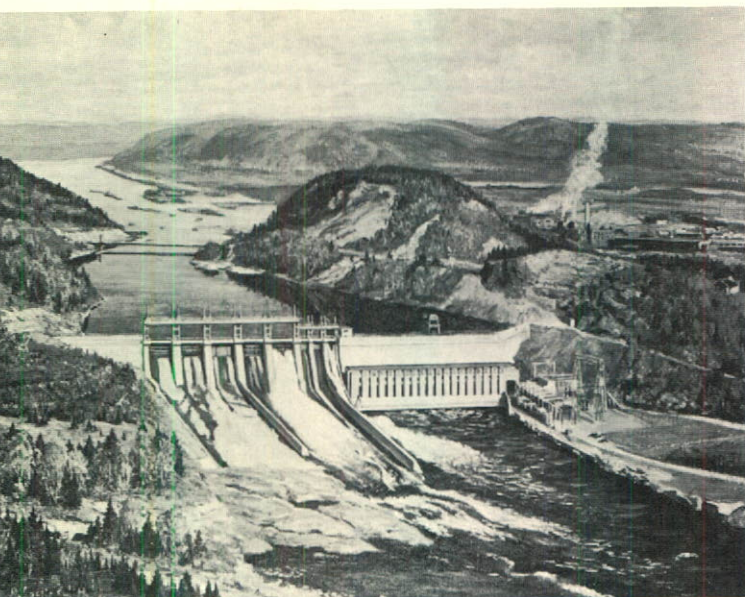
The Shawinigan Water and Power Company

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THE COVER PICTURE is of the La Tuque power development on the Upper St. Maurice River.

The plant is the property of St. Maurice Power Corporation, which became a wholly owned subsidiary of The Shawinigan Water and Power Company in December 1954, following the purchase from Brown Corporation of that company's 50 per cent interest.

It first came into operation in November 1940 with four units of 33,200 kilowatts each. A fifth was added in 1943 and the sixth is scheduled for completion in 1955, which will bring the total installation to 216,000 kilowatts.

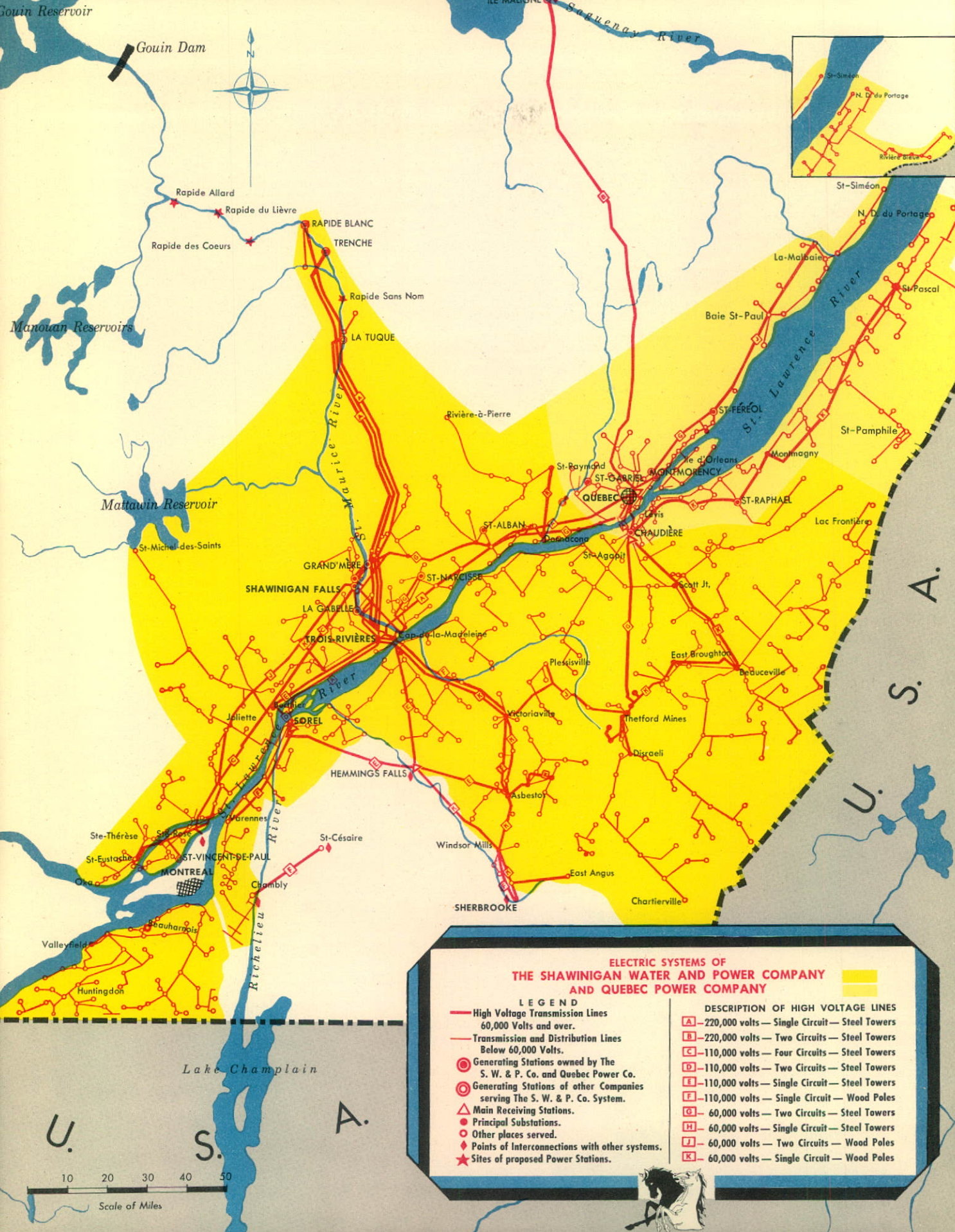
It is operated by Shawinigan as an integral part of its St. Maurice River system. The major part of the power output is transmitted at 220,000 volts directly to the Shawinigan terminal station at Trois Rivières for distribution over the Company's network. In addition, the plant supplies a large block of power to the neighbouring mill of the Canadian International Paper Company Limited, and provides electric service for industrial, commercial, residential and farm consumers in the La Tuque area.

Inset in the picture is the Company's Coat of Arms granted in 1945, and symbolic of its history and service. The fleur-de-lis is the emblem of the Province of Quebec, which the Company serves; the fork of lightning represents electricity, the Company's primary product; and the horses coming out of the water signify the power which generates the electricity, derived from the rivers of this Province.

For more than half a century "Shawinigan" has been synonymous with "public service." It is therefore fitting that the Company's motto should be "Servir le peuple".

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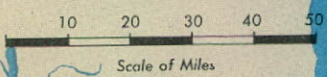
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ELECTRIC SYSTEMS OF THE SHAWINIGAN WATER AND POWER COMPANY AND QUEBEC POWER COMPANY

- LEGEND**
- High Voltage Transmission Lines 60,000 Volts and over.
 - Transmission and Distribution Lines Below 60,000 Volts.
 - Generating Stations owned by The S. W. & P. Co. and Quebec Power Co.
 - Generating Stations of other Companies serving The S. W. & P. Co. System.
 - △ Main Receiving Stations.
 - Principal Substations.
 - Other places served.
 - ◆ Points of Interconnections with other systems.
 - ★ Sites of proposed Power Stations.

- DESCRIPTION OF HIGH VOLTAGE LINES**
- A — 220,000 volts — Single Circuit — Steel Towers
 - B — 220,000 volts — Two Circuits — Steel Towers
 - C — 110,000 volts — Four Circuits — Steel Towers
 - D — 110,000 volts — Two Circuits — Steel Towers
 - E — 110,000 volts — Single Circuit — Steel Towers
 - F — 110,000 volts — Single Circuit — Wood Poles
 - G — 60,000 volts — Two Circuits — Steel Towers
 - H — 60,000 volts — Single Circuit — Steel Towers
 - J — 60,000 volts — Two Circuits — Wood Poles
 - K — 60,000 volts — Single Circuit — Wood Poles



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. | | N. P. WOODS |

*Members of Executive Committee

OFFICERS

R. J. BEAUMONT, *Chairman of the Board*

J. A. FULLER, *President and Chairman of the Executive Committee*

W. F. MAINGUY, *Executive Vice-President*

A. C. ABBOTT, *Vice-President,
Distribution*

E. D. GRAY-DONALD, *Vice-President,
Personnel and Public Relations*

H. B. ABBOTT-SMITH, *Vice-President,
Power Sales*

W. R. WAY, *Vice-President, Generation and
Transmission, and Chief Engineer*

N. P. WOODS, *Vice-President, Finance, and Treasurer*

R. R. MERIFIELD, *Secretary*

A. TIMON, *Comptroller*

L. BOISSONNAULT, *Assistant Vice-President,
Finance*

GORDON D. HULME, *Assistant Vice-President*

T. P. DALTON, *Assistant Vice-President*

L. MCGILLIS, *Assistant Vice-President*

FRANÇOIS ROY, *Assistant Vice-President*

HEAD OFFICE: *Montreal, Canada*

Registrars:— National Trust Company Limited
Montreal, Que. Toronto, Ont.

Bankers Trust Company
New York City, U.S.A.

Transfer Agents:—The Royal Trust Company
Montreal, Que. Toronto, Ont.

Bank of Montreal Trust Company
New York City, U.S.A.

Bankers:— The Royal Bank of Canada
National Canadian Bank

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

P. W. BLAYLOCK

J. A. FULLER

J. H. GIBBS

R. S. JANE

C. K. LOCKWOOD

L. F. LOUTREL

W. F. MAINGUY

H. S. REID

H. S. SUTHERLAND

OFFICERS

V. G. BARTRAM, *President*

R. S. JANE, *Executive Vice-President*

P. W. BLAYLOCK, *Vice-President,
Development*

J. A. FULLER, *Vice-President*

J. H. GIBBS, *Vice-President,
Manufacture*

P. W. WRIGHT, *Secretary-Treasurer*

C. K. LOCKWOOD, *Vice-President,
Stainless Steel and Alloys*

H. S. SUTHERLAND, *Vice-President,
Sales*

J. S. WHYTE, *Vice-President,
Engineering*

H. D. ROSS, *Assistant Vice-President*

HEAD OFFICE: *Montreal, Canada*

WORKS: *Shawinigan Falls, Que.*

SHAWINIGAN LIMITED, LONDON, ENGLAND

R. H. COLLIS, *Chairman*

F. G. PENTECOST, *Vice-Chairman*

A. W. SCOTT, *Managing Director*

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

L. F. LOUTREL, *President*

C. M. SCHWAB, *Vice-President*

F. X. LEE, *Secretary-Treasurer*

THE SHAWINIGAN ENGINEERING COMPANY LIMITED

OFFICERS

R. E. HEARTZ, *President*

E. V. LEIPOLDT, *Vice-President*

N. P. WOODS, *Treasurer*

A. L. PATTERSON, *Vice-President*

R. R. MERIFIELD, *Secretary*

HEAD OFFICE: *Montreal, Canada*

SUMMARY AND OUTLOOK

We are gratified to report that 1954 was a record year as regards gross revenue and peak load, that total energy sold was practically equal to the 1952 all-time peak and that the Company's financial return on its large investment in power operations is showing improvement. Earnings per common share from power operations were \$2.01 in 1954 compared with \$1.46 in 1953, while total earnings per share were \$2.84 as against \$2.26 in the preceding year.

Last year we stated that improved prices for primary electric energy were our most urgent need, and this improvement is gradually being realized. Contracts with large industrial power users are being renewed upon expiry at rates more consistent with today's higher costs. Also, the Company's application to the Provincial Electricity Board for authority to increase rates for residential, farm, commercial and small power services was granted, in part, effective July 1, 1954.

Almost 10,000 new customers were connected to our lines during the past year, while the average annual consumption of electricity by existing customers continued to increase substantially. It is worthy of note that there is increasing diversification in the industrial use of the Company's electric service, a favourable factor from the standpoint of earnings stability.

Water conditions, which are of vital importance to our operations, were particularly good in the last four months of the year. Above average rainfall for the year had two favourable results—it enabled us to earn additional revenue through the sale of surplus or secondary power, such revenue being somewhat above the amount earned therefrom in 1953, and it left us at the end of the year with more water than usual in storage reservoirs for future use.

During the year, the Company became the sole owner of the St. Maurice Power Corporation and its 166,000-kilowatt generating station at La Tuque, P.Q., through purchase of the 50 per cent interest formerly held by Brown Corporation. The power plant will continue to be operated as before by Shawinigan as part of its St. Maurice Valley system, and full ownership of this plant will be of considerable benefit to our Company.

Further progress was made with work preparatory to the installation of three additional generating units, one each at Rapide Blanc, Trenche, and La Tuque generating stations. These will be in operation in the latter part of 1955 and will

add about 118,000 kilowatts to our system generating capacity. Work is proceeding on the new facilities required to receive power from Hydro-Quebec's Bersimis development late in 1956, when it is expected that delivery of the first 60,000 kilowatts will be made under the contract which provides for a maximum of 300,000 kilowatts to be taken by 1960.

Other important additions to our system include new terminal and substation facilities, transmission and distribution lines, and a large new office and service building in Trois Rivières which has greatly facilitated operations in that rapidly growing area.

Capital expenditures for the year for new construction totalled \$12,333,000 and, as forecast last year, it is expected that during the period 1955, 1956 and 1957 an additional \$37,200,000 will be spent on Capital Account. Reference was made in last year's Report to the fact that some additional financing would be required before the completion of the above programme and it was then estimated that new money would not be needed before the end of 1955. Since then, however, the need was accelerated by our purchase of Brown Corporation's 50 per cent interest in St. Maurice Power Corporation. Consequently, it was decided to offer to Shawinigan shareholders, early in 1955, rights to subscribe for additional common shares on the basis of one new share for each ten shares already held, which, it is expected, will provide approximately \$10,000,000 of new capital. This amount, with funds which will become available through the Company's operations, should meet requirements until the end of 1957. The decision to issue common stock was based on the desirability of reducing the proportion of Funded Debt, and on the favourable market conditions for the sale of common shares prevailing at the time.

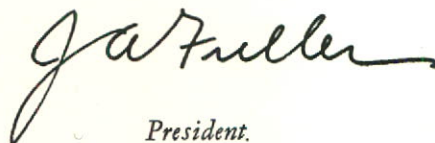
The record of 1954 would be incomplete without reference to our research work on titanium. As announced early in the year, the Company's research department succeeded in producing a high grade of titanium metal experimentally on a small scale. Patents have already been obtained in several countries, and the development work has been expanded to the scale of a larger pilot plant which is now in operation and from which it is hoped that more conclusive results will be obtained in 1955.

Quebec Power Company made good progress during the year. Earnings were well above those of 1953, and the steady growth of Quebec City and the surrounding area is reflected in increasing use of electricity by all categories of consumers, and by an improving return on the large investment in electric service facilities. During the year, Quebec Power Company decided to offer new common shares through the issuance of rights to present shareholders, and our Company, as owner of 58 per cent of that company's shares, agreed to take up its full proportion of the new stock.

The business of Shawinigan Chemicals Limited in the earlier part of the year was considerably below the level of 1953, but substantial improvement in the later months brought earnings for 1954 up to within 10 per cent of the preceding year. Sales in overseas markets improved substantially over 1953, while sales in the United States and Canada were lower. Sales by subsidiary and associated companies in the United States showed a further increase in 1954. In Canada the new associated companies—B.A.-Shawinigan Limited and St. Maurice Chemicals Limited—progressed and it is hoped that before long they will be in a position to contribute to the earnings of the parent companies. Earnings of Canadian Resins and Chemicals Limited in 1954 were slightly above those of the preceding year. Its new printing and embossing plant at Ste-Thérèse, P.Q., went into production in July and is operating satisfactorily. The general outlook for our chemical business in 1955 both in Canada and the United States, and in overseas markets, would indicate a somewhat better level than in 1954.

Looking back over the past year, we can see definite and measurable progress. Looking forward we feel confident as to the future of our Company. Our retail distribution business is growing steadily at a rate of over 10 per cent a year. In 1954, sales to large industrial and wholesale consumers increased moderately and it is expected that sales in this category for 1955 will be substantially increased by new and growing loads in the asbestos industry, by increased loads in the pulp and paper and electro-metallurgical industries, and by further growth in the amount of power sold to other utilities.

Canada and Quebec are growing—in industry, in commerce, in agriculture and in population. Electricity is a major factor in this growth. If those of us whose responsibility it is to provide adequate and reliable electric service at a fair price, continue to fulfill our responsibility, as it is our aim and purpose to do, we are confident we shall share fully in the progress and prosperity of our province and our country.

A handwritten signature in cursive script, appearing to read "J. A. Fuller". The signature is written in dark ink and is positioned above the printed name "President".

President.

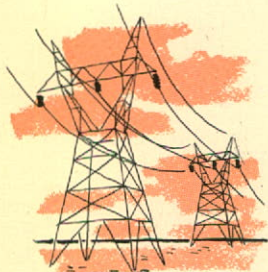
HIGHLIGHTS

THE SHAWINIGAN WATER AND POWER COMPANY

- Total kilowatthours sold 8,157,703,000, up 3.9 per cent over 1953.
- Kilowatthours sold to residential, farm, commercial and municipal consumers up 18.2 per cent.
- Upward revision of rates in effect on meter readings after July 1 for residential, farm, commercial and small power services.
- Revenue from power sales up 8.4 per cent.
- Earnings from power operations \$2.01 per common share vs. \$1.46 in 1953.
- Total earnings \$2.84 per common share vs. \$2.26 in 1953.
- Dividends paid per common share \$1.45—\$1.20 regular plus 25 cents special.
- Capital expenditures for new construction \$12,333,000.
- 9,681 new customers connected.
- Amount of water in storage at year-end 33.5 per cent above long-term average.
- Brown Corporation's half interest in St. Maurice Power Corporation purchased, making that company a wholly owned subsidiary.
- Rights to purchase 64,595 new shares of Quebec Power Company exercised.
- New commitments for sale of firm power 53,100 kilowatts.

SHAWINIGAN CHEMICALS LIMITED

- Total sales down 7.4 per cent.
- Net profit from manufacturing operations down 17.9 per cent.
- Total Net Income down 9.8 per cent.
- Dividends paid \$4.00 per share, the same as in 1953.
- Capital expenditures for the year \$910,000 (including advances to associated companies of \$500,000).
- New plant of Converting Division of Canadian Resins and Chemicals Limited at Ste-Thérèse started operation in July.
- New plants of U.S. associated companies, Midwest Carbide Corporation and Gelvatex Coatings Corporation, started production.



The Shawinigan Water and Power Company

57th ANNUAL REPORT

OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 1954

FINANCIAL RESULTS—On December 1, 1954 the Company purchased for \$4,500,000 the 50 per cent stock interest of Brown Corporation in St. Maurice Power Corporation, which thus became a wholly owned subsidiary. As the purchase was made only on December 1, the Balance Sheet and Profit and Loss and Surplus Accounts have not been consolidated with those of the parent company for the year 1954. Consolidation of accounts in this regard will be effected in 1955.

Revenue from sales of electricity for the year 1954 totalled \$42,042,323, an increase of 8.4 per cent over 1953. Revenue from primary power sales to industrial customers was up 4.2 per cent; to other utilities for resale up 7.4 per cent;

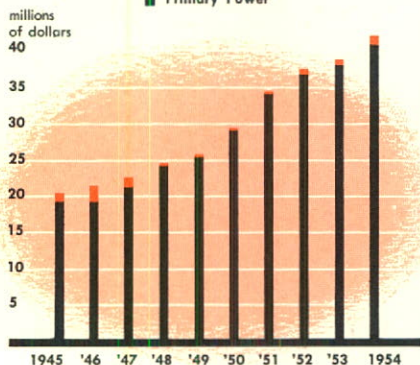
and to residential, farm, commercial and municipal consumers up 19.2 per cent. Revenue from secondary power sales was up 2.4 per cent. Other revenue from power operations was up 3.3 per cent. Dividends from subsidiary and other companies were 4.7 per cent higher.

Operating expenses other than Depreciation were 4.8 per cent greater, the largest increase being in the amount paid for power purchased. The provision for Depreciation charged to Profit and Loss Account totalled \$6,790,000 as compared with \$6,590,000 in 1953. The amount provided for Income and Profits Taxes totalled \$4,773,000 as against \$3,808,000 in 1953.

No provision was made for Water Storage Equalization Reserve during the

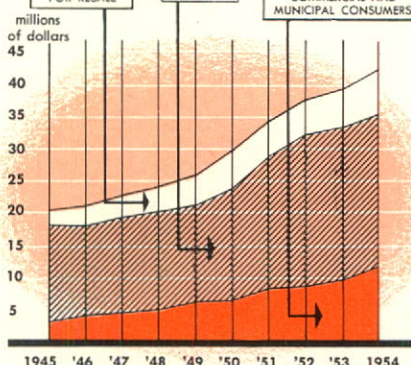
REVENUE FROM POWER SALES

Secondary Power
Primary Power



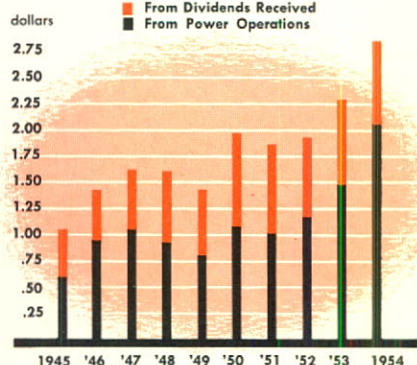
ANALYSIS OF REVENUE FROM POWER SALES

OTHER UTILITIES FOR RESALE
INDUSTRIES
RESIDENTIAL, FARM, COMMERCIAL AND MUNICIPAL CONSUMERS



NET EARNINGS PER COMMON SHARE FROM POWER OPERATIONS AND FROM DIVIDENDS

From Dividends Received
From Power Operations



first three quarters of the year but at the end of the year, in view of the very satisfactory water conditions, an amount of \$538,000, less applicable Income and Profits Taxes, or a net amount of \$294,000, was added to this Reserve.

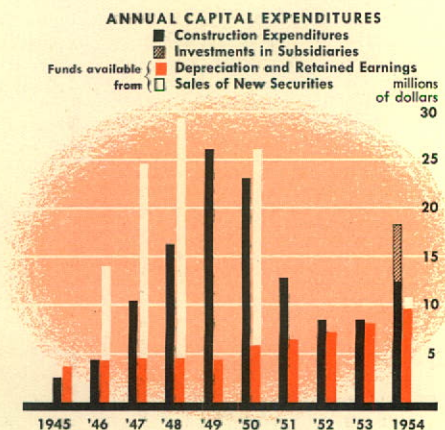
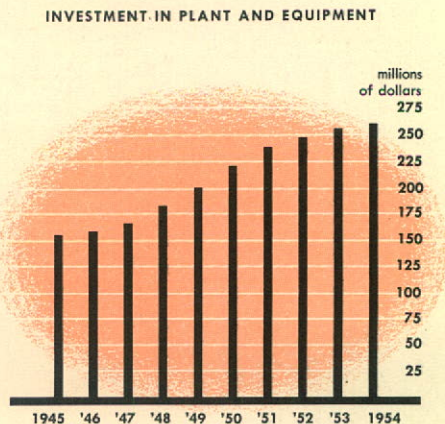
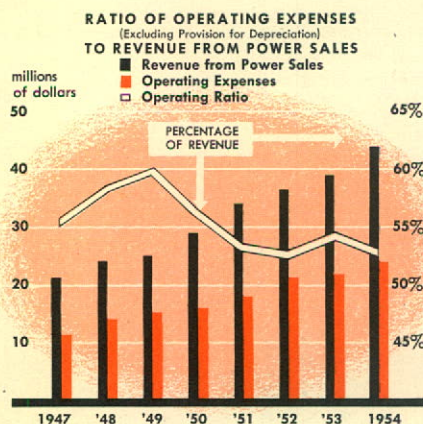
After deducting all charges and providing for dividends on the preferred shares, net earnings from all sources available for dividends on the common shares totalled \$2.84 per share, as compared with \$2.26 per share in 1953. Of these earnings, \$2.01 per share was derived from power operations, as compared with \$1.46 in 1953, which reflects the expansion of our business and, to some extent, the revised rates which were in effect on meter readings after July 1 for service to residential, farm, commercial and small power consumers.

Regular quarterly dividends totalling \$1.20 per common share were paid during the year and, for the fifth 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, the same as in 1953.

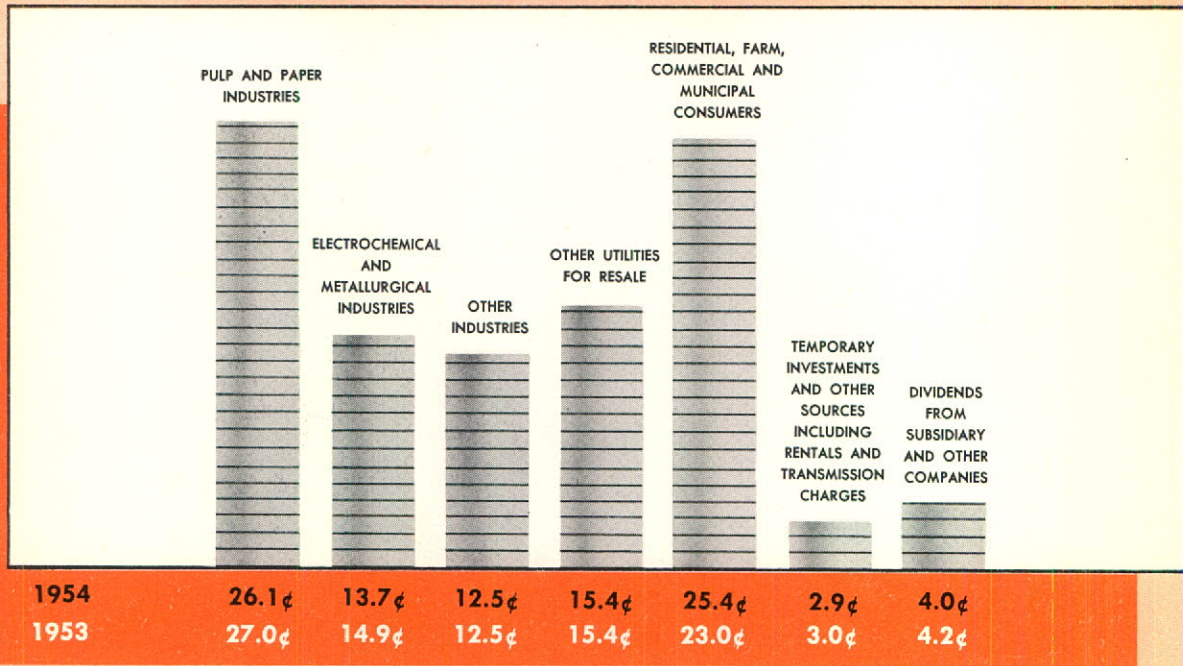
An analysis of the 1954 revenue dollar and its disposition appears on page 10.

CAPITAL EXPENDITURES — Capital expenditures for new construction for the year totalled \$12,333,000 as compared with \$8,548,000 in 1953. Major items of expenditure included: further work in connection with the additional generating units being installed in the Rapide Blanc and Trenché developments; completion of the second transmission-line crossing over the St. Lawrence River at Quebec; construction work on the third La Tuque-Trois Rivières transmission line and other high-voltage transmission lines; additions and improvements to terminal facilities at Quebec and to the distribution system; and completion of the new office and service building at Trois Rivières.

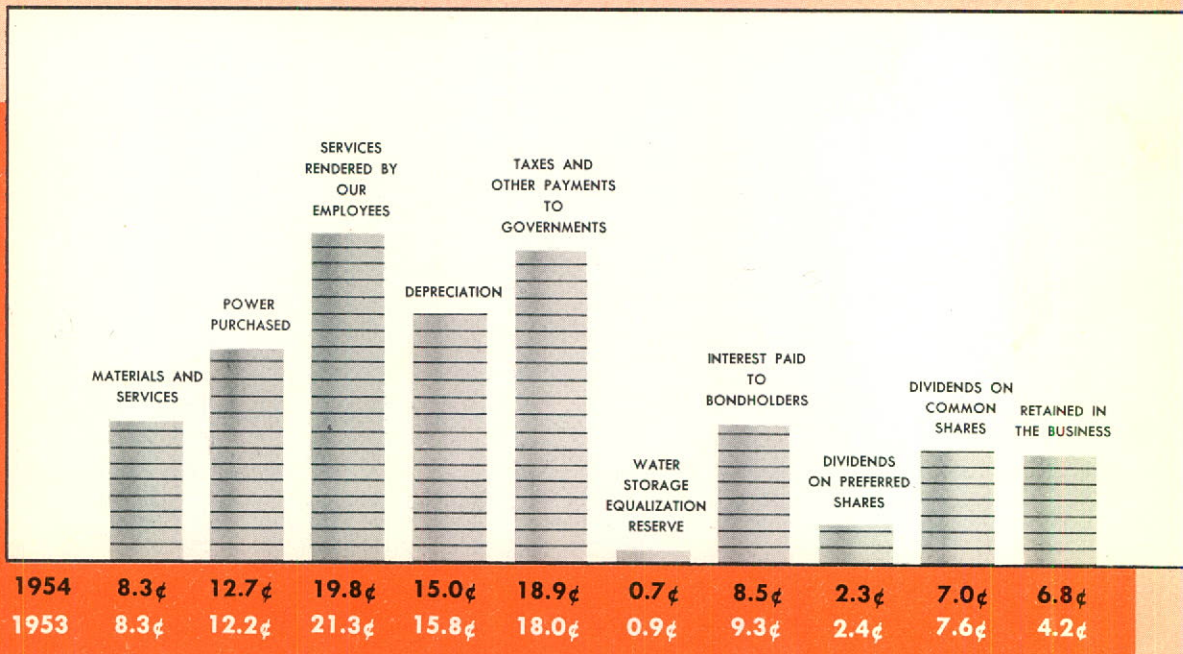
An additional \$5,991,000 was spent for the purchase from Brown Corporation of its 50 per cent interest in St. Maurice Power Corporation, and for the purchase of 64,595 newly issued shares of Quebec Power Company.



the revenue dollar...



...and its disposition



SOURCES AND ALLOCATION OF FUNDS, 1954 AND 1953

| | 1954 | 1953 |
|---|--------------|---------------|
| WORKING CAPITAL, JANUARY 1..... | \$14,712,958 | \$14,452,565 |
| SOURCES OF FUNDS: | | |
| Net Profit for the year..... | \$7,270,260 | 5,952,564 |
| Depreciation (\$6,790,000) and Amortiza- tion (\$65,363)..... | 6,855,363 | 6,647,939 |
| Disposal of Fixed Assets..... | 907,797 | 303,333 |
| Reduction in Income Tax payable resulting from claiming for tax purposes an amount greater by \$2,600,000 (\$2,700,000 in 1953) than the depreciation recorded in the accounts..... | 998,000 | 1,037,000 |
| Water Storage Equalization Reserve, less Income and Profits Taxes applicable.... | 294,000 | 364,000 |
| Proceeds from sales of common stock to employees..... | 575,087 | — |
| Reduction in Stores and Moveable Plant.. | 81,575 | — |
| 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..... | 73,285 | 91,064 |
| | 17,055,367 | 14,922,279 |
| TOTAL FUNDS..... | 31,768,325 | 29,374,844 |
| ALLOCATION OF FUNDS: | | |
| Capital expenditures for the year..... | 12,333,000 | 8,548,000 |
| Investment in securities of subsidiaries (less proceeds from sales \$55,000)..... | 5,935,685 | — |
| Bonds redeemed under Sinking Fund provi- sions..... | 1,229,000 | 1,343,000 |
| Instalments repaid on account of advances received re construction of transmission lines..... | 514,071 | 576,297 |
| Additions to Stores and Moveable Plant.. | — | 11,127 |
| Dividends—Preferred Shares..... | 1,025,000 | 1,025,000 |
| Common Shares..... | 3,169,191 | 3,158,462 |
| | 4,194 | 14,661,886 |
| WORKING CAPITAL, DECEMBER 31..... | \$ 7,562,378 | \$ 14,712,958 |
| | | 7,562 |
| | | 7,150 |

EARNED SURPLUS ACCOUNT—The Company's policy is to write off depreciable plant and equipment over its estimated life on a straight line basis. The Income Tax Act, however, permits Capital Cost Allowance (depreciation) to be taken on a diminishing balance basis. Due to large capital expenditures in recent years, permissible depreciation for Income Tax purposes is at present considerably larger than straight line Depreciation charged as an expense to Profit and Loss Account. For 1952 and 1953 the excess amounted to a total of \$5,700,000, which was credited to Depreciation Reserve and charged to Earned Surplus Account. The resultant reduction of \$2,254,000 in Income Tax payable for those years was credited to Earned Surplus Account.

The Income Tax Act now permits Capital Cost Allowance to be taken for tax purposes without being recorded in the Company's books. An amount of \$2,600,000 in excess of Depreciation charged to Profit and Loss Account has been so claimed for the year 1954, and only the applicable reduction of \$998,000 in Income Tax is reflected on the Balance Sheet as a deferred item under the heading Accumulated Tax Reductions Applicable to Future Years. For purposes of uniformity the same accounting treatment

has now been applied to the excess Capital Cost Allowances claimed in the two prior years. An amount of \$5,700,000 has accordingly been restored to Earned Surplus Account and debited to Depreciation Reserve and the related tax saving of \$2,254,000 has been transferred from Earned Surplus Account to Accumulated Tax Reductions Applicable to Future Years. Should normal Depreciation charges in future years exceed permissible Capital Cost Allowances, such Accumulated Tax Reductions would serve to compensate for the higher amount of Income Tax payable.

A full statement of the Earned Surplus Account will be found on page 25.

FINANCIAL POSITION — The Balance Sheet as at December 31, 1954, with comparative figures for 1953 will be found on pages 22 and 23. The increase in Fixed Assets results from expenditures on capital account during the year less retirements. Investments in Subsidiary and Other Companies increased by a net amount of \$5,935,685 as a result of the purchase of the half interest in St. Maurice Power Corporation from Brown Corporation and of 64,595 new common shares of Quebec Power Company. Net Current Assets were lower in consequence. The number of common shares

outstanding increased from 2,178,250 to 2,195,945, as a result of the issue of shares under the terms of the Employee Stock Purchase Plan. There remains a balance of 13,337 shares still being paid for on an instalment basis, which will be issued when full payment of the purchase price has been received under the terms of the Plan. Funded Debt was reduced by \$1,229,000 as a result of the operation of the Sinking Fund. Earned Surplus was increased from \$11,066,424 to \$17,533,262 as shown on page 25.

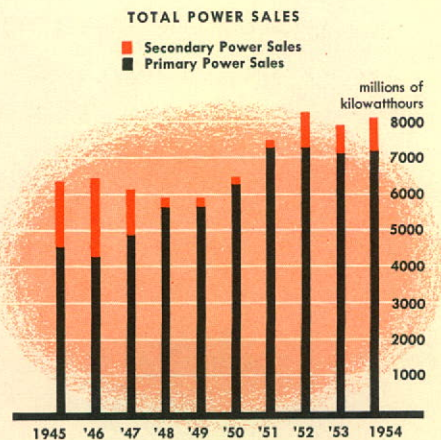
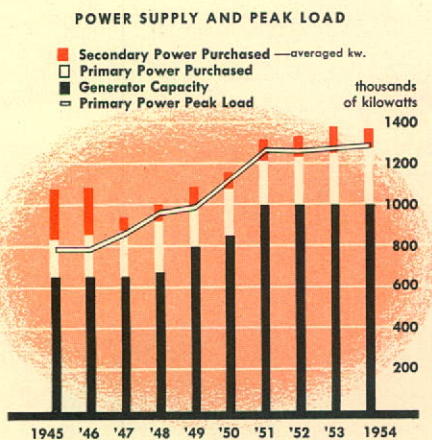
OPERATIONS — Total sales of electricity in 1954 amounted to 8,157,703,000 kilowatthours, compared with 7,853,370,000 kilowatthours in 1953. The amount of power sold to industrial customers was 2.1 per cent greater, primary power sales being 1.7 per cent higher, while sales of secondary power increased 4.5 per cent. Total kilowatthours sold to other utilities for resale were 6.4 per cent higher, and to residential, farm, commercial and municipal consumers 18.2 per cent higher.

The total peak load on the Company's system reached 1,438,600 kilowatts, which compares with 1,403,400 kilowatts in 1953. Additional commitments made during the year for the sale of primary power, including new contracts and revisions, totalled 53,100 kilowatts.

Further extensions and improvements were made to the distribution system, including the continuation of our programme of electrifying rural areas. Altogether 9,681 new customers were connected during the year, bringing the total number of customers served to 214,642, located in 612 municipalities.

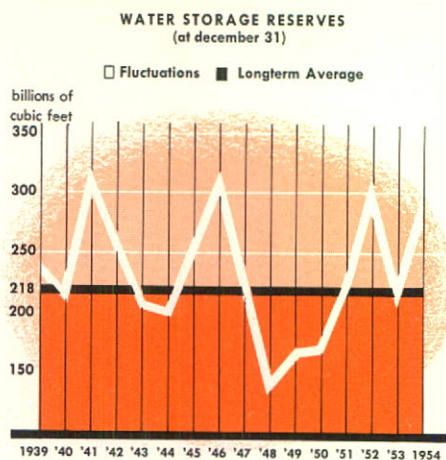
During the year, all the Company's lines, rights of way and terminal stations located on the Island of Montreal were sold to the Quebec Hydro-Electric Commission. A considerable saving in annual expenses will thus be effected.

During the first eight months of the year, rainfall and run-off conditions in the St. Maurice Valley necessitated conservation of available reserves of water in storage, and the purchase of larger amounts of power from other generating



companies. From September until the freeze-up, however, very heavy rains were experienced throughout the watershed and the amount of water in storage at the end of the year was 33.5 per cent greater than the long-term average. Run-off conditions were also excellent and, as a result, during the latter part of the year, it became possible to sell substantial amounts of energy for use in electric boilers and the amount of secondary power purchased from other companies was also reduced to a minimum.

The continued activity and expansion of the asbestos mining industry, has resulted in a large increase in load in the area of its operations, and in order to supply the increased demand due to this expansion and to other general growth in the area, a new 220,000-volt transmission line was constructed from the Quebec Terminal Station to Chaudière, including a second crossing over the St. Lawrence River at Quebec, and a 66,000-volt line from Chaudière to Beauceville. Both these lines were placed in operation during the year. In the Thetford Mines area, where mining operations have necessitated moving the railway and highway, and part of the City itself, many of the Company's lines and installations were relocated.



Maintenance work carried out during the year required the expenditure of \$3,448,969. Among the more important items were the overhaul of some of the generators at three of our power plants and extensive repairs to the intake and tailrace sections at the Grand'Mère generating station.

A tabulation of operating statistics from 1947 to 1954 will be found at the end of this report.

Throughout the year, in cooperation with electrical appliance dealers in the territory served, intensive efforts were made to further the sale of electrical appliances to the Company's customers, particularly electric ranges and water heaters. Reflecting these efforts and the ever expanding use of electricity in the home, the average annual consumption by residential consumers again increased and reached 2,163 kilowatthours, which compares with an average of 1,900 kilowatthours in 1953.

During the coming year, particular

effort will be directed toward encouragement of adequate wiring in customers' premises. In this regard, customers will be assisted by the Company in financing installation of improved wiring in existing buildings.

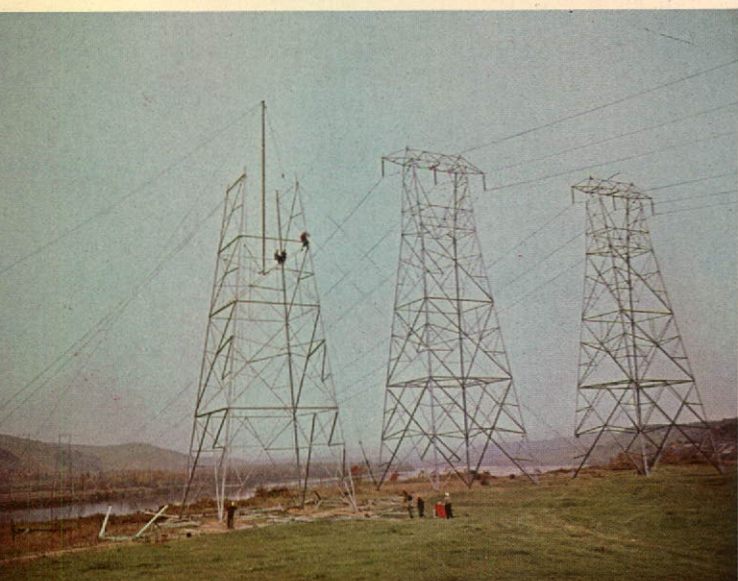
ENGINEERING AND CONSTRUCTION —

The Shawinigan Engineering Company Limited, our wholly-owned engineering subsidiary, carried out a wide variety of work during the year. Among its projects were: completion of the Quebec-Chaudière and Chaudière-Beauceville transmission lines and the crossing over the St. Lawrence at Quebec; erection of towers and stringing of conductors on the new La Tuque-Trois Rivières transmission line, about half of which is already in service; extensions and additions to terminal stations at Quebec and Trois Rivières; construction and extension of new and existing substations; relocation

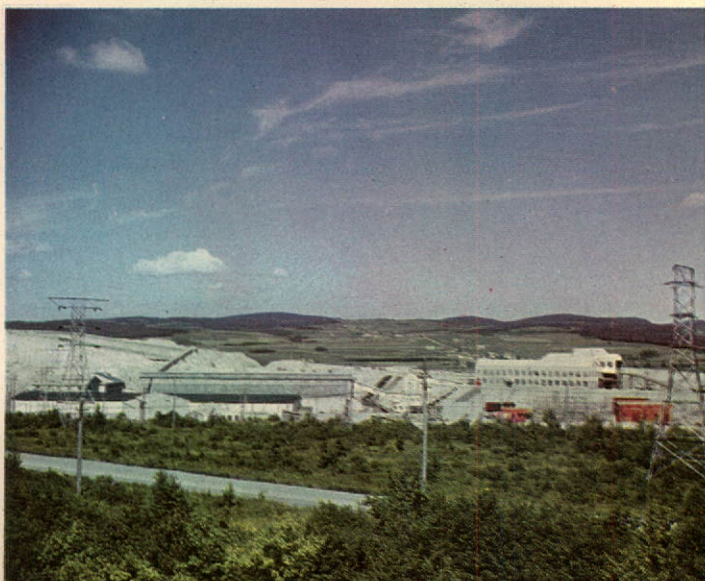
of the Company's lines in the asbestos mining area and construction of new lines to supply new producing mines; and preliminary work in connection with additional generating units at the three Upper St. Maurice plants.

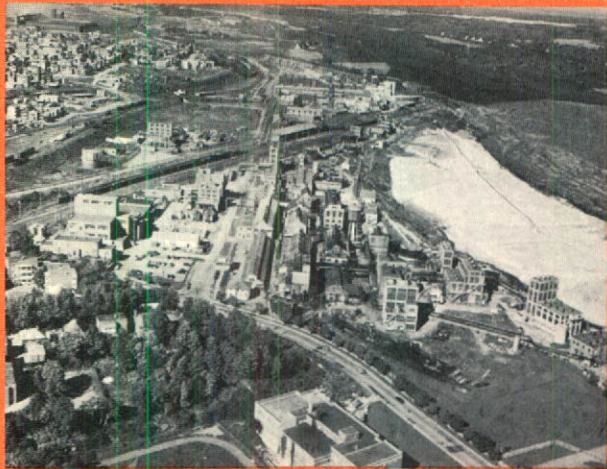
The Engineering Company undertook an investigation of the power potential of the Grand Falls section of the Hamilton River, Labrador, for the British Newfoundland Development Company. It also has received a contract for the design of the Beechwood power development on the St. John River for the New Brunswick Electric Power Commission, and is doing consulting work on the design of the Commission's high-voltage transmission system. Construction and design work was also done for a number of other Canadian companies. A dividend of \$50,000 for the year was paid to the parent company by the Shawinigan Engineering Company.

A Shawinigan Engineering Company crew erecting a steel tower on the new La Tuque-Trois Rivières transmission line, at the St. Maurice River crossing near La Tuque.



One of the large asbestos mines in the Thetford Mines area, which is supplied with power by Shawinigan.





Plants at Shawinigan Falls, Quebec.

Shawinigan Chemicals Limited, and its subsidiary and associated companies



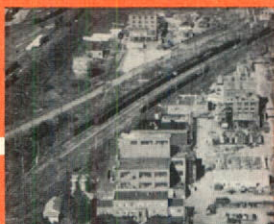
Shawinigan Products Corporation, New York City, U.S.A., wholly-owned.



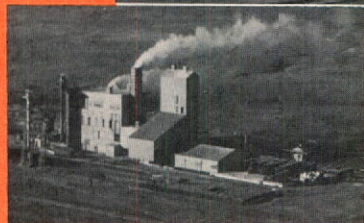
Shawinigan Limited, London, England, wholly-owned.



Shawinigan Resins Corporation, Springfield, Massachusetts, jointly owned with Monsanto Chemical Company, St. Louis, Missouri.



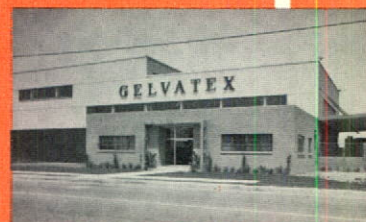
Canadian Resins and Chemicals Limited jointly owned with Union Carbide Canada Limited. Above: Shawinigan Falls, Quebec. Below: Ste-Thérèse, Quebec.



Midwest Carbide Corporation, jointly owned with National Cylinder Gas Corporation, Chicago, Illinois. Above: Keokuk, Iowa. Below: Pryor, Oklahoma.



B.A.-Shawinigan Limited, Montreal East, Quebec, jointly owned with The British American Oil Company Limited, Toronto, Ontario.



Gelvatex Coatings Corporation, Anaheim, California.



St. Maurice Chemicals Limited, Varennes, The McArthur Chemical Co. Ltd., Quebec, jointly owned with Heyden Chemical Montreal, Quebec. Corporation, New York City.

OPERATIONS OF OUR SUBSIDIARY

SHAWINIGAN CHEMICALS LIMITED

Manufacturing operations of Shawinigan Chemicals Limited reflected the lower level of general business activity during the first nine months of 1954. There was, however, a marked improvement during the last quarter both in domestic and export markets. The Company has sales connections in many parts of the world and in 1954 its products were shipped to 49 different countries. It is therefore in a good position to profit from any general increase in world trade and easing of controls.

Operations of the associated company, Canadian Resins and Chemicals Limited, which were similarly affected by general business conditions during the first three quarters of the year, showed much improved results during the last quarter.

The petrochemical plant of B.A.-Shawinigan Limited, another associated company,

which was placed in operation in 1953, operated satisfactorily.

The plant of St. Maurice Chemicals Limited at Varennes, which started production of pentaerythritol and formaldehyde in 1953, operated successfully throughout the year.

FINANCIAL RESULTS—The statement on the following page shows the results achieved by Shawinigan Chemicals Limited in 1954.

SALES AND EARNINGS FROM MANUFACTURING OPERATIONS — Sales were 7.4 per cent lower than in 1953, owing to the general business recession which was experienced during the early part of the year and the intensified competition in all markets.

Earnings from manufacturing operations were somewhat lower in consequence, and totalled \$1,118,154 as against \$1,361,370 in 1953.

Comparative Statement of Sales and Earnings

| | 1954 | 1953 |
|--|-------------------|---------------------|
| INCOME FROM SALE OF PRODUCTS | \$19,841,711 | <u>\$21,417,982</u> |
| The cost of making and selling these products was.. | <u>17,745,327</u> | <u>18,834,698</u> |
| NOTE: <i>Included in this cost is an amount of \$1,114,504 (\$1,316,751 in 1953) to provide for replacement of plant and equipment (Depreciation).</i> | | |
| This left earnings on manufacturing operations before Income and Profits Taxes of | 2,096,384 | 2,583,284 |
| Estimated proportion of such taxes payable on profits from manufacturing operations | <u>978,230</u> | <u>1,221,914</u> |
| THIS LEFT A PROFIT ON MANUFACTURING OPERATIONS OF.. | 1,118,154 | 1,361,370 |
| Income from investments in subsidiary and associated companies, royalties on pat- ents and other sources | \$862,525 | 803,139 |
| Estimated proportion of Income and Profits Taxes payable on this income | <u>137,770</u> | <u>121,086</u> |
| | 724,755 | <u>682,053</u> |
| NET INCOME FROM ALL SOURCES THEREFORE WAS | 1,842,909 | 2,043,423 |
| Dividends paid to the parent company for use of money invested in the business | 1,125,100 | 1,125,100 |
| BALANCE RETAINED IN THE BUSINESS FOR FUTURE NEEDS.. | <u>\$ 717,809</u> | <u>\$918,323</u> |

INCOME FROM OTHER SOURCES—

Shawinigan Limited, London, England—

Business of this wholly-owned subsidiary was considerably better than in 1953, largely as a result of intensive sales efforts throughout the year and also due to more liberal import regulations into the United Kingdom. Sales of Shawinigan Chemicals' products increased markedly, and the volume of business in products of other chemical manufacturers was also larger. Net profit for the year (subject to audit) totalled £30,720 as against £16,372 in 1953. Dividends for the year received by Shawinigan Chemicals from Shawinigan Limited totalled \$54,087, when converted at the rate of exchange prevailing when payments were received.

Shawinigan Products Corporation, New York City—Sales of this wholly-owned subsidiary continued at about the same level as

in the previous year. Its subsidiary and associated companies include Shawinigan Resins Corporation, Springfield, Massachusetts, Midwest Carbide Corporation, Keokuk, Iowa, and Gelvatex Coatings Corporation, Anaheim, California. Shawinigan Resins Corporation enjoyed an excellent year, and its sales and earnings were the highest in its history. In view of considerable capital expenditures, the dividend was maintained at the same rate, a total of \$157,250 U.S. Funds being received from this source by Shawinigan Products Corporation. This compares with \$143,000 U.S. Funds received in 1953, the increase being due to subscription for additional shares.

Gelvatex Coatings Corporation, which is almost wholly owned by Shawinigan Products Corporation, completed construction of a new manufacturing plant at Anaheim, California, which came into successful operation in May, to produce special vinyl-base

paints. There has been an increasing demand for its products.

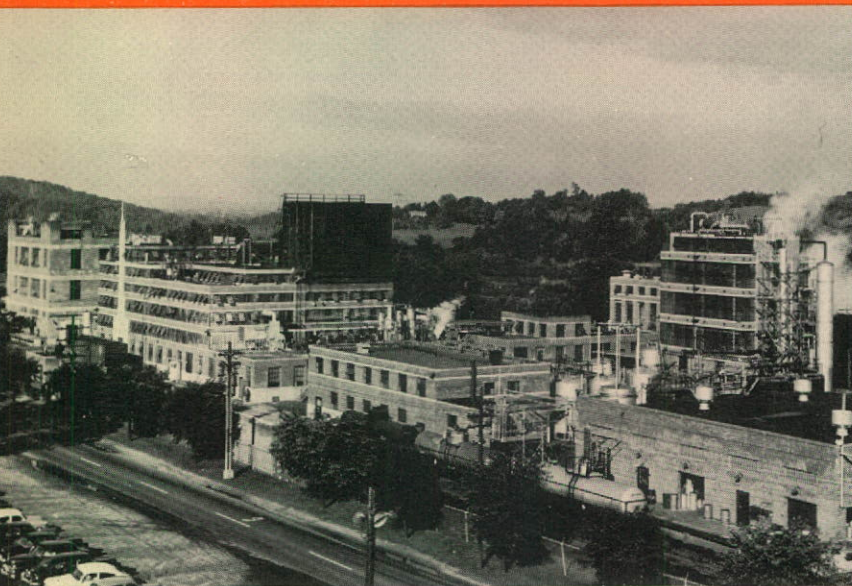
Total net earnings of Shawinigan Products Corporation for the year from all sources amounted to \$389,803, as against \$419,100 in 1953. Dividends paid by it to Shawinigan Chemicals Limited totalled \$344,000 U.S. Funds, the same as in 1953.

Canadian Resins and Chemicals Limited—Earnings for the first nine months of the year were somewhat lower but improved during the last quarter, with the result that net earnings for the year were 8.3 per cent higher than in 1953. Dividends from this company, included in the income of Shawinigan Chemicals Limited for the year, totalled \$155,232, the same amount as in 1953.

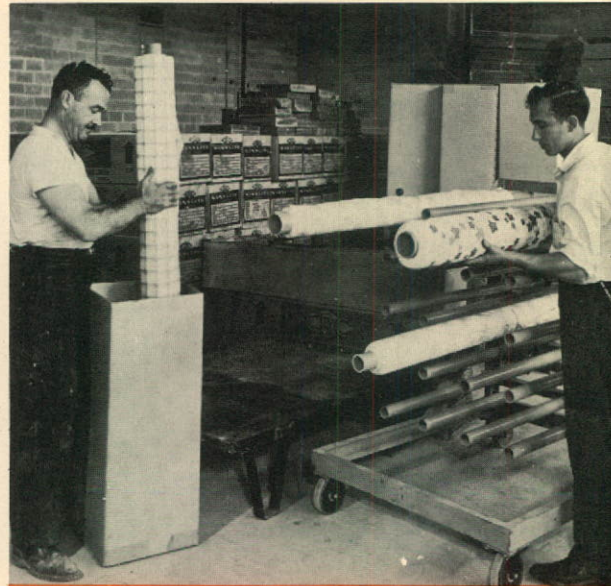
Income from Royalties—Income received from royalties on patents totalled \$352,110, which compares with \$309,794 in 1953.

NET EARNINGS AND DIVIDENDS—Total earnings of Shawinigan Chemicals Limited from all sources amounted to \$1,842,909 as against \$2,043,423 in 1953. Dividends totaling \$1,125,100, or \$4.00 per share, the same as in 1953, were paid to the parent company, leaving a balance of \$717,809, which was retained in the business for future needs.

CAPITAL EXPENDITURES—Total capital expenditures for the year were \$910,000, including advances of \$500,000 to associated companies. This compares with a total in



The plant of Shawinigan Resins Corporation at Springfield, Massachusetts, an associated company of Shawinigan Chemical's wholly-owned subsidiary, Shawinigan Products Corporation, New York.



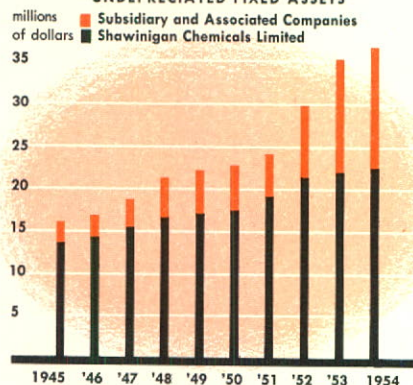
Packing printed "Vinylite" film at the new Converting Division of Canadian Resins and Chemicals Limited at Ste-Thérèse, P.Q.

1953 of \$3,551,000, which included advances of \$2,375,000 to associated companies. No new plant construction was undertaken at Shawinigan Falls, expenditures being confined to improvements and additions to existing installations.

Capital expenditures of Canadian Resins and Chemicals Limited totalled \$445,000, as against \$2,265,000 in 1953. The major item of expenditure was for construction of the Converting Division's plant at Ste-Thérèse, which commenced operation in July.

FINANCIAL POSITION—A summary of the

SHAWINIGAN CHEMICALS LIMITED AND ITS SUBSIDIARY AND ASSOCIATED COMPANIES
*UNDEPRECIATED FIXED ASSETS



*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.

financial position of Shawinigan Chemicals Limited as at December 31, 1954 appears below. Net current assets were substantially higher than at the end of 1953.

Financial Position as at December 31, 1954 and 1953

| OWNED | | | OWED | | |
|--|---------------------|---------------------|--|---------------------|---------------------|
| | 1954 | 1953 | | 1954 | 1953 |
| Cash and marketable securities. | \$ 2,360,660 | \$ 1,659,032 | For materials, services and taxes | \$ 1,419,007 | \$ 1,876,236 |
| Raw materials, supplies and finished goods | 3,378,987 | 4,004,424 | <i>Net worth</i> (total owned less total owed) | 21,155,821 | 20,623,027 |
| Due from customers | 1,990,825 | 1,833,118 | | | |
| Investments in subsidiary and associated companies | 7,595,855 | 7,095,855 | | | |
| Other assets | 769,530 | 679,604 | | | |
| Property, plant and equipment | \$22,260,545 | 22,162,810 | | | |
| Less: Reserve to provide for replacement of plant and equipment (Depreciation) | 15,781,574 | 14,935,580 | | | |
| | 6,478,971 | 7,227,230 | | | |
| | <u>\$22,574,828</u> | <u>\$22,499,263</u> | | <u>\$22,574,828</u> | <u>\$22,499,263</u> |

CHANGES OF DIRECTORS AND OFFICERS (Shawinigan Chemicals Limited)

In March 1954 Mr. P. S. Gregory and Mr. E. R. Williams resigned from the Board of Directors. Mr. P. W. Blaylock, Vice-President, Development, and Mr. C. K. Lockwood, Vice-President, Stainless Steel and Alloys, and Mr. W. F. Mainguy, Executive

Vice-President of The Shawinigan Water and Power Company, were elected Directors. On June 17, Mr. J. S. Whyte, Chief Engineer of Shawinigan Chemicals Limited, was appointed Vice-President, Engineering.

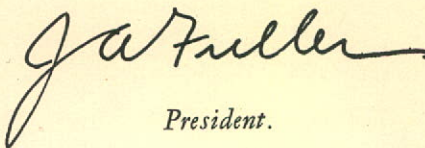
CHANGES OF DIRECTORS AND OFFICERS (*The Shawinigan Water and Power Company*)

On March 31, 1954 Mr. P. S. Gregory, Vice-President Power Sales and a Director of the Company, retired after serving in various positions in the Company since 1918. He became Assistant General Manager in 1930, a Vice-President in 1941, and was elected a Director in 1951. Mr. N. P. Woods, Vice-President Finance, and Treasurer, was elected a Director at the last annual meeting. Mr. H. B. Abbott-Smith, Manager of the Power Sales Department, was appointed Vice-President Power Sales. On May 31, Mr. R. R. Merifield, Assistant Secretary, was appointed Secretary of the Company to succeed Mr. J. L. T. Martin who died in April. Mr. G. Buchanan, Assistant Accountant, was appointed Assistant Secretary. On June 28, Mr. T. P. Dalton,

Manager of the Personnel Department, was appointed Assistant Vice-President. On December 1, Mr. C. W. Hemming, Comptroller, retired after 34 years service, and was succeeded by Mr. A. Timon, formerly Assistant Comptroller. Mr. L. E. Boissonnault, Assistant to the Vice-President, Finance, was appointed Assistant Vice-President, Finance, and Mr. A. C. Joncas, Assistant Comptroller, was appointed Assistant Treasurer.

CONCLUSION — In concluding this report, the Directors wish to pay tribute to all employees for their loyal, efficient and conscientious work, which has made possible another year of marked progress and achievement by the Shawinigan Companies.

On behalf of the Board of Directors,


President.

The Shawinigan Water

Comparative Balance Sheet as at

ASSETS

| | 1954 | 1953 |
|---|----------------------|----------------------|
| Fixed Assets | | |
| Property, Plant and Equipment (at cost of construction or acquisition)..... | \$264,137,163 | \$258,705,992 |
| Mattawin River and Other Storage Dams (at cost) | \$4,073,658 | |
| Less: Amortization to date..... | <u>1,348,801</u> | 2,724,857 |
| | | <u>2,790,220</u> |
| Securities of Subsidiary and Other Companies (at cost, less net adjustments) | 20,779,356 | 14,843,671 |
| Deposit with Quebec Government | 125,000 | 125,000 |
| <small>(\$125,000 Province of Quebec Bonds, deposited with the Quebec Government as provided in the emphyteutic lease dated June 22, 1928.)</small> | | |
| Stores and Moveable Plant (at cost) | 3,351,488 | 3,433,063 |
| Current Assets: | | |
| Cash in Banks and on Hand..... | 1,940,700 | 1,917,095 |
| Call Loans..... | 220,000 | 720,000 |
| Temporary Investments (at cost, less reserve)..... | 6,397,889 | 12,734,768 |
| <small>(Government Bonds and Other Investments, market value \$6,513,945.)</small> | | |
| Accounts and Bills Receivable..... | 5,310,122 | 5,347,928 |
| Prepaid Charges..... | <u>1,301,366</u> | <u>1,018,857</u> |
| Total Current Assets | 15,170,077 | 21,738,648 |
| Unamortized Bond Premium, Discount and Expense | <u>2,594,545</u> | <u>2,818,882</u> |
| TOTAL ASSETS | <u>\$308,882,486</u> | <u>\$304,455,476</u> |

Montreal, January 25, 1955.

Approved on behalf of the Directors,

RAYMOND DUPUIS
J. A. ECCLES
Directors.

and Power Company

December 31, 1954 and 1953

LIABILITIES

Capital Stock and Earned Surplus:

Cumulative Redeemable Preferred Stock:

| | | | |
|---|--------------|--|---------------|
| 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 |

Common Stock:

| | | | |
|--|------------|--|------------|
| Authorized—2,600,000 Shares of no par value* | | | |
| Issued —2,195,945 Shares of no par value | 68,138,084 | | 67,562,997 |
| Earned Surplus | 17,533,262 | | 11,066,424 |

| | | | |
|---|--|----------------------|--------------------|
| Total Capital Stock and Earned Surplus | | \$110,671,346 | 103,629,421 |
|---|--|----------------------|--------------------|

Funded Debt:

First Mortgage and Collateral Trust Sinking Fund Bonds:

| | | | |
|--|------------|--|------------|
| Series "H" 3½% maturing January 1, 1970—Issued \$18,761,000, less Bonds Redeemed | 16,286,500 | | 16,494,500 |
| Series "J" 3½% maturing February 1, 1970—Issued \$9,164,000, less Bonds Redeemed | 8,595,500 | | 8,863,000 |
| Series "L" 3% maturing March 1, 1961—Issued \$12,828,000, less Bonds Redeemed | 12,181,000 | | 12,187,000 |
| Series "M" 3% maturing April 15, 1971—Issued \$25,000,000 | 25,000,000 | | 25,000,000 |
| Series "N" 3% maturing May 15, 1971—Issued \$10,000,000, less Bonds Redeemed | 7,175,000 | | 7,262,500 |
| Series "O" 3¼% maturing April 1, 1972—Issued \$13,806,500, less Bonds Redeemed | 12,547,000 | | 12,829,000 |
| Series "P" 3½% maturing October 1, 1973—Issued \$25,000,000, less Bonds Redeemed | 22,283,000 | | 22,661,000 |
| Series "Q" 3% maturing March 1, 1975—Issued \$15,000,000 | 15,000,000 | | 15,000,000 |

| | | | |
|------------------------------------|--|--------------------|--------------------|
| Total Funded Debt | | 119,068,000 | 120,297,000 |
|------------------------------------|--|--------------------|--------------------|

(Principal and Interest payable in Canadian Funds with the exception of Series "M" and "Q" payable in United States Funds.)

| | | | |
|---------------------------------------|--|------------------|------------------|
| Deferred Liabilities | | 2,838,132 | 3,352,203 |
|---------------------------------------|--|------------------|------------------|

(Advances received on account of cost of transmission lines, less instalments repaid.)

| | | | |
|----------------------------------|--|------------------|---|
| Deferred Credit | | 3,252,000 | — |
|----------------------------------|--|------------------|---|

(Accumulated Tax Reductions applicable to Future Years.)

Current Liabilities:

| | | | |
|---|-----------|--|-----------|
| Accounts Payable (including Provision for Income and Profits Taxes) | 5,540,750 | | 4,947,963 |
| Accrued Bond Interest and Dividends Payable | 2,066,949 | | 2,077,727 |

| | | | |
|--|--|------------------|------------------|
| Total Current Liabilities | | 7,607,699 | 7,025,690 |
|--|--|------------------|------------------|

Reserves:

| | | | |
|--------------------------------------|-------------|--|------------|
| Depreciation | 63,763,309† | | 68,763,162 |
| Water Storage Equalization | 1,182,000 | | 888,000 |
| Contingent | 500,000 | | 500,000 |

| | | | |
|---------------------------------|--|-------------------|-------------------|
| Total Reserves | | 65,445,309 | 70,151,162 |
|---------------------------------|--|-------------------|-------------------|

| | | | |
|------------------------------------|--|----------------------|----------------------|
| TOTAL LIABILITIES | | \$308,882,486 | \$304,455,476 |
|------------------------------------|--|----------------------|----------------------|

*Of which 13,337 Shares are reserved for issue under the Employee Stock Purchase Plan on completion of instalment payments.
†Excludes Capital Cost Allowances totalling \$8,300,000 claimed for tax purposes in 1952, 1953 and 1954.

AUDITORS' REPORT

We have audited the books and accounts of The Shawinigan Water and Power Company for the year ended December 31, 1954. 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, 1954, and the results 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.

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

Montreal, January 25, 1955.

The Shawinigan Water and Power Company

COMPARATIVE STATEMENT OF PROFIT AND LOSS ACCOUNT

For the Years ended December 31, 1954 and 1953

| | 1954 | 1953 |
|--|--------------------|--------------------|
| Revenue from Power Sales..... | \$42,042,323 | \$38,800,816 |
| Revenue from Temporary Investments and from Other Sources, including Rentals and Transmission Charges..... | 1,298,095 | 1,256,199 |
| Dividends from Subsidiary and Other Companies..... | 1,826,580 | 1,745,388 |
| Total Revenue..... | <u>45,166,998</u> | <u>41,802,403</u> |
| <u>Deduct:</u> | | |
| Operating, Maintenance and General Expenses..... | 12,684,406 | 12,363,029 |
| Power Purchased..... | 5,756,566 | 5,088,073 |
| Taxes, other than Income and Profits Taxes..... | 2,634,563 | 2,679,433 |
| Water Storage Rentals..... | 1,119,280 | 1,053,150 |
| Provision for Depreciation..... | 6,790,000 | 6,590,000 |
| Total Operating Expenses..... | <u>28,984,815</u> | <u>27,773,685</u> |
| Net Profit before Bond Interest, Water Storage Equalization Reserve and Income and Profits Taxes..... | 16,182,183 | 14,028,718 |
| <u>Deduct:</u> | | |
| Interest paid and accrued on Bonds..... | 3,844,923 | 3,904,154 |
| Net Profit before Water Storage Equalization Reserve and Income and Profits Taxes..... | 12,337,260 | 10,124,564 |
| <u>Deduct:</u> | | |
| Provision for Water Storage Equalization Reserve of \$538,000, less Income and Profits Taxes applicable..... | 294,000 | 364,000 |
| Net Profit before Income and Profits Taxes..... | 12,043,260 | 9,760,564 |
| <u>Deduct:</u> | | |
| Provision for Income and Profits Taxes..... | 4,773,000* | 3,808,000 |
| Net Profit transferred to Earned Surplus Account..... | <u>\$7,270,260</u> | <u>\$5,952,564</u> |

* The Income and Profits Taxes payable in respect of the year amount to \$3,775,000. The difference of \$998,000 between this figure and the taxes charged against income results from claiming for tax purposes an amount greater by \$2,600,000 than the depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated Tax Reductions applicable to Future Years".

The Shawinigan Water and Power Company

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT

For the Years ended December 31, 1954 and 1953

| | 1954 | 1953 |
|---|---------------------|---------------------|
| Surplus carried forward from previous year..... | \$11,066,424 | \$10,233,349 |
| Restoration in 1954 of equivalent of amounts charged to Earned Surplus in prior years, being excess of Capital Cost Allowance over normal provision for Depreciation charged to Profit and Loss Account.... | \$ 5,700,000 | |
| Less: Income Tax thereon, transferred to Accumulated Tax Reductions applicable to Future Years..... | <u>2,254,000</u> | 3,446,000 |
| | 3,446,000 | — |
| Over provision for Operating Expenses, prior years..... | 90,289 | — |
| 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..... | 151,188 | 497,302 |
| Net Profit transferred from Profit and Loss Account..... | 7,270,260 | 5,952,564 |
| | <u>22,024,161</u> | <u>17,209,594</u> |
| <u>Deduct:</u> | | |
| Amortization of Bond Premium, Discount and Expense..... | 224,338 | 224,338 |
| One tenth of additional cost for past service, Employees' Retirement Income Plan (ninth 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, less reduction in Provision for Income Tax..... | — | 1,663,000 |
| Dividends on Preferred Shares..... | 1,025,000 | 1,025,000 |
| Dividends on Common Shares..... | 3,169,191 | 3,158,462 |
| | <u>4,490,899</u> | <u>6,143,170</u> |
| Earned Surplus as per Balance Sheet..... | <u>\$17,533,262</u> | <u>\$11,066,424</u> |

Montreal, January 25, 1955.

Audited and Verified, per our Report attached,

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

COMPARATIVE STATEMENT OF PROFIT AND LOSS ACCOUNT

For the Years ended December 31, 1945-1954
(In Thousands of Dollars)

| | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue from Power Sales..... | \$42,042 | \$38,801 | \$37,557 | \$34,651 | \$29,270 | \$25,880 | \$24,792 | \$22,671 | \$21,169 | \$20,806 |
| Revenue from Temporary Investments and from other sources, including Rentals and Transmission Charges..... | 1,298 | 1,256 | 738 | 897 | 1,514 | 1,281 | 1,032 | 749 | 399 | 245 |
| Dividends from Subsidiary and Other Companies..... | 1,827 | 1,745 | 1,665 | 1,921 | 1,956 | 1,384 | 1,468 | 1,303 | 1,178 | 935 |
| Total Revenue..... | 45,167 | 41,802 | 39,960 | 37,469 | 32,740 | 28,545 | 27,292 | 24,723 | 22,746 | 21,986 |
| Deduct: | | | | | | | | | | |
| Operating, Maintenance and General Expenses..... | 12,684 | 12,363 | 11,791 | 10,310 | 8,885 | 8,501 | 7,834 | 7,062 | 6,141 | 5,971 |
| Power Purchased..... | 5,757 | 5,088 | 4,653 | 5,173 | 5,015 | 4,512 | 4,446 | 3,557 | 3,594 | 3,466 |
| Taxes, other than Income and Profits Taxes..... | 2,635 | 2,679 | 2,580 | 2,204 | 1,876 | 1,811 | 1,612 | 1,353 | 1,245 | 913 |
| Water Storage Rentals..... | 1,119 | 1,053 | 1,012 | 978 | 672 | 655 | 628 | 668 | 616 | 575 |
| Provision for Depreciation..... | 6,790 | 6,590 | 6,142 | 5,600 | 4,300 | 3,600 | 3,500 | 3,250 | 3,150 | 3,000 |
| Total Operating Expenses..... | 28,985 | 27,773 | 26,178 | 24,265 | 20,748 | 19,079 | 18,020 | 15,890 | 14,746 | 13,925 |
| Net Profit before Bond Interest, Water Storage Equalization Reserve and Income and Profits Taxes..... | 16,182 | 14,029 | 13,782 | 13,204 | 11,992 | 9,466 | 9,272 | 8,833 | 8,000 | 8,061 |
| Interest paid and accrued on Bonds..... | | | | | | | | | | |
| Net Profit before Water Storage Equalization Reserve and Income and Profits Taxes..... | 3,845 | 3,904 | 3,938 | 4,067 | 4,016 | 3,695 | 2,981 | 2,842 | 2,959 | 3,163 |
| Provision for Water Storage Equalization Reserve, less Income and Profits Taxes applicable..... | | | | | | | | | | |
| Net Profit before Income and Profits Taxes..... | 12,337 | 10,125 | 9,844 | 9,137 | 7,976 | 5,771 | 6,291 | 5,991 | 5,041 | 4,898 |
| Deduct: | | | | | | | | | | |
| Provision for Water Storage Equalization Reserve, less Income and Profits Taxes applicable..... | 294 | 364 | 524 | — | — | — | — | — | — | — |
| Net Profit before Income and Profits Taxes..... | 12,043 | 9,761 | 9,320 | 9,137 | 7,976 | 5,771 | 6,291 | 5,991 | 5,041 | 4,898 |
| Provision for Income and Profits Taxes..... | 4,773 | 3,808 | 4,126 | 4,091 | 2,668 | 1,848 | 2,040 | 2,043 | 1,849 | 2,592† |
| Net Profit..... | \$7,270 | \$5,953 | \$5,194 | \$5,046 | \$5,308 | \$3,923 | \$4,251 | \$3,948 | \$3,192 | \$2,306 |
| †Including Refundable Portion of Dominion of Canada Excess Profits Tax. | | | | | | | | | | |
| Earnings and Dividends: | | | | | | | | | | |
| Preferred Shares, \$50 Par Value: | | | | | | | | | | |
| Earned per Share..... | \$14.54 | \$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 | 2.00 | 1.00* | — | — |
| Series "B", 4½% (100,000 shares)..... | 2.25 | 2.25 | 2.25 | 2.25 | 1.87½‡ | — | — | — | — | — |
| ‡For ten months only. *For six months only. | | | | | | | | | | |
| Common Shares, No Par Value: | | | | | | | | | | |
| Earned per Share..... | \$2.84 | \$2.26 | \$1.91 | \$1.84 | \$1.98 | \$1.43 | \$1.58 | \$1.62 | \$1.46 | \$1.05 |
| Dividends per Share..... | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.20 | 1.20 | 1.20 | 1.05 | .92 |

The Shawinigan Water and Power Company

COMPARATIVE BALANCE SHEET

As at December 31, 1945-1954
(In Thousands of Dollars)

| | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | | | | | | |
| Fixed Assets..... | \$264,137 | \$258,706 | \$251,450 | \$243,918 | \$232,003 | \$211,987 | \$187,297 | \$170,797 | \$160,054 | \$155,770 |
| Matrawin River and Other Storage Dams, less Amortization to date..... | 2,725 | 2,790 | 2,848 | 2,917 | 2,986 | 3,056 | 3,129 | 3,194 | 3,252 | 3,320 |
| Securities of Subsidiary and other Companies..... | 20,779 | 14,844 | 14,899 | 14,944 | 15,150 | 15,078 | 14,791 | 16,825 | 16,810 | 16,717 |
| Deposit with Quebec Government..... | 125 | 125 | 125 | 125 | 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 |
| Stores and Moveable Plant..... | 3,351 | 3,433 | 3,422 | 3,155 | 2,857 | 3,178 | 3,734 | 3,257 | 2,406 | 1,577 |
| Funds deposited with Trustee..... | — | — | — | — | — | — | 8,500 | — | — | — |
| Current Assets..... | 15,170 | 21,738 | 21,016 | 21,888 | 27,184 | 19,959 | 31,811 | 26,521 | 13,470 | 7,879 |
| Unamortized Bond Premium, Discount and Expense..... | 2,595 | 2,819 | 3,043 | 3,267 | 3,497 | 5,417 | 5,842 | 5,483 | 5,566 | 5,067 |
| Total Assets..... | \$308,882 | \$304,455 | \$296,803 | \$290,214 | \$284,221 | \$259,346 | \$256,445 | \$227,860 | \$203,341 | \$192,115 |
| LIABILITIES | | | | | | | | | | |
| Capital Stock and Earned Surplus | | | | | | | | | | |
| Cumulative Redeemable Preferred Stock..... | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 20,000 | \$ 20,000 | \$ 20,000 | — | — |
| Common Stock†..... | 68,138 | 67,563 | 67,563 | 67,563 | 67,563 | 67,563 | 67,563 | 67,563 | \$ 67,563 | \$ 67,563 |
| Earned Surplus..... | 17,533 | 11,066 | 10,233 | 9,776 | 8,922 | 7,588 | 6,777 | 5,172 | 4,535 | 3,967 |
| Deferred Surplus..... | — | — | — | — | 294 | 421 | 1,091 | 1,533 | 1,533 | 1,535 |
| Funded Debt..... | 119,068 | 120,297 | 121,640 | 122,987 | 124,291 | 110,543 | 111,673 | 87,802 | 87,802 | 79,560 |
| Deferred Liabilities..... | 2,838 | 3,352 | 3,929 | 3,350 | 2,068 | 736 | — | — | — | — |
| Deferred Credit — Accumulated Tax Reductions..... | 3,252 | — | — | — | — | — | — | — | — | — |
| Current Liabilities..... | 7,608 | 7,026 | 6,563 | 7,099 | 6,634 | 5,408 | 5,044 | 4,729 | 4,026 | 4,672 |
| Depreciation Reserve..... | 63,763 ^o | 68,763 | 60,851 | 52,794 | 48,289 | 45,927 | 43,137 | 39,901 | 36,722 | 33,654 |
| Water Storage Equalization Reserve..... | 1,182 | 888 | 524 | — | — | — | — | — | — | — |
| Contingent Reserve*..... | 500 | 500 | 500 | 1,645 | 1,160 | 1,160 | 1,160 | 1,160 | 1,160 | 1,164 |
| Total Liabilities..... | \$308,882 | \$304,455 | \$296,803 | \$290,214 | \$284,221 | \$259,346 | \$256,445 | \$227,860 | \$203,341 | \$192,115 |

†Shares reserved under Employee Stock Purchase Plan, referred to on page 13, which will be issued only on completion of instalment payments, are not included above.

^oExcludes Capital Cost Allowances totalling \$8,300,000 claimed for tax purposes in 1952, 1953 and 1954.

*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 1954 Inclusive

| | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Installed Turbine Capacity—Horsepower | 1,340,200 | 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 | 995,000 | 854,400 | 798,450 | 698,450 | 648,530 |
| Peak Load, Firm Power—Kilowatts | 1,308,500 | 1,249,700 | 1,249,000 | 1,253,700 | 1,147,300 | 1,011,500 | 969,610 | 859,290 |
| Peak Load, Total—Kilowatts | 1,438,600 | 1,403,400 | 1,349,100 | 1,316,800 | 1,152,800 | 1,027,152 | 1,001,280 | 1,024,640 |
| Kilowatthours Generated | 6,268,578,600 | 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 | 2,776,103,700 | 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 | 9,044,682,300 | 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 | 7,254,097,486 | 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 | 903,605,951 | 832,131,343 | 880,833,350 | 305,323,348 | 323,090,598 | 249,433,946 | 249,906,171 | 1,355,886,083 |
| Total | 8,157,703,437 | 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 | 291.9 | 210.9 | 309.9 | 229.2 | 172.0 | 165.6 | 132.9 | 233.8 |
| Number of Customers Served: | | | | | | | | |
| Residential | 146,791 | 139,293 | 130,818 | 124,204 | 116,796 | 110,601 | 103,317 | 94,674 |
| Farm | 42,235 | 41,359 | 41,188 | 40,329 | 38,578 | 37,376 | 32,229 | 27,045 |
| Commercial | 22,121 | 20,840 | 19,621 | 18,427 | 17,479 | 16,465 | 14,820 | 13,516 |
| Municipal Services | 67 | 65 | 57 | 57 | 49 | 48 | 41 | 37 |
| Industrial | 3,415 | 3,390 | 3,288 | 3,223 | 3,196 | 3,194 | 3,163 | 3,025 |
| Other Utilities for resale (including Municipal Systems) | 13 | 14 | 15 | 15 | 14 | 15 | 15 | 15 |
| Total | 214,642 | 204,961 | 194,987 | 186,255 | 176,112 | 167,699 | 153,585 | 138,312 |
| Number of Municipalities Served | 612 | 591 | 591 | 590 | 580 | 567 | 551 | 539 |
| Average annual kwh. consumption per Residential Customer | 2,163 | 1,900 | 1,721 | 1,558 | 1,453 | 1,352 | 1,233 | 1,106 |
| Average annual kwh. consumption per Farm Customer | 1,301 | 1,126 | 989 | 858 | 770 | 693 | 636 | 614 |
| Wages and Salaries paid, including Employee Benefits: | | | | | | | | |
| Charged to Operation | \$8,945,007 | \$8,909,510 | \$8,499,857 | \$7,229,687 | \$6,402,339 | \$6,014,809 | \$5,594,605 | \$4,898,763 |
| Charged to Construction | 797,047 | 634,835 | 597,402 | 592,532 | 592,691 | 908,745 | 1,017,918 | 974,950 |
| Other | 423,563 | 499,973 | 510,640 | 478,121 | 457,644 | 582,600 | 583,714 | 397,069 |
| Total | \$10,165,617 | \$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 | 2,284 | 2,297 | 2,260 | 2,260 | 2,190 | 2,314 | 2,360 | 2,223 |
| Shawinigan Chemicals Limited | 1,445 | 1,529 | 1,532 | 1,235 | 1,226 | 1,266 | 1,549 | 1,615 |
| The Shawinigan Engineering Company, Limited | 254 | 251 | 272 | 255 | 241 | 258 | 242 | 195 |
| Canadian Resins and Chemicals Limited | 470 | 446 | 397 | 387 | 334 | 305 | 296 | 258 |
| Quebec Power Company | 693 | 676 | 673 | 686 | 716 | 700 | 697 | 681 |
| The Quebec Railway, Light & Power Company | 233 | 508 | 492 | 508 | 740 | 763 | 722 | 716 |
| Miscellaneous Companies | 233 | 194 | 135 | 110 | 102 | 199 | 209 | 186 |
| Total | 5,889 | 5,901 | 5,761 | 5,441 | 5,549 | 5,805 | 6,075 | 5,874 |

