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110th

Annual Report

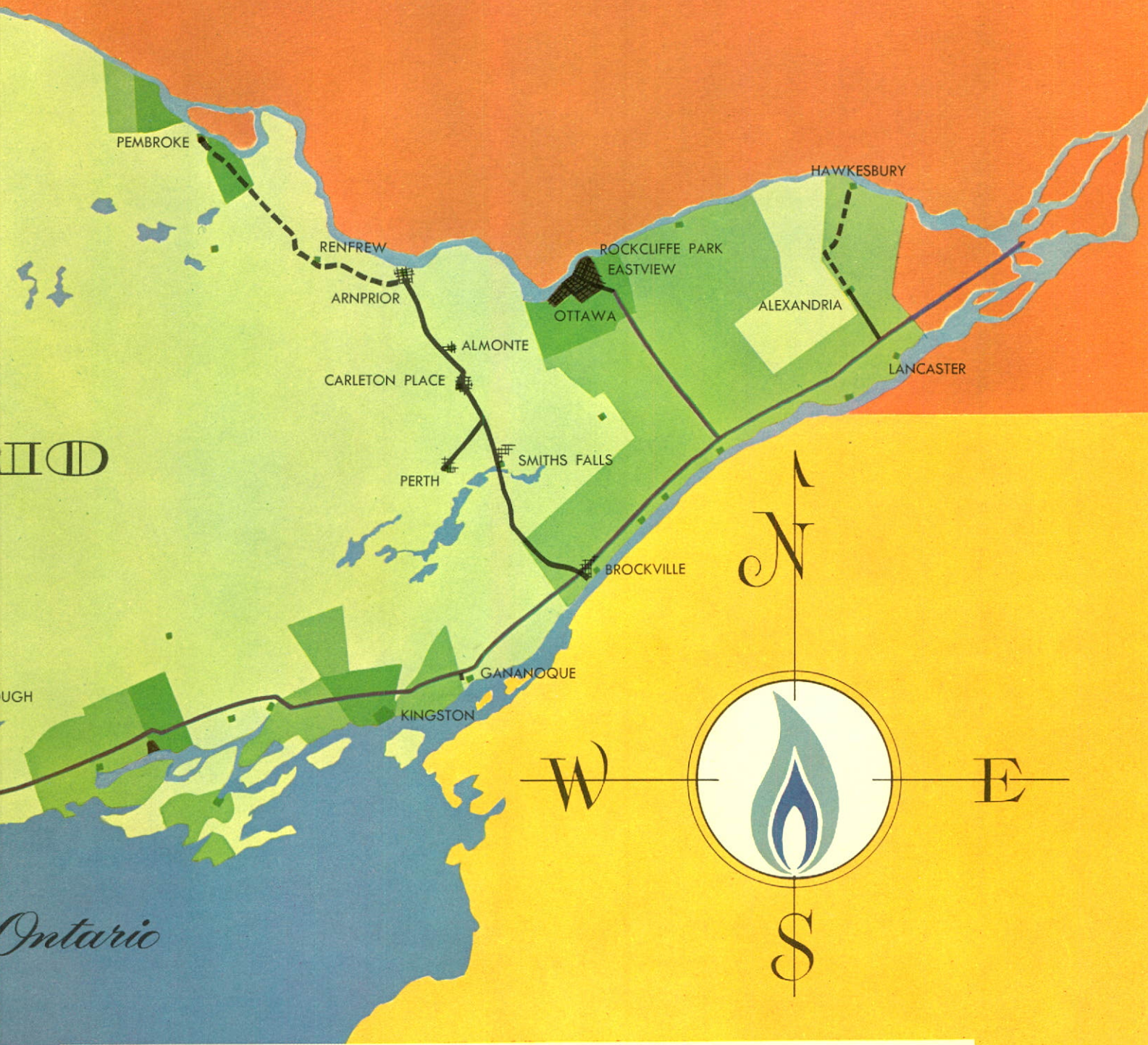
1958



THE






Consumers' Gas

COMPANY






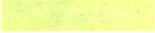


LEGEND

PIPELINES

-  Consumers' and Provincial (subsidiary) transmission lines
-  Consumers' proposed transmission lines
-  Consumers' and Provincial distribution lines
-  Trans-Canada transmission lines
-  Ontario Natural Gas Storage (Union Gas subsidiary) transmission line

POPULATION DENSITY

-  1000 and over per 100 acres
-  100 to 999 per 100 acres
-  50 to 99 per 100 acres
-  10 to 49 per 100 acres
-  5 to 9 per 100 acres
-  Under 5 per 100 acres



LAKE NIPISSING

FROM ALBERTA

Georgian Bay

ONTARIO

PENETANGUISHENE

MIDLAND

MEAFORD

THORNBURY

OWEN SOUND

COLLINGWOOD

STAYNER

BARRIE

BEAVERTON

LINDSAY

SUTTON

PETERBORO

BRADFORD

UXBRIDGE

NEWMARKET

AURORA

STOUFFVILLE

MARKHAM

WHITBY

BOWMANVILLE

RICHMOND HILL

OSHAWA

WOODBIDGE

AJAX

BRAMPTON

PICKERING

METROPOLITAN
TORONTO

STREETSVILLE

PORT CREDIT

ST. CATHARINES

NIAGARA FALLS

WELLAND

PORT COLBORNE

FORT
ERIE

U.S.A.

Lake Erie

UNDERGROUND STORAGE IN DAWN TOWNSHIP



A natural gas well in southwestern Alberta's prolific Pincher Creek field—a major source of Natural Gas for the Trans-Canada Pipeline.



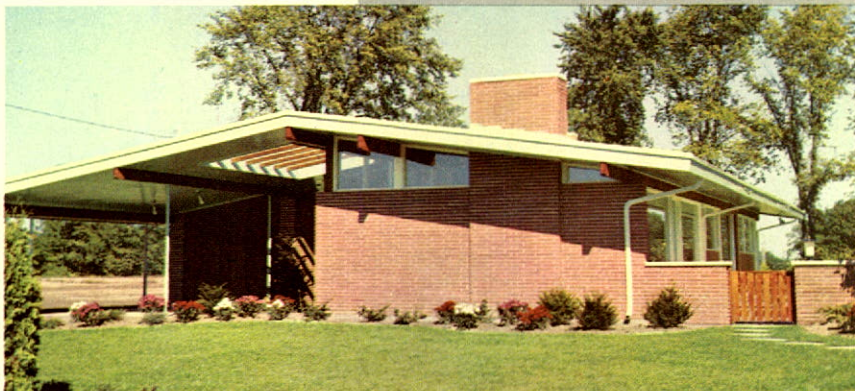
▲ COVER PICTURE
"TURN IN" at BARRIE, Ontario, on September 17, 1958, representative of many such occasions signifying the arrival of Natural Gas in Ontario communities served by Consumers' Gas and its subsidiary Provincial Gas. From left are: Reeve Murray Mills, Heber E. Smith, M.P.P., Alderman Edson Wice, Alderman Vern Hambly, Alderman R. N. Bibby, Alderman E. R. Marsellus, Oakah L. Jones, Vice-President and General Manager, Mayor Willard L. Kinzie and Ian Hope, Manager Georgian Bay District.

BIG **THREE MARKETS** **FOR** **NATURAL GAS**



RESIDENTIAL

The Better Homes & Gardens Idea House for 1958, built in West Deane Park, featured Natural Gas for heating, water heating, cooking and clothes drying.



COMMERCIAL

One of Toronto's most modern drive-in restaurants, Andrews Restaurant has chosen Natural Gas for heating, water heating and cooking.

INDUSTRIAL

Modern industry turns to Natural Gas for both processing applications and building heating.



BOARD OF DIRECTORS

A. L. BISHOP*

President, The Consumers' Gas Company
President and Director,
Provincial Gas Company, Limited
Vice-President, The Toronto General Trusts
Corporation
Director, The Manufacturers Life Insurance
Company
Director, Imperial Bank of Canada
Director, The Consolidated Mining and Smelting
Company of Canada, Limited

W. C. LAIDLAW

President, R. Laidlaw Lumber Company, Ltd.
Director, Canada and Dominion Sugar Company, Ltd.
Director, Imperial Bank of Canada
Director, The Toronto General Trusts Corporation

J. A. NORTHEY*

Chairman of the Board, Telfer Paper Box Co. Ltd.
Director, Canadian National Railways
Director, Imperial Bank of Canada

ROLPH R. CORSON*

President, Chartered Trust Company
President, Boiler Inspection & Insurance Co. of Canada
Vice-President, Laura Secord Candy Shops Limited
Director, The Dominion Stores Limited

G. E. CREBER

Director, York Trading Limited

*Executive Committee

OAKAH L. JONES*

Vice-President and General Manager,
The Consumers' Gas Company
Vice-President and Director,
Provincial Gas Company, Limited

HONOURABLE SENATOR

G. P. CAMPBELL, Q.C., LL.D.

Vice-President, Crown Trust Company
Director, Canadian Bank of Commerce

J. K. MACDONALD

President, Confederation Life Association
Director, Dominion Scottish Investments Limited
Director, The Dominion Insurance Corporation
Director, The Toronto General Trusts Corporation

A. ROSS POYNTZ

President, The Imperial Life Assurance Co. of Canada
Director, Stedman Bros. Ltd.
Director, British America Assurance Company
Director, The Western Assurance Company

M. GEARY

Assistant Secretary and Assistant Treasurer,
The Consumers' Gas Company
Assistant Secretary and Assistant Treasurer,
Provincial Gas Company, Limited

WM. H. ZIMMERMAN

Director, Beaver Dredging Co. Limited
Director, Bauer Bros. Company (Canada) Limited

HIS WORSHIP THE MAYOR OF TORONTO

NATHAN PHILLIPS, Q.C.

OFFICERS AND DEPARTMENT HEADS

A. L. BISHOP, M.E.I.C.

President

OAKAH L. JONES

Vice-President and General Manager

J. C. MCCARTHY

General Sales Manager

F. W. HURST

Assistant Secretary
and Comptroller

M. GEARY

Assistant Secretary
and Assistant Treasurer

W. M. KELLY

General Superintendent
of Distribution

JOHN E. LEE

General Superintendent
of Works and Niagara Line



November 10, 1958

TO SHAREHOLDERS AND EMPLOYEES:

Again this year, I am pleased that considerable progress may be reported.

In recognition of ever-widening gas service areas, the name of your Company was shortened in December to "The Consumers' Gas Company" and the number of Board of Directors was enlarged by the addition of two Directors.

Consolidated net earnings on common shares increased to \$2,323,623 this year from \$1,747,811 last year. Earnings per common share increased to \$1.27 per share this year from \$1.20 last year and compare with \$1.26 in 1954, the last year on manufactured gas.

Construction expenditures this year of \$27,445,000 reached an all-time high for one year. Major transmission lines were completed near Georgian Bay and in Eastern Ontario. New customer service lines and meters represented a heavy capital expenditure. In addition, \$4,317,000 was spent in acquiring from its United States owners a portion of the gas system of Dominion Natural Gas Company Limited in the St. Catharines and Port Colborne areas. In spite of expecting unprofitable operation for several years when new extensions are made into areas not previously served, your Board follows a policy of expanding the pipeline system rapidly to spread the benefits of natural gas widely and promptly at low cost to customers.

Your Board of Directors is aware of its responsibility to share the benefits of Company growth with customers as well as employees and shareholders. It therefore recently announced the 6th rate reduction in 4 years. Natural gas rate schedules are now at about two-thirds of the former manufactured gas rates. Your Directors are also particularly pleased with the response of shareholders and other investors to our recent raising of about \$8,778,000 by the issue, through rights offering, of 364,005 shares of common stock.

Operations in recently acquired areas have generally exceeded expectations. Provincial Gas has had an outstanding sales year. In addition it has added 14,000 new customers from the system acquired from Dominion Natural Gas Company Limited. The Eastern Ontario system has been placed under the general responsibility of four prominent business and professional men who form the Ottawa Executive Board. In their Eastern Ontario communities as in Barrie and the Georgian Bay area, the number of customers asking for gas, even prior to the turn-in date, is most gratifying.

In order to arrive at consistent book figures for fixed assets of The Consumers' Gas Company, constructed as far back as 1849 (in the early years of Queen Victoria's reign) and recorded through periods of varying accounting policies, and in order to make a similar revision for Provincial Gas Company Limited, your officers as indicated last year have obtained appraisals to be used in determining asset figures consistent with present accounting standards. The consolidated financial statements reflect this redetermination of plant values and depreciation.

When one considers the struggle for the customer fuel sales dollar, it must be apparent that gas customers, as well as electric, coal, oil and propane customers, are the beneficiaries of this competition through lower prices of all fuels and energy. To remain in business, your Company must price natural gas low enough to sell against electricity, coal, oil and propane. It must provide better service than its competitors. It must conduct its corporate affairs and municipal relations so as to cast no doubt whatsoever on its established 110-year record of integrity. It must keep its promises. This past year has been eminently satisfactory in these respects.

Special mention should be made of the recent arrival of Western Canadian natural gas replacing United States natural gas. Although there will be no significant saving to your Company over cost through United States suppliers, many millions of dollars will now remain in Canada, which were formerly spent in the United States.

May I commend to your reading the Review of Operations of the Vice-President and General Manager which follows.

President

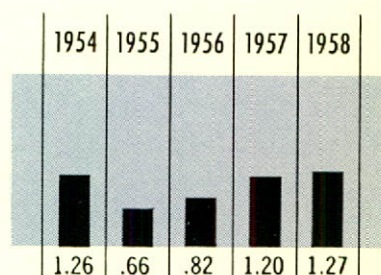
1958



HIGHLIGHTS

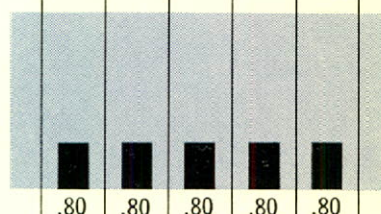
**Earnings per
Common Share
\$1.27**

\$



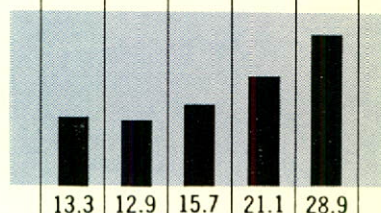
**Dividends Paid
per Common Share
\$.80**

\$



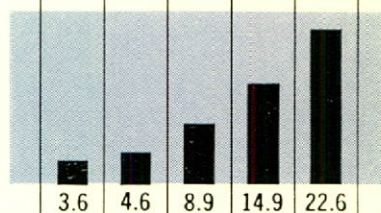
**Total Operating
Revenue
\$28,871,900**

\$ MILLION



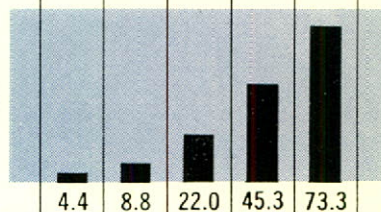
**Total Volume
of Gas Sales (MCF)
22,641,711**

MILLION
MCF



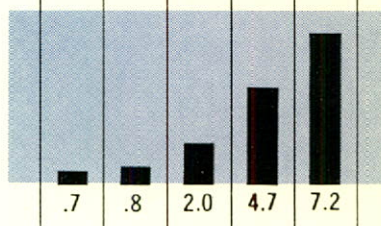
**Total House
Heating Installations
73,258**

THOUSANDS



**Industrial Gas
Sales (MCF)
7,234,588**

MILLION
MCF



*Progress
under
Natural Gas*



REVIEW OF OPERATIONS

This has been another interesting, challenging, and successful year for the Company and its subsidiaries. Consolidated net earnings available for common shares amounted to \$1.27 per common share this year compared to \$1.20 per common share last year.

Four years ago, in 1954, the Company commenced a bold plan for importing United States natural gas to permit a build-up of the Ontario gas market in advance of the availability of Western Canadian natural gas. The quantities of gas then contracted for seemed far beyond our possible requirements for sales.

An indication of the effectiveness of the load-building plan is the comparison of original contracted quantities and actual gas requirements to this year.

<i>Contract Years Ending October 31st</i>	<i>Original Contracted Quantity Each Year</i>	<i>Actual Gas Requirements for Sales</i>
1955	8,672,500 MCF	4,724,500 MCF
1956	10,530,000 "	9,414,500 "
1957	14,162,500 "	15,158,500 "
1958	17,345,000 "	22,196,000 "

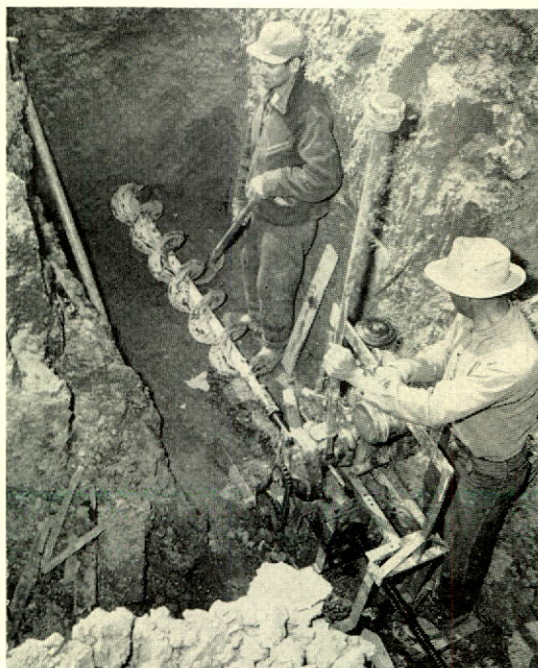
In a recent Company submission requested by the Royal Commission on Energy, past experience and estimates of future market growth were projected ahead for a 30-year period to 1988 when an annual gas requirement of 258,825,000 MCF was forecast.

Another indication of the increasing significance of natural gas supplied by large and small companies in Ontario was the recent warning given to the members of the Eastern Ontario Municipal Electric Association by Mr. J. S. Duncan, Chairman of Ontario Hydro. In welcoming competition as "the very breath of life to an organization" and stating that "monopoly always leads to inefficiencies," Mr. Duncan was concerned that "natural gas is making large gains in the domestic field in two major applications—space heating and water heating." Continued gains for natural gas will therefore come in the face of aggressive competition from other sources of energy.

AREA SERVED

Your Company continues in its policy of assuring that all Ontario residents or industries within economic distance of natural gas supplies should have this modern fuel made available.

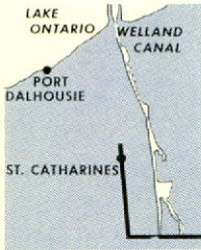
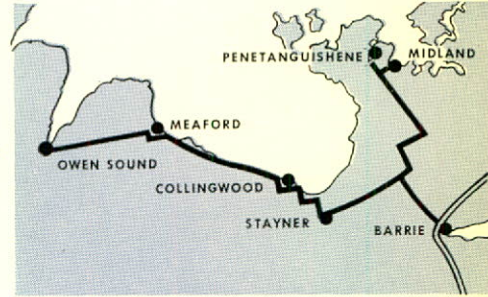
As a result, your Company and its subsidiaries have made strenuous efforts to extend gas service into many new areas as well as within present service areas. Construction crews may be seen at work on Company pipe lines in widely separated parts of Ontario from Owen Sound on the west to Niagara Falls on the south to the Quebec border on the east. Other crews are at work on service pipe connections for customers throughout the areas served.



Boring under a road
to prevent disturbing the pavement
and interfering with traffic.

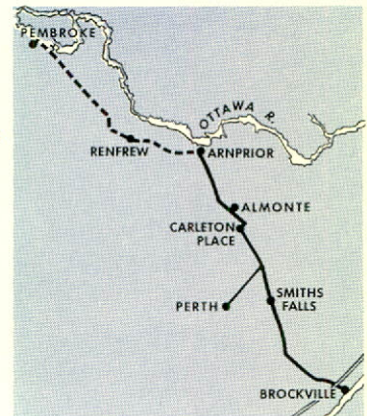
This year's construction included the following major extensions:

- an 80-mile pipe line extending from the Trans-Canada pipe line near Barrie to Owen Sound supplying distribution systems constructed in Stayner, Collingwood, Thornbury, Meaford and Owen Sound.
- a 33-mile pipe line from the above pipe line supplying distribution systems constructed in Midland, and Penetanguishene.
- a 1½-mile connection to the Trans-Canada pipeline supplying gas to the distribution system newly constructed in Barrie.



- a 17-mile pipe line in the Niagara Peninsula supplying gas to the newly constructed distribution system in Grantham and to strengthen the St. Catharines distribution system acquired this year.

- an 83-mile pipe line from the Trans-Canada pipe line near Brockville to Arnprior supplying distribution systems newly constructed in Smiths Falls, Perth, Carleton Place, Almonte, and Arnprior. Future plans call for extension of the pipe line to Renfrew and Pembroke.



- a 9-mile pipe line from the Trans-Canada pipe line to Alexandria, about one-third of the way to Hawkesbury on the Ottawa River.



In addition to these extensions into new areas, your Company has spent over \$13,500,000 this year within established areas in building 495 miles of grid mains and short main extensions for new residential subdivisions, commercial and industrial customers. Gas must be available before housing and industrial development for widest acceptance. Your Company and its subsidiaries are proud of their record in this respect.

In order to increase gas supplies available to residents of St. Catharines, Port Colborne and surrounding heavy industrial areas in the Niagara Peninsula, Provincial Gas acquired the assets of Dominion Natural Gas Company Limited in Lincoln and Welland Counties on April 15, 1958 for \$4,317,000. Provincial's favourable rates and service policies were introduced immediately for the benefit of 14,000 customers of the system acquired. The integration of this new area with Provincial Gas operations has proceeded smoothly and recent expressions of interest by municipal officials and customers give promise of continued progress.

Your Company has submitted tenders for acquisition of the municipally-owned gas distribution systems of Peterborough and Kingston which are considerably more favourable than any others submitted.

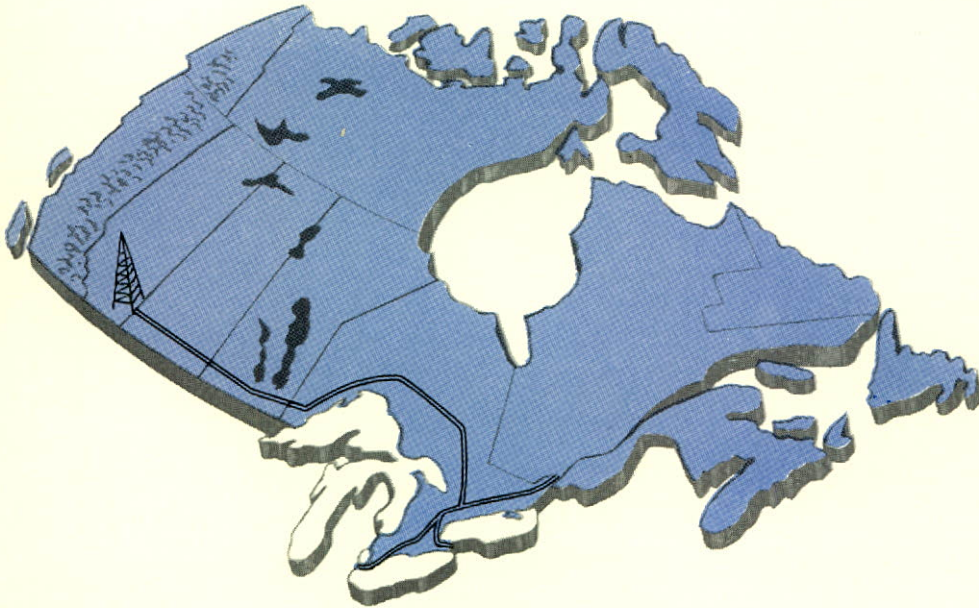
The rapid growth in area served from 128 square miles in 1954 to 790 in 1958, permits a degree of flexibility and load balance not usually obtainable in smaller systems. Resulting economies of operation and availability of abundant gas supply for any unforeseen industrial need make your Company and its subsidiaries effective competitors of electricity, coal, oil, propane and wood. Ontario is therefore well served, we believe, by the pattern of integrated distribution systems forming in the Province.

In addition to balancing gas loads within its service area, your Company is active in assisting new companies being formed to serve adjacent areas where potential gas requirements balance well with Company load patterns. In such cases, customers of both companies will gain from resulting economies of gas purchase.

NATURAL GAS SUPPLY

For the last four years nearly all natural gas used by the Company and its subsidiaries has come from wells some miles out under the Gulf of Mexico. From there, Tennessee Gas Transmission Company transported the gas to the Niagara River where it was picked up by the Company's transmission subsidiary, Niagara Gas Transmission Ltd. Cost of this United States gas included in 1958 an increase in haulage charges of about \$1,200,000, slightly more than mentioned in last year's report, as well as an increase in Louisiana State gathering tax of \$20,000. Both of these increases paid by the Company have been challenged by most of the companies involved. Import duty paid to the Government of Canada over the last four years amounted to \$1,583,000.

Your Company has now approximately 3 billion cubic feet of natural gas in storage in Lambton County, Ontario, through arrangement with Ontario Natural Gas Storage and Pipelines Ltd., a subsidiary of Union Gas Company Limited. These underground storage facilities together with other less important peak-shaving devices permitted a demand from Tennessee Gas Transmission Company of as low as 84 million cubic feet on the coldest day last winter when sales of gas approximated 137 million cubic feet. This has already resulted in considerable savings in gas purchase costs.



Western Canadian natural gas moves to eastern markets

Western Canadian natural gas arrived in central and eastern Ontario on October 27th, 1958. Arrival of this Canadian natural gas involved termination of the United States supply and reversal of the flow in the Niagara-Toronto pipe line to supply systems in the Niagara Peninsula. Precise control over gas loads and usage is now more important under the type of contract offered by Trans-Canada Pipelines Ltd. which, to avoid penalty costs, requires taking daily quantities determined over a year in advance. However, the Company expects its average cost of gas to be substantially the same as would have been the case with United States gas.

Earlier this year, Trans-Canada completed its Toronto-Ottawa-Montreal transmission line and has transported Company natural gas to take-offs at Brockville and Ottawa. In September 1958, Trans-Canada completed a portion of its pipe line north from Toronto and made natural gas available to the Company for customers in Barrie.

On December 29th, 1957, Brockville became the first community in the Eastern Zone of Trans-Canada to receive natural gas, closely followed by the city of Ottawa on January 1st, 1958. About sixty supervisors and servicemen from the Company and Provincial Gas completed the conversion of 3,100 customers to natural gas in these communities without outside assistance, an accomplishment made possible only by experience gained in earlier conversions.

As underground storage facilities and industrial interruptible sales increase, stand-by gas production facilities for "peak shaving" become less important. Portions of the former manufacturing plant have, therefore, been put to other use or sold.

NATURAL GAS SALES

During this year, the Company offered the 5th and 6th voluntary rate reductions since the arrival of natural gas. In May, a new industrial rate with a portion of the charge based on cubic feet used and the remainder on maximum day usage was established for large volume industries permitting them to make savings by controlling their pattern of usage of natural gas. In October a new and lower rate for residential spaceheating and other use was approved by the Ontario Fuel Board. Non-profit institutions such as churches, schools, hospitals, government buildings and charities will also be entitled to this new residential rate at savings of up to 38%. Commercial general rates were reduced by 8% to 25% for most customers in this class as well.

Savings to customers of approximately \$900,000 per year will result from this latest reduction.

The policy of your Company is, and will continue to be, to ask the approval of the Ontario Fuel Board for the lowest rates practicable.

Residential Sales

In last year's annual report, reference was made to the increasing emphasis on water-heating to balance the seasonal spaceheating load and a new waterheater rental plan was described. Acceptance of the rental waterheater plan by builders and customers has far exceeded expectations. By the end of the year, investment in these rental waterheaters on customers' premises exceeded \$615,000. Space-heating installations grew from a consolidated total of 45,333 last year to 73,258 this year. Most of these sales were made by dealers now registered with the Ontario Fuel Board. As a result of these sales, the recession which was apparent in some fields of business did not significantly affect our sales progress during the year.

The policy of decentralization of operations was carried even further this year. Sales and service groups have located closer to customers for faster and more personalized service. The Betty Bright Home Service girls, for example, contacted over 65,000 persons directly last year in 208 demonstrations in many parts of Ontario as well as in 275 demonstrations in the Blue Flame auditorium. Four additional service truck centres were established in Toronto for faster dispatch of service trucks, many of which are radio-equipped.



Housewives and business girls learn modern cooking and see latest gas appliances through cooking demonstrations by "Betty Bright Home Service Girls".

One exception to the policy of decentralization was the establishment of a centralized punch card machine room for mechanized billing of all customers of the Company and subsidiaries. Conversion to punched card billing was accomplished at a rate considerably faster than normal in utilities in order that the many new customers this fall and winter would benefit from the improved methods.

Supervisor and staff survey tabulating machines which form a part of new billing system.

Commercial Sales

One interesting trend developing in commercial sales is the increasing preference for natural gas for heating of older buildings which are being renovated and modernized. In many cases, the savings in space formerly required for storage of other fuels is a contributing factor in the swing to natural gas.

Restaurants, bakeries and other commercial users continue their preference for natural gas. Accurate control and rapid heat combined with long life and low maintenance costs make natural gas appliances vital to many successful commercial customers.

Natural Gas was chosen for the recently "modernized" Royal Alexandra Theatre.

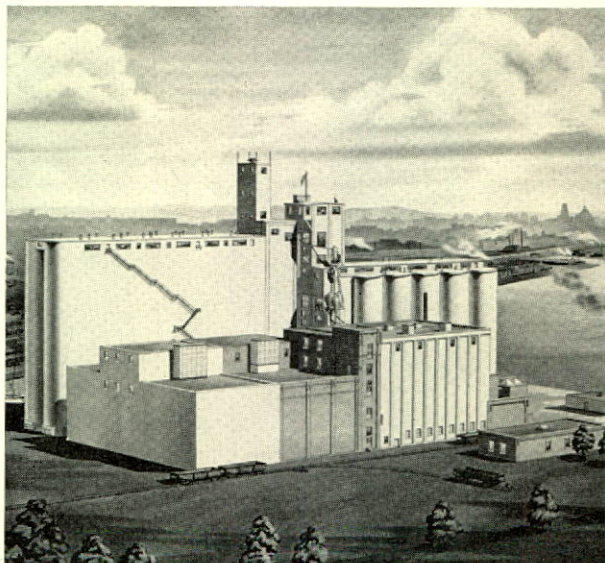


Industrial Sales

Industrial sales, particularly those on a basis permitting shut off in cold weather through use of a secondary fuel, are important to all heating customers in lowering the cost of purchased gas. For this reason, the rapid build-up of industrial sales in conjunction with residential sales growth is particularly gratifying. The new demand-commodity rates introduced last May are permitting many industries to benefit from natural gas service which had not earlier been able to justify conversion costs from other fuels. Not only is natural gas superior in control and burning characteristics but often is considerably cheaper in labour handling costs.

During the year, the industrial development department and its consultants, Fantus Factory Locating Service of New York and Chicago, held meetings with community officials and others interested in industrial progress throughout a wide area. Results to date in terms of municipal enthusiasm and factories locating in the natural gas area served indicate a need for increasing efforts of this nature.

One interesting new industrial use contracted this year is the first instance in Eastern Canada of the production of electricity from natural gas. The Gananoque Electric Light and Water Supply Company, Limited will purchase natural gas on a new electric utility seasonal rate for use in summer months when water supplies are low. In this way, water levels in tourist lakes are maintained in summer with electric power coming from natural gas—an ideal arrangement.



Canada Malting Company Limited, Toronto Plant, one of our larger users of Natural Gas for heating and processing.

FINANCING

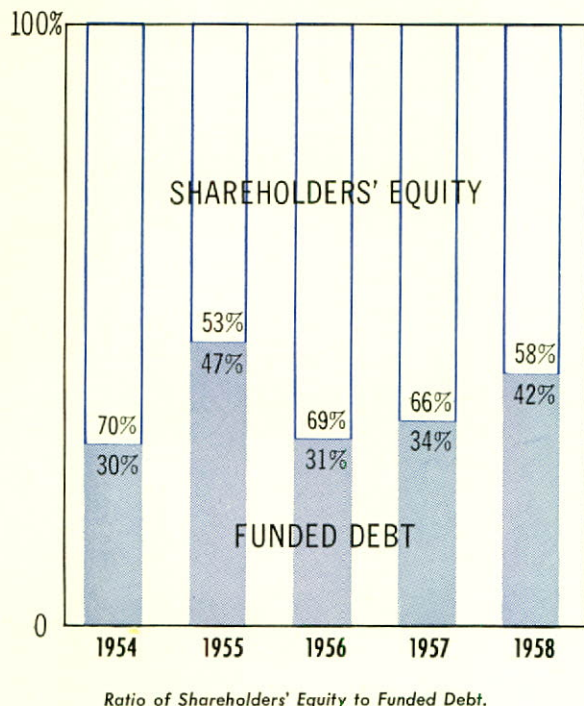
Continuing in its policy of financing expansion initially by short-term notes and bank borrowings to be re-financed later by longer term security issues, your company completed two security issues last year.

In January, 1958, \$20,000,000 of 5% First Mortgage Sinking Fund Bonds, Series B were issued and quickly purchased by investors. Interest rates at the time of this issue had come

down somewhat from their highs in earlier months. However interest rates on long-term issues still remain at levels somewhat burdensome with full-scale expansion programmes.

In June, 1958, a one for four rights offering at \$24 per share was made to common shareholders. Over 98% of the warrants were exercised and proceeds of the issue amounted to \$8,778,000. The proportion of shareholders' equity to funded debt therefore remains conservative. Debt financing is expected by spring followed by further equity financing within the year.

The number of common shareholders has now risen to 9,031 from 7,896 at the end of last year. Average common stock holdings per shareholder have increased to 201 shares from 184 last year, largely as a result of many shareholders exercising their rights offered in June and holding these new shares. Over 96% of the common shares are owned by residents of Canada, most of whom reside in Ontario.



REVISION OF PROPERTY ACCOUNTS

In its 106 years of manufactured gas operation prior to the arrival of natural gas in 1954, many accounting methods and policies were followed. Book records of historical cost of fixed assets therefore became inaccurate by present-day standards. A similar situation existed to a lesser extent in Provincial Gas Company Limited which was acquired in 1956.

In order to redetermine book amounts for fixed assets and related depreciation on a basis consistent with present-day standards of construction costing and with observed depreciation, an appraisal was undertaken as at September 30, 1955 in the case of the Company and as at December 31, 1955 in the case of Provincial Gas Company Limited.

Fixed asset and depreciation amounts, other than land and Niagara Gas Transmission Limited properties, were redetermined and booked as of the start of the 1956 fiscal year based on reproduction cost new and depreciated amounts. The net adjustment of \$39,140,000 thereby created has been included in the financial statements in shareholders' equity. It is expected to be gradually eliminated by annual transfers to retained earnings in amounts not exceeding realization through annual depreciation provisions and by disposals. Such transfers to retained earnings in 1956, 1957 and 1958 have amounted to \$2,260,000.

A study of depreciation rates appropriate to the redetermined gross fixed asset amounts and the estimated useful remaining lives indicated new rates somewhat lower than those formerly in use. These rates have been applied to the redetermined fixed asset amounts for the fiscal years ending September 30th, 1956 and 1957 through adjustments to retained earnings and to the present fiscal year where the provision for depreciation of \$1,832,147 is approximately \$247,500 higher than would otherwise have been the case.

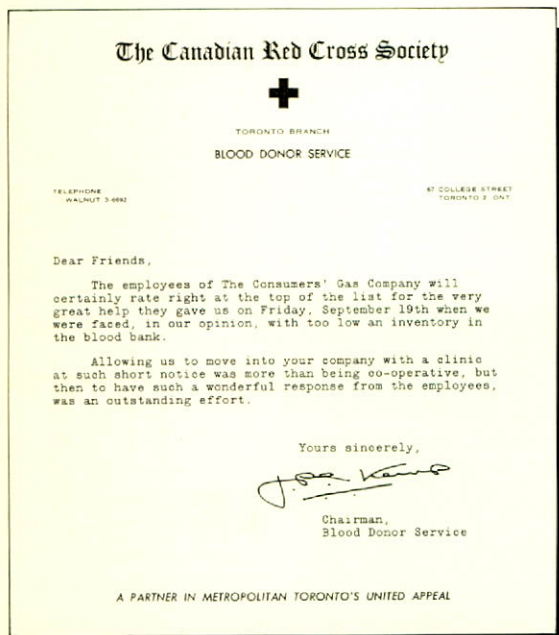
MANAGEMENT AND STAFF

The recent growth of activity in Eastern Ontario in Ottawa, Eastview, Rockcliffe Park, Brockville, Smiths Falls, Perth, Carleton Place, Almonte, Arnprior and Alexandria made essential the appointment by the Company Directors of the following business community leaders as the Ottawa Executive Board to direct operations in their area:

ORION LOW (*Chairman*)
ROGER SEGUIN

ALLEN T. LEWIS
GASTON VINCENT

The added strength of their advice and support has already proven of considerable value to shareholders, customers and employees.



We are proud of the increasing capabilities of our staff as evidenced by the rapid growth of sales volumes and revenues without equivalent increase in numbers of staff. The resulting benefits of this growth in earning power are being shared as they should be among *customers* (6 rate reductions in 4 years), *supervisors* (a revised salary plan and salary increases), *sales, service and office staffs* (3 negotiations last year of two-year contracts included wage and salary increases) and *investors and shareholders* (an unbroken dividend record over 109 years with increasing earnings per share).

Future plans call for increased emphasis on staff training and development to strengthen the Company policy of promoting from within whenever possible. Future plans also call for introduction of a Thrift Plan for employees at such time as consolidated earnings permit, and for steady improvement in working conditions.

This year, Company employees inaugurated their own hockey league in addition to the baseball and bowling activities continued as in former years. In addition, a Pensioners' Visiting Committee has been formed. Last year its members contacted 205 of 264 Company pensioners to encourage their continued support of and interest in the Company and subsidiaries.

ADVISORY SERVICES

Subject to the direction and control of the Board of Directors, Stone & Webster Canada Limited, with 69 years of successful experience in all phases of public utility operation, continues to furnish consulting and advisory services to the Company.

SUMMARY

The Canadian natural gas industry, of which your Company forms a significant part, is in an exciting era—that of the resurgence of gas in natural gas form as a new and worthy competitor of such established fuel giants as electricity, coal and oil.

In order that your Company may take its rightful place in this battle of fuels, no opportunity to extend the Company efforts in sales promotion and good service should be missed by employees and shareholders. Only with such intense drive by all groups in forwarding the cause of natural gas can the Company reach its goal of being of maximum service and value to customers, shareholders and employees.

Vice-President and General Manager.



FINANCIAL STATEMENTS

THE CONSUMERS'
and subsidiary

CONSOLIDATED

ASSETS

	September 30	
	1958	1957
		(note 2)
PROPERTY, PLANT AND EQUIPMENT at cost		
or redetermined value (note 1)	\$147,024,976	\$117,540,958
Less depreciation	25,804,576	26,028,261
	<u>121,220,400</u>	<u>91,512,697</u>
CURRENT ASSETS:		
Cash	799,816	206,053
Marketable securities at cost	30,995	92,131
Accounts receivable less allowance for doubtful accounts (including accounts receivable on merchandise finance plan, 1958 \$7,662,000, 1957 \$6,830,000)	11,692,504	8,472,468
Materials and supplies at the lower of cost or market	4,222,733	4,074,134
Gas in underground storage at cost	1,725,628	289,887
Prepaid expenses	361,595	286,924
	<u>18,833,271</u>	<u>13,421,597</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Mortgages receivable	123,000	35,000
Unamortized debt discount and expense	1,532,743	879,489
Unamortized natural gas conversion expense	1,566,539	1,645,954
	<u>3,222,282</u>	<u>2,560,443</u>
Approved on behalf of the Board:		
A. L. BISHOP, Director		
R. R. CORSON, Director		
	<u>\$143,275,953</u>	<u>\$107,494,737</u>

See accompanying notes to financial statements.

GAS COMPANY

companies

BALANCE SHEET

LIABILITIES

	September 30	
	1958	1957
		(note 2)
SHAREHOLDERS' EQUITY:		
Capital stock:		
Preference shares		
Authorized—250,000 shares of \$100 each issuable in series		
Issued — 50,000 shares 5½% cumulative Series A (note 3).....	\$ 5,000,000	\$ 5,000,000
Common shares (notes 4 and 6)		
Authorized—2,500,000 shares of no par value		
Issued —1,821,025 shares (365,005 shares in 1958 for \$8,799,027).....	23,359,227	14,560,200
Contributed surplus.....	2,977,097	2,977,097
Excess of net redetermined value of property, plant and equipment over depreciated book cost (note 1).....	36,345,680	37,249,931
Retained earnings.....	4,828,312	3,226,098
	<u>72,510,316</u>	<u>63,013,326</u>
FUNDED DEBT (see statement).....	52,100,000	32,500,000
	<u>124,610,316</u>	<u>95,513,326</u>
CURRENT LIABILITIES:		
Bank advances.....	7,853,394	5,479,571
Accounts payable.....	7,476,109	3,629,251
Accrued interest on funded debt.....	623,512	462,708
Estimated income taxes.....	960,210	899,440
Dividends payable October 1st.....	432,755	353,704
Deferred income from merchandise finance plan.....	1,319,657	1,145,131
Sundry liabilities.....	—	11,606
	<u>18,665,637</u>	<u>11,981,411</u>
	<u>\$143,275,953</u>	<u>\$107,494,737</u>

See accompanying notes to financial statements.



FINANCIAL STATEMENTS

THE CONSUMERS'
and subsidiary

CONSOLIDATED STATEMENT OF INCOME

	Year ended September 30	
	1958	1957
		(Note 2)
OPERATING REVENUES		
Gas sales.....	\$28,527,121	\$20,908,171
Other operating revenues.....	344,779	161,269
	<u>28,871,900</u>	<u>21,069,440</u>
OPERATING EXPENSES		
Operation and maintenance costs (including directors' fees 1958—\$22,625; 1957—\$20,000).....	21,120,229	14,432,188
Amortization of natural gas conversion expense.....	229,369	215,555
Depreciation.....	1,832,147	1,510,067
Taxes other than income taxes.....	1,071,284	895,955
Provision for income taxes (note 5).....	587,650	943,157
	<u>24,840,679</u>	<u>17,996,922</u>
OPERATING INCOME AFTER INCOME TAXES.....	<u>4,031,221</u>	<u>3,072,518</u>
OTHER INCOME		
Interest (including merchandise finance plan) and property rentals.....	981,046	514,936
Profit on sale of property.....	83,766	35,533
	<u>1,064,812</u>	<u>550,469</u>
TOTAL OPERATING AND OTHER INCOME.....	<u>5,096,033</u>	<u>3,622,987</u>
INTEREST AND OTHER DEDUCTIONS		
Interest on funded debt.....	2,122,636	1,356,524
Amortization of debt discount and expense.....	77,658	52,535
Other interest and sundry deductions.....	297,116	234,987
	<u>2,497,410</u>	<u>1,644,046</u>
NET INCOME.....	<u>2,598,623</u>	<u>1,978,941</u>
Dividends on preference shares—\$5.50 per share.....	275,000	62,500
Expenses of issue of preference shares.....	—	168,630
	<u>275,000</u>	<u>231,130</u>
EARNINGS ON COMMON SHARES.....	<u>2,323,623</u>	<u>1,747,811</u>
Dividends on common shares—80 cents per share.....	1,237,617	1,164,716
Expenses of issue of common shares.....	240,669	—
	<u>1,478,286</u>	<u>1,164,716</u>
EARNINGS RETAINED FOR THE YEAR.....	<u>\$ 845,337</u>	<u>\$ 583,095</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended September 30 1958
Earned surplus October 1, 1957	\$2,058,169
Reduction in prior years' income:	
Depreciation adjustment for 1956 and 1957	\$798,853
Deduct reduction in cost of gas less income taxes	<u>463,210</u>
	335,643
	<u>1,722,526</u>
Amounts realized through 1956 and 1957 depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost . .	<u>1,503,572</u>
Balance October 1, 1957 after above adjustments	3,226,098
Earnings retained for the year	845,337
Amounts realized through 1958 depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost	<u>756,877</u>
Balance September 30, 1958	<u><u>\$4,828,312</u></u>

FUNDED DEBT

	Maturity	Next Sinking Fund Date	Payment Amount	Outstanding at Sept. 30 1958	1957
FIRST MORTGAGE					
SINKING FUND BONDS:					
3 $\frac{3}{4}$ % Series A	Nov. 1, 1974	Oct. 15, 1959*	\$200,000	\$ 8,800,000	\$ 9,000,000
5% Series B	Feb. 1, 1978	Mar. 15, 1962	500,000	20,000,000	—
SINKING FUND					
DEBENTURES:					
4 $\frac{1}{4}$ %	Dec. 1, 1974	Dec. 15, 1959*	200,000	7,300,000	7,500,000
4 $\frac{3}{4}$ %	June 1, 1976	June 15, 1960	260,000	10,000,000	10,000,000
5 $\frac{3}{4}$ %	Feb. 1, 1977	Feb. 15, 1961	143,000	6,000,000	6,000,000
				<u>\$52,100,000</u>	<u>\$32,500,000</u>

*Sinking fund payments due in 1958 were made prior to September 30, 1958.

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

NOTE 1

PROPERTY, PLANT AND EQUIPMENT

Due to the variety of costing and depreciation bases used by the Company in the last 110 years and by the acquired subsidiaries before acquisition, and due to the unrecorded overheads applicable to utility plant constructed prior to October 1, 1954, appraisals of property, plant and equipment have been obtained from independent professional engineers, Stone & Webster Canada Limited. During 1958 the accounts of the Company and subsidiaries were adjusted on the basis of these appraisals which were made for the Company and subsidiaries other than Niagara Gas Transmission Limited as at the end of their 1955 fiscal years based on reproduction cost less observed depreciation assuming construction as a whole in one continuous effort. Additions subsequent to the appraisal have been recorded at cost including construction overheads on a basis consistent with the appraisal. Property, plant and equipment of Niagara Gas Transmission Limited and land are also at cost. The balance sheet deduction for depreciation has been increased to the observed depreciation based on the appraisals by adding \$15,302,817 to the accumulated depreciation at the end of the 1955 fiscal year.

The resulting increase in depreciated property, plant and equipment, less portions of such increase realized through disposals and 1956, 1957 and 1958 depreciation provisions and adjustments has been included in shareholders' equity as Excess of Net Redetermined Value of Property, Plant and Equipment over Depreciated Book Cost. For this purpose the excess of investment in shares of subsidiary companies over underlying book values at date of purchase has been included in cost of property, plant and equipment.

Depreciation has been provided for the current year on the basis of the increased amounts of depreciable assets, and depreciation provided for the earlier 1956 and 1957 fiscal years has been adjusted to this basis by charges to retained earnings.

The amount of accumulated depreciation included in the balance sheet deduction for depreciation is \$12,712,374.

NOTE 2

COMPARATIVE FIGURES FOR 1957

The comparative figures for 1957 shown in the balance sheet and statement of income have been adjusted to reflect the changes in property, plant and equipment and depreciation thereon referred to in note 1 as well as a reduction in cost of gas for 1956 and 1957 of \$877,032 less income taxes thereon of \$413,822.

NOTE 3

PREFERENCE SHARES

The Company at any time may redeem the preference shares, Series A, at a premium varying from 5% if redeemed on or before July 1, 1962 to 1% if redeemed after July 1, 1977. A purchase fund for the retirement of preference shares, Series A, with a yearly maximum of \$100,000 commences in 1959.

NOTE 4

COMMON SHARES

116,400 common shares have been set aside for purchase by certain key employees under the terms of the restricted stock option plan. At September 30, 1958, 1,500 shares have been issued under this plan and employees held options on 55,875 shares at \$20.925 per share expiring on July 12, 1962, and on 24,000 shares at \$27.675 per share expiring on September 9, 1963.

NOTE 5

INCOME TAXES

Because of the Companies' practice of claiming for tax purposes capital cost allowances exceeding the amount of depreciation recorded in the accounts, the provision for income taxes for the year ended September 30, 1958 is reduced by \$1,080,000. As there were similar reductions in prior years the accumulated amount of such reductions which may affect income of the Company and its subsidiaries in future years is \$2,085,000.

NOTE 6

SUPPLEMENTARY LETTERS PATENT

By supplementary letters patent dated December 10, 1957, the name of the company was changed to The Consumers' Gas Company and the issued and unissued common shares were changed from shares of a par value of \$10 each into shares without par value.



REPORT OF AUDITORS

GUNN, ROBERTS AND CO.

CHARTERED ACCOUNTANTS

TORONTO, CANADA

TO THE SHAREHOLDERS OF
THE CONSUMERS' GAS COMPANY:

We have examined the consolidated balance sheet of The Consumers' Gas Company and subsidiary companies as at September 30, 1958 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, supplemented by the notes appended thereto, present fairly the combined financial position of the companies as at September 30, 1958 and the results of their operations on a consolidated basis for the year then ended.

Gunn, Roberts and Co.

TORONTO, CANADA,
NOVEMBER 3, 1958.

Chartered Accountants.

SOURCE AND USE OF FUNDS

	Year ended September 30,	Four year period since conversion
	1958	1955 to 1958
SOURCE OF FUNDS:		
Addition to working capital from operations	\$ 5,247,602	\$14,400,360
Proceeds from sale of securities and property	222,588	509,312
Proceeds from bond and debenture issues	19,300,000	51,117,250
Proceeds from preference and common stock issues	8,799,027	13,809,489
	<u>33,569,217</u>	<u>79,836,411</u>
USE OF FUNDS:		
Extension of system including acquisition of subsidiaries	31,762,293	63,857,454
Outlay on conversion to natural gas	282,932	3,472,750
Outlay on redemption of bonds and debentures	376,750	8,809,115
Expenses of stock and security issues	294,831	603,461
Dividends on preference and common stock	1,512,617	5,068,665
	<u>34,229,423</u>	<u>81,811,445</u>
WITHDRAWAL FROM WORKING CAPITAL	<u>\$ 660,206</u>	<u>\$ 1,975,034</u>



STATISTICAL INFORMATION

(Notes 1 and 2)

	1958	1957	1956	1955	1954
OPERATING REVENUES					
Gas Sales:					
Residential	\$17,813,574	\$13,329,789	\$10,109,303	\$ 8,474,659	\$ 9,156,638
Commercial	3,388,918	2,649,462	2,147,166	1,929,168	1,876,321
Industrial	6,254,566	4,414,030	2,663,282	2,008,025	2,090,291
Other utilities	1,070,063	514,890	616,976	376,725	—
TOTAL GAS SALES	28,527,121	20,908,171	15,536,727	12,788,577	13,123,250
Other Revenue	344,779	161,269	155,182	127,804	184,371
TOTAL OPERATING REVENUES	28,871,900	21,069,440	15,691,909	12,916,381	13,307,621
OPERATING EXPENSES:					
Operation and maintenance	21,120,229	14,432,188	11,214,891	9,033,761	8,707,131
Amortization of Natural Gas conversion expense	229,369	215,555	210,984	87,951	—
Provision for depreciation	1,832,147	1,510,067	840,748	766,662	441,924
Taxes other than income taxes	1,071,284	895,955	797,476	748,126	704,040
Income tax provision	587,650	943,157	738,000	900,000	1,450,000
TOTAL OPERATING EXPENSES	24,840,679	17,996,922	13,802,099	11,536,500	11,303,095
OPERATING INCOME	4,031,221	3,072,518	1,889,810	1,379,881	2,004,526
ADD: OTHER INCOME	1,064,812	550,469	324,394	213,696	174,338
Less: INTEREST AND OTHER DEDUCTIONS	2,497,410	1,644,046	1,018,783	629,120	335,111
NET INCOME	\$2,598,623	\$ 1,978,941	\$ 1,195,421	\$ 964,457	\$ 1,843,753
NUMBER OF ACTIVE CUSTOMERS (year-end):					
Residential	211,773	182,910	170,946	148,200	150,701
Commercial	9,646	7,311	6,240	5,314	5,126
Industrial	2,507	2,079	1,947	1,864	1,893
TOTAL	223,926	192,300	179,133	155,378	157,720
NUMBER OF SHAREHOLDERS—Common					
—Preferred	851	884	—	—	—
NUMBER OF EMPLOYEES	1,987	1,698	1,510	1,219	1,160

Notes (1) Figures shown for 1955, 1956, 1957 and 1958 are on a consolidated basis unless otherwise indicated.

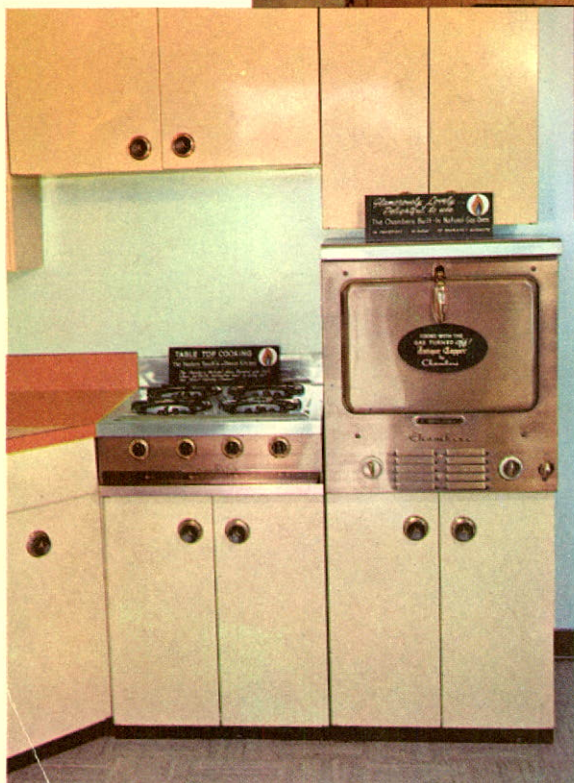
(2) The tabulations of manufactured gas volumes and related figures for 1955 and prior years have been converted for ease of comparison to approximate Natural Gas equivalents.

(3) Degree day deficiency figures given are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees by which the daily mean fell below 65° on those days when it did so.

	1958	1957	1956	1955	1954
GAS SUPPLY—MCF					
Coal and Water Gas produced.....	59,139	45,218	—	762,545	3,687,572
Propane air gas produced.....	43,145	25,224	638	27,321	144,430
Natural Gas purchased.....	25,532,457	15,041,715	9,251,487	4,242,490	—
Natural Gas produced.....	99,781	84,500	39,677	—	—
TOTAL GAS SUPPLY.....	25,734,522	15,196,657	9,291,802	5,032,356	3,832,002
GAS DELIVERIES—MCF					
Sales to Customers:					
Residential.....	11,433,033	7,767,120	4,745,652	2,497,956	2,316,561
Commercial.....	1,992,883	1,421,208	948,584	628,866	564,415
Industrial.....	7,234,588	4,735,888	2,010,429	810,320	702,957
Other Utilities.....	1,981,207	959,557	1,225,444	700,942	—
TOTAL SALES.....	22,641,711	14,883,773	8,930,109	4,638,084	3,583,933
Gas into Storage.....	3,705,861	153,518	190,053	—	—
Less Gas out of Storage.....	(965,578)	(112,002)	(20,794)	—	—
Used by Company.....	70,242	48,554	33,909	5,375	6,309
Unaccounted for.....	282,286	222,814	158,525	388,897	241,760
TOTAL GAS DELIVERIES.....	25,734,522	15,196,657	9,291,802	5,032,356	3,832,002
MAXIMUM DAILY SENDOUT—MCF					
(Consumers' Gas only).....	102,577	60,453	32,268	20,109	16,010
MAXIMUM DAILY SENDOUT—MCF					
(Consolidated).....	136,552	84,033	39,039	26,992	16,010
MINIMUM DAILY SENDOUT—MCF					
(Consolidated).....	25,468	18,391	12,367	6,477	5,239
DEGREE DAY DEFICIENCY—(note 3).....	6,239	6,464	7,295	6,349	6,332
AVERAGE USE PER RESIDENTIAL CUSTOMER —MCF (Consumers' Gas only).....	55.08	39.88	28.24	16.86	15.37
AVERAGE REVENUE PER MCF					
(Consumers' Gas only)					
Residential.....	\$1.69	\$1.91	\$2.30	\$3.39	\$3.95
Commercial.....	\$1.82	\$1.97	\$2.37	\$3.07	\$3.32
Industrial.....	\$.94	\$1.03	\$1.34	\$2.48	\$2.97
MILES OF MAINS IN USE (equivalent 3")....	6,678	5,073	4,082	2,760	2,475
AREA SERVED (Square miles).....	790	460	378	179	128

MODERN GAS KITCHENS

Miss Future Home-maker cooked her way to success in the Contest at the National Home Show in this ultra-modern demonstration gas kitchen.



SALES OF NATURAL GAS EQUIPMENT FOR DOMESTIC USE INCREASE 50%

The total number of domestic appliances installed during the present year—house heating units, water heaters, ranges, dryers, refrigerators and incinerators—shows an increase of 50% over the previous year. The success of the new Rental Water Heater Plan, together with a widening acceptance of Natural Gas, is a significant contributor to this encouraging result.

The latest in built-in gas ranges is featured in kitchens of many new homes being built in the suburbs.

The University of Toronto Food Laboratory used by Home Economics students is gas equipped. Most University, High School and Public School students enjoy modern gas equipment in their classrooms.





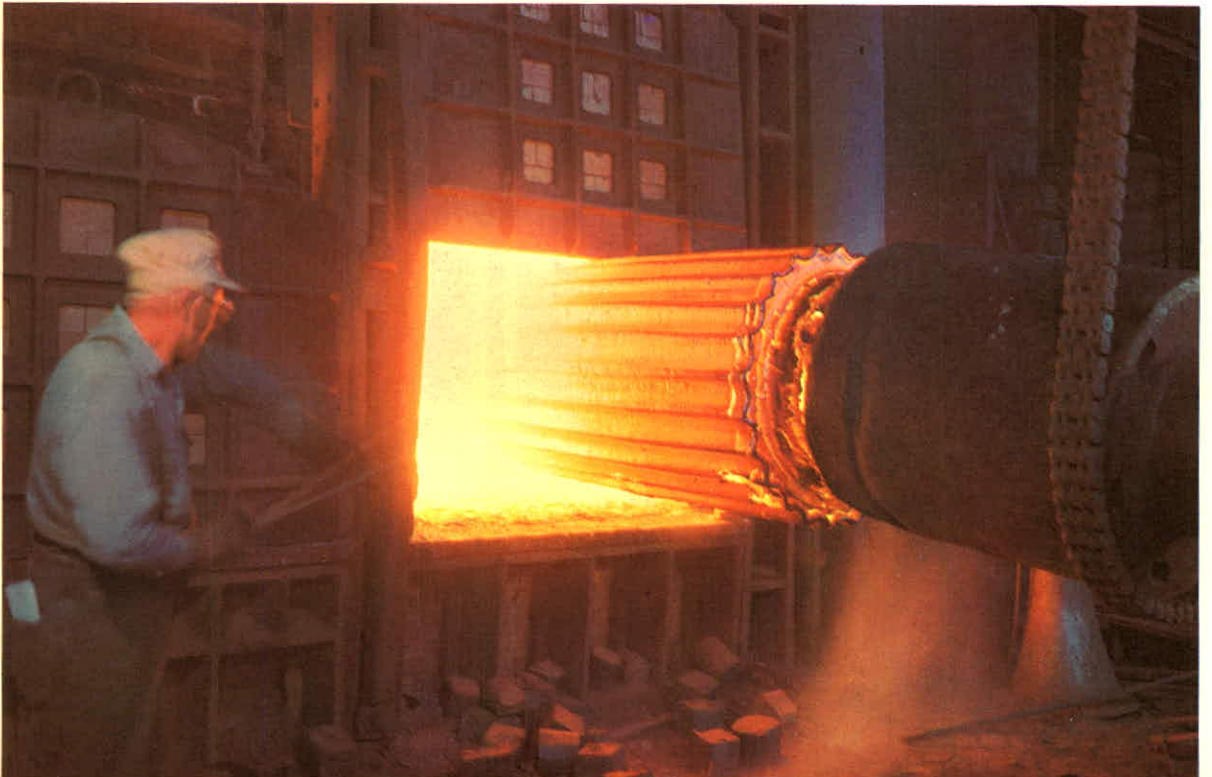
SYMBOL OF SERVICE



The close control and flexibility obtainable with Natural Gas has proven it to be the ideal fuel for the manufacture of high quality glass by Pilkington Glass Manufacturing Co. Ltd.—Toronto.

INDUSTRIAL PROCESSING

A 15-ton ingot 40" in diameter of Atlas X L O Die Block Steel is seen emerging from a forge press heating furnace fired by Natural Gas at Atlas Steels Limited, Welland, Ontario. It takes eight to ten hours and 100,000,000 BTU's requiring approximately 100 MCF of Natural Gas to bring this single ingot up to forging temperature of 2300°F.





WHERE FOOD IS FINEST - IT'S COOKED WITH GAS ▲

Delicate pastries, sizzling steaks and seafoods are specialties of the Sign of the Steer. All are expertly prepared by their chefs. This restaurant is another of the host of fine restaurants where Natural Gas is used.

SERVICE ▼

Our servicemen, with the "Blue Flame" Fleet of Service vehicles, have become a familiar sight in our rapidly expanding Service Area.



EXPANSION

The new subdivisions highlight the expansion of Natural Gas lines to serve the suburban areas surrounding our cities and towns. A large percentage of customers in new housing use Natural Gas for both heating and water heating.

