

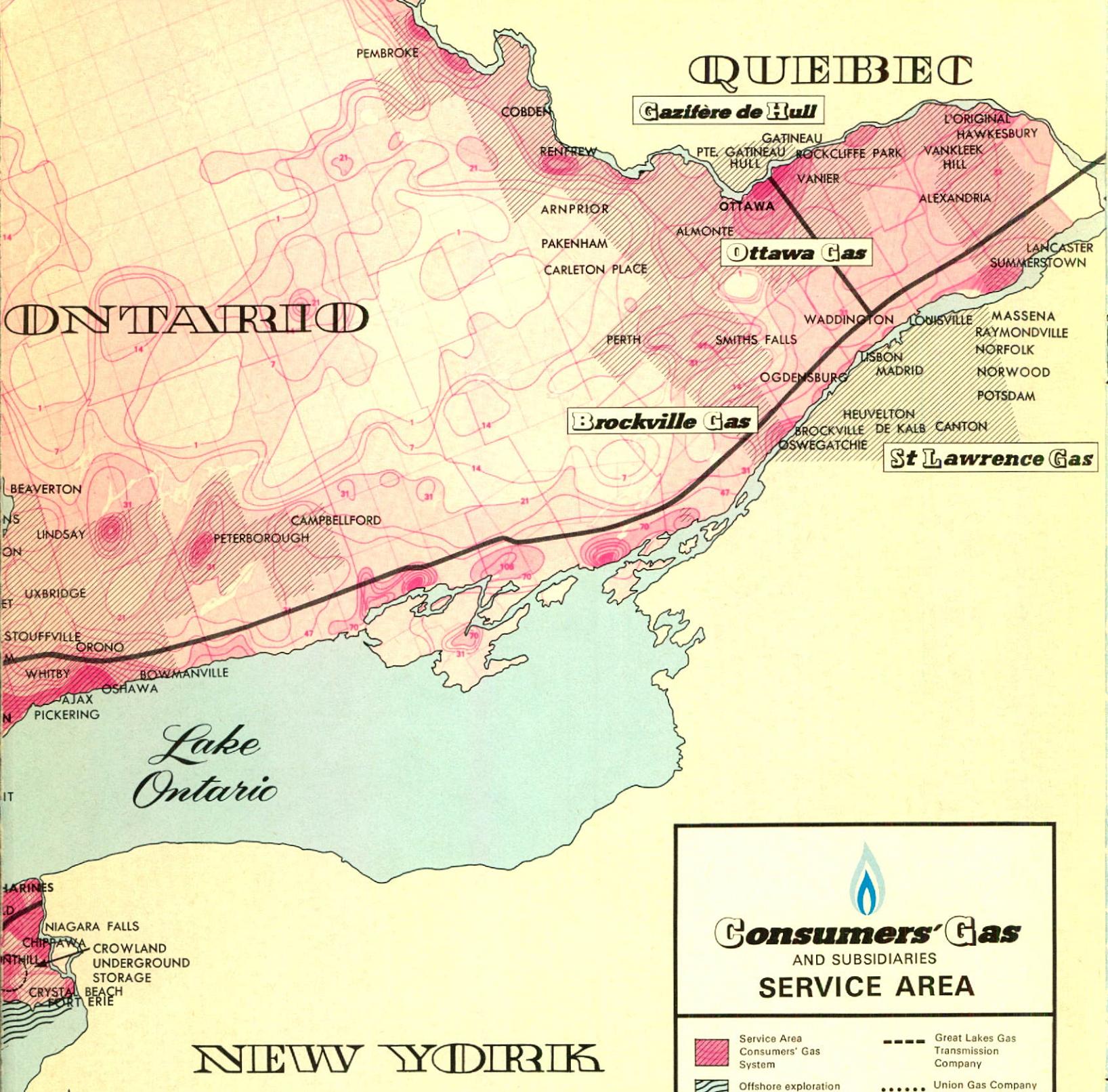
122nd ANNUAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 1970



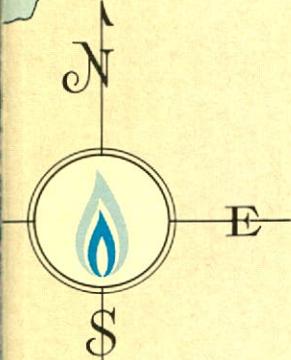
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THE
Consumers' Gas
COMPANY

McGILL UNIVERSITY



NEW YORK



The permission of the Government of Ontario and University of Toronto Press to make use of Plate #14 in Economic Atlas of Ontario/Atlas Economique de l'Ontario is gratefully acknowledged.

QUEBEC

Gazifère de Hull

Ottawa Gas

Brockville Gas

St Lawrence Gas

Consumers' Gas

EDITIONS AND SUBSIDIARIES

AND SUBDIVISIONS

The logo consists of a red square with diagonal white stripes, followed by the text "Service Area Consumers' Gas System".

 Offshore exploration acreage

TransCanada
Pipeline



Underground storage

Population density
Southern Ontario 1961
Persons per square mile

ANSWER

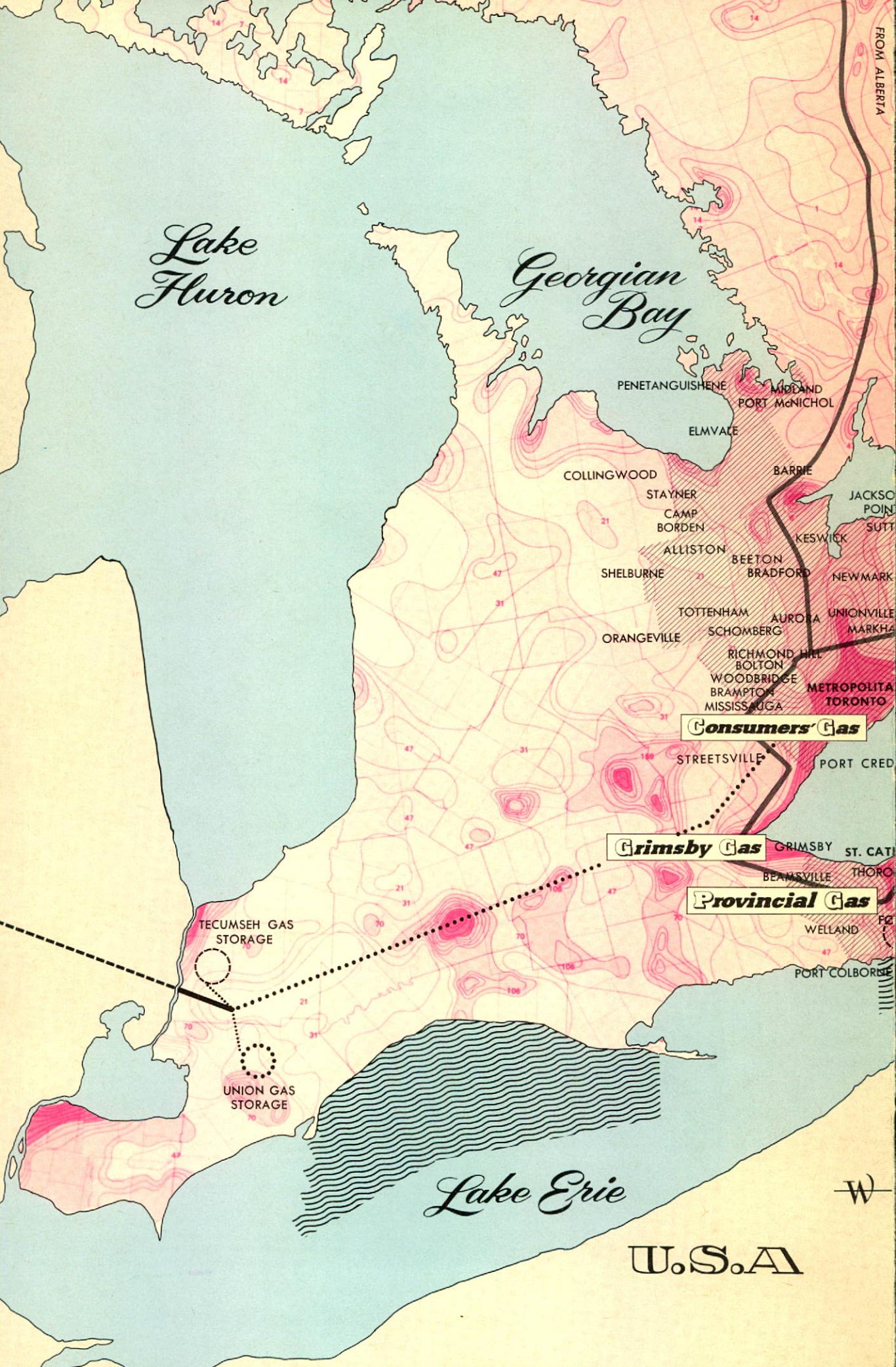
1000

71-538

> more than

< less than

Since 1961, population in Ontario has increased by 19.4%. Estimates indicate that the population density has remained relatively the same as that shown on this map.





"Commune Bonum" for the good of the community

A CONCEPT 122 YEARS YOUNG

Every company has an obligation to the public . . . to its customers, to its employees, to its investors, to the community, and to society.

Today, more than ever before, this concept has become the keynote of business endeavour and corporate responsibility. To us, at Consumers' Gas, this has been our basic business philosophy since our foundation 122 years ago by a group of gas customers. Our corporate seal bears the inscription "Commune Bonum" (for the good of the community)—a guiding principle which has determined corporate attitude and shaped company policy, year after year. This principle has been good business and a most important contributing factor to our success. Translated into action, our vital concern with the forces affecting the life of our times, brings "better living" to more people. In the centre spread of this report we have outlined some of the contributions we are making to this objective, so timely today, so much in tune with the Seventies!



122nd ANNUAL REPORT

for the year ended September 30, 1970

The Consumers' Gas Company • 19 Toronto Street • Toronto

Supplying natural gas to customers in

Central Ontario – through **Consumers' Gas**

Niagara Peninsula – through **Provincial Gas**

Grimsby area – through **Grimsby Gas**

Ottawa and Ottawa River Valley area – through **Ottawa Gas**

Brockville – through **Brockville Gas**

Hull, Quebec area – through **Gazifère de Hull**

Northern New York State – through **St Lawrence Gas**

Providing services to the gas and oil industry

in drilling – through *Underwater Gas Developers Limited*

in underground gas storage – through **Tecumseh Gas Storage Limited*

and providing diversified services to the business community

in real estate rentals and development – through *Consumers' Realty Limited*

in business systems – through *Business Innovations Limited*

in computer applications – through *Consumers' Computer Limited*

and **The Harrow Group Limited*

in computer terminals – through **T-Scan Limited*

*jointly owned companies



The Consumers' Gas Company

Directors:

OAKAH L JONES*

*Chairman of the Board,
President and General Manager—
The Consumers' Gas Company
Director—Canada Permanent Trust Company
Director—Boiler Inspection and Insurance Co. of
Canada
Director—Rubberman (Canada) Limited
Chairman of the Board—Ontario Research Foundation*

J. K. MACDONALD*

*Chairman of the Board—
Confederation Life Association
Director—Dominion Scottish Investment Limited
Director—Canada Permanent Companies*

A. R. POYNTZ*

*Chairman of the Board and Chief Executive Officer—
The Imperial Life Assurance Company of Canada
Director—M.E.P.C. Canadian Properties Limited
Director—Impco Properties Limited
Director—The Investors Group
Public Governor—Toronto Stock Exchange*

M. GEARY

*Secretary and Assistant Treasurer—The Consumers'
Gas Company*

W. H. ZIMMERMAN, Q.C.

*President—Commonwealth International Corporation
Limited
President—Commonwealth International Leverage
Fund Limited
Director—The Becker Milk Company Limited
Director—Scythes and Company Limited*

HON. T. D'ARCY LEONARD, Q.C.*

*Director—Canada Permanent Companies
Director—Canadian Industries Limited*

W. B. C. BURGOYNE

*President and Publisher—The St. Catharines
Standard Limited
President—The Niagara District Broadcasting
Co. Limited
Member—St. Catharines Advisory Board, The
Canada Trust Company
Director—Canadian General-Tower Limited*

R. H. CARLEY, Q.C.

*Partner—Carley, Lech, Fitzpatrick & Ebbs
President—Colonial Weaving Company Limited
Director—Kesco Holdings Limited*

NOAH TORNO, M.B.E.

*President—Gramercy Holdings Ltd.
Director—Distillers Corporation—Seagrams Limited
Director—Cemp Investments (Ontario) Limited
Director—The Canada Trust Company*

J. D. GIBSON*

*Chairman—Canadian Reinsurance and Canadian
Reassurance Companies
Chairman—Eddy Match Company Limited
Director—The Imperial Life Assurance Company
of Canada
Director—Harding Carpets Limited
Director—Steel Company of Canada Limited
Director—Bell Canada*

D. B. MANSUR, C.B.E.

*Chairman of the Board—Kinross Mortgage
Corporation
Vice-President—Royal Insurance Group
Director—Guaranty Trust Company*

A. G. S. GRIFFIN

President—Triarch Corporation Limited

H. E. LANGFORD, Q.C.

*Chairman—Toronto Iron Works Limited
Director—The Dominion of Canada General
Insurance Company
Director—Ontario Hospital Association
Director—United Accumulative Fund Limited*

G. D. WORLEY

Partner—Zimmerman & Winters

R. S. PADDON

Partner—Zimmerman & Winters

*Executive Committee

Officers and Department Heads

OAKAH L JONES

*Chairman of the Board,
President and General Manager*

M. GEARY

Secretary and Assistant Treasurer

F. W. HURST

*Vice-President, Manager of Finance and
Assistant Secretary*

J. C. McCARTHY

Vice-President and Regional Manager

W. M. KELLY

Vice-President and Director of Marketing

G. W. CARPENTER

Vice-President and Director of Operations

E. S. HOWARD

*Vice-President and General Manager Provincial
Gas Operations*

R. L. GOODENOUGH

Treasurer

K. J. HARRY

Comptroller

J. F. GIBSON

Assistant Secretary

L. MASSÉ

President, Société Gazifère de Hull, Inc.

D. VIEN

*Vice-President and Secretary, Société Gazifère de
Hull, Inc.*

H. J. FRANK

*Chairman of the Board, St. Lawrence Gas Company,
Inc.*

D. W. LINDSTEDT

*General Manager, Eastern Area and Vice-President
St. Lawrence Gas Company, Inc.*

W. F. BENSON

General Manager, St. Lawrence Gas Company, Inc.

Ottawa Executive Board

R. N. SEGUIN, Q.C., Chairman

A. BETCHERMAN

OAKAH L JONES

ALLAN T. LEWIS, C.B.E., Q.C.

ORIAN LOW, Q.C.

Highlights and Trends

1970

Basic Earnings per Common Share (after extraordinary item)
\$1.10

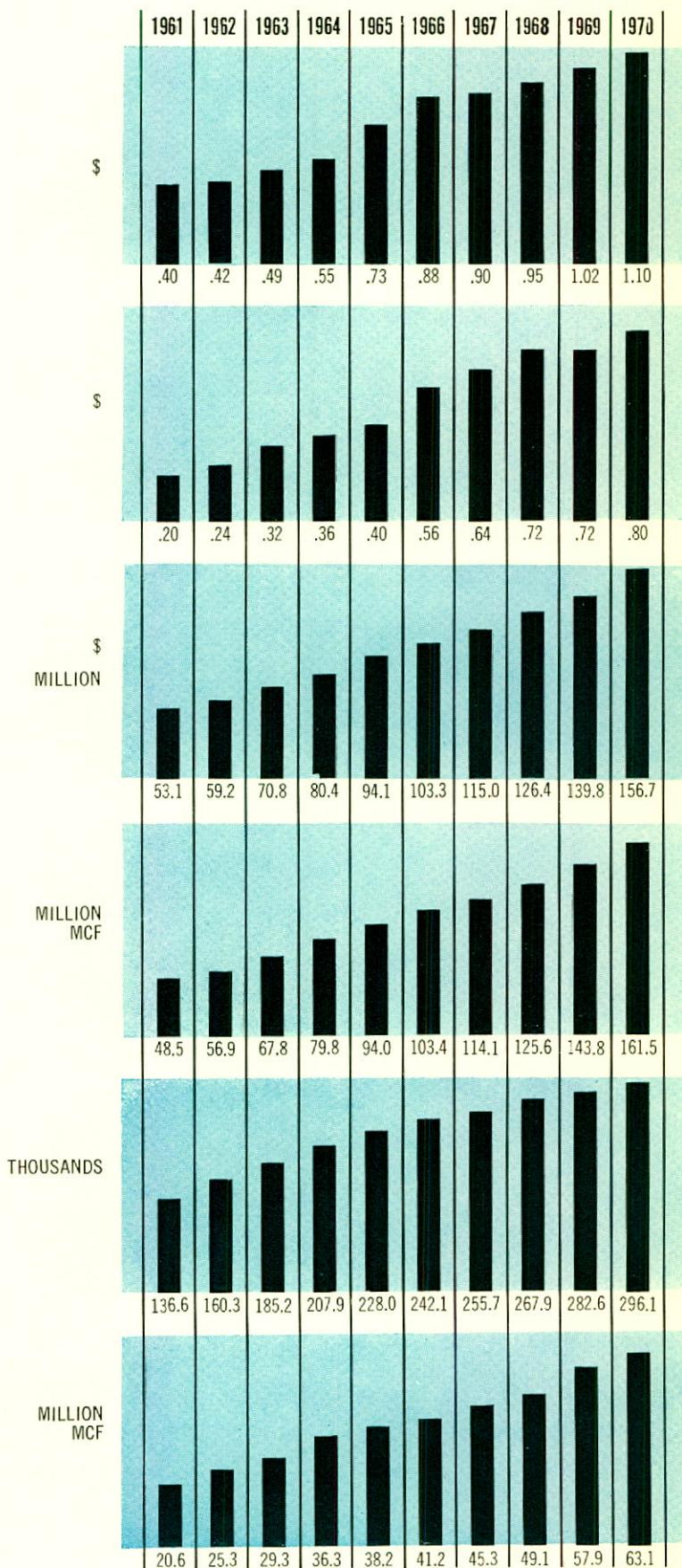
Current Annual Dividend Rate per Common Share
\$.80

Total Revenue
\$156,660,000

Total Volume of Gas Sales
161,460,000 MCF

Total House Heating Installations
296,060

Industrial Gas Sales
63,110,000 MCF



Report to the Shareholders and Summary of Operations

Area Served

On the back of the front cover an indication of the Company's service area has been superimposed on a map showing population density which was included in the Economic Atlas of Ontario. It can be seen at a glance that your Company serves many of the most densely populated areas of southern Ontario. Throughout its franchised area, the rate of population growth has approximated 3% per year since 1961 and in some areas has exceeded 12% per year over that period. This compares with an average population growth rate of 1.5% for the remainder of the Province of Ontario during the same period.

Clean-burning natural gas is an ideal fuel for use in congested areas, a quality now recognized by most industries, commercial establishments and individuals. The desire by communities for "clean air" is proving to be one of the major factors contributing to our success in recent months.

	1970	1969	% Increase	First full year with Natural Gas 1955
GAS SALES REVENUES				
Residential	\$65,177,000	\$59,737,000	9	\$8,475,000
Commercial.	\$40,041,000	\$33,934,000	18	\$1,929,000
Industrial.	\$39,599,000	\$36,086,000	10	\$2,008,000
GAS SALES—MCF				
Residential	51,568,000	46,942,000	10	2,498,000
Commercial.	46,782,000	38,971,000	20	629,000
Industrial.	63,110,000	57,939,000	9	810,000
NUMBER OF ACTIVE CUSTOMERS (Year End)				
Residential	363,365	352,597	3	148,200
Commercial.	28,601	26,342	9	5,314
Industrial.	4,703	4,630	1	1,864
AVERAGE USE PER RESIDENTIAL CUSTOMER—MCF	141.0	132.8	6	16.9
POPULATION OF AREA SERVED . . .	3,862,000	3,765,000	3	1,275,000
COST TO CUSTOMERS				
AVERAGE REVENUE PER MCF				
Residential	\$1.26	\$1.27		\$3.39
Commercial.	\$.86	\$.87		\$3.07
Industrial.	\$.63	\$.62		\$2.48

Revenues

The major source of revenues—gas sales—continues to show a similar growth pattern as in former years. Residential gas sales increased by 9%, commercial gas sales increased by 18%, and industrial gas sales increased by 10%, for an overall increase of 12% over last year. Offsetting a decrease in construction of single family dwellings during the year there has been an accelerated rate of conversions from other fuels, especially in the commercial category of multiple

dwellings where the heating and water heating for approximately 8,000 suites were converted to natural gas in the year. There were as well newly constructed apartments with 21,000 suites where gas equipment was installed. A recent survey indicates that 52% of all apartment suites in our service area are now natural gas users.

The weather this year was approximately 3% colder than last year, 6,947 degree days in 1970 compared with 6,734 in 1969. This colder weather contributed to the 9% increase in residential gas sales as well as adding to the heating component of commercial and industrial sales.

The recent decision by Ontario Hydro to convert major portions of its Richard L. Hearn Generating Station to the use of natural gas will increase the Company's total gas sales volumes in 1972 by about 30%. Initial deliveries to the Hearn plant are to begin in the spring of 1971 and these quantities are expected to grow to an annual load of about 60,000,000 MCF. We are pleased to play a part in this major effort by Ontario Hydro to reduce the pollution of our atmosphere.

Other revenues, principally rentals from appliances increased \$1,755,000 or 17% during the year, slightly better than the rate of increase in the past several years.

Gas Cost

The cost of purchasing and storing the quantities of gas required to meet the Company's growing market continues to be the Company's major item of expense amounting to nearly 53% of gas revenues.

To date, the long term nature of our basic supply contracts and our ability to purchase gas at high load factor through extensive use of underground storage has enabled the Company to maintain a relatively stable unit cost for supplying the necessary volumes of gas for the growing market requirements. However, TransCanada PipeLines Limited has applied to the National Energy Board for permission to increase its rates to offset increased costs associated with its operation. Since our gas supply is almost entirely made up of purchases from TransCanada, any approved increase in TransCanada's rates would have a direct and adverse effect on our operating costs. Your Company will participate fully in the hearing before the National Energy Board on this application by TransCanada.

The Company took an active part in the extended hearings before the National Energy Board earlier this year in connection with the future policy of the federal government on the export of Western Canadian gas to the United States. We were pleased with the government's decision to allow the export of gas surplus to Canadian needs and to name existing Canadian pipeline companies to be the exporters so that Canadian consumers could gain from the benefits of economies of scale. We consider it our responsibility to see that present and potential gas customers will now and in the future have an adequate gas supply at competitive rates and therefore participate in all hearings before the various governmental authorities charged with responsibilities in this area.

The Company continues to successfully expand its exploration programme as one of the means by which the selling price of gas can be kept as low as possible. This season's 45-well drilling programme on Lake Erie has been completed with 29 successful gas wells, which, when added to those completed in previous years, bring the total number of producing wells under the Lake to 57. Production to date from these wells has accumulated to about 2,700,000 MCF with the current production rate at about 8,000 MCF per day. Production rates are expected to increase substantially in 1971 when the additional reserves discovered this year can be connected to market.

The production from the 1,300,000 acre block in the central part of Lake Erie, formerly held jointly with Amoco Canada Petroleum Company Ltd., is now fully owned by Consumers' Gas following acquisition in June of Amoco's interests.

The recent announcement by the Ontario Government banning the production of oil from under the Lake does not materially affect our plans for the further development of that area for increased gas reserves and deliverability. We are convinced that this stand by the Government will be modified to permit the production of oil when we are in a position to do so without danger of pollution.

In addition to Lake Erie we are participating in three separate exploratory programmes in Southwestern Ontario in partnership with Chiefco Enterprises, Ltd., Shawnee Petroleums Limited and McClure Oil Company. We are also participating in a joint exploration venture with Amoco Canada Petroleum Company Ltd., Gulf Oil Canada Limited and Sunlite Oil Company Limited in the Bistcho Lake area of Alberta.

Other Costs and Expenses

Operation and maintenance costs alone increased by \$2,959,000 or 14% during the year. Almost all categories of cost increased with substantial increases occurring in labour and material, in computer rentals, municipal taxes, depreciation and interest costs. Your Company did not increase the price to customers of its gas and appliances, despite higher costs.

The extraordinary expenses amounting to approximately \$367,000 due to the offer to acquire Union Gas common shares and the hearings before the Ontario Energy Board relating thereto have been shown as a separate deduction on the Consolidated Statement of Income and hence are not included in other Costs and Expenses totals.

Earnings and Dividends

New recommendations of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants call for the reporting of earnings per share on financial statements both before and after extraordinary items (such as the costs of the offer to acquire the Union Gas shares and the related hearing costs) and before and after potential dilution (such as from the conversion of the convertible debt issue and from the exercise of stock options by key employees). As a result, the accompanying audited financial statements and notes include earnings per share calculated in four ways as follows:

	<u>1970</u>	<u>1969</u>	<u>Increase</u>
ACTUAL			
Basic earnings per common share before extraordinary item	\$1.12	\$1.02	10%
Basic earnings per common share after extraordinary item	\$1.10	\$1.02	8%
POSSIBLE UNDER CERTAIN CONDITIONS			
Fully diluted earnings per common share before extraordinary item	\$1.06	\$.97	9%
Fully diluted earnings per common share after extraordinary item	\$1.04	\$.97	7%

In that conversion of the convertible debt is likely to be minimal for some years hence and because the extraordinary item was an expense that had to be met, we believe that our shareholders will find the basic earnings per share after the extraordinary item to be the most appropriate "earnings per share" calculation to utilize. This earnings per share figure appears on our Highlights and Trends page and at \$1.10 per share represents an 8% increase over the previous year.

Dividends on common shares were increased from 18¢ per quarter to 20¢ per quarter, commencing with the dividend payable October 1, 1970 to shareholders of record September 10, 1970. This is the 11th dividend increase since conversion to natural gas in 1954.

Financial

Cash requirements during the year were met by funds generated internally, by borrowings within lines of credit at the chartered banks, and by short term borrowings in the commercial paper market. Interest rates were extremely high during the fiscal year in both the short term and long term markets. Your Company's officers are keeping in close touch with their financial advisors to determine the appropriate time to replace some of the short term borrowing by more permanent financing.

Capital expenditures for the coming year are expected to be about \$40,000,000 which is higher than past years because of the additional facilities needed to supply Ontario Hydro's Richard L. Hearn Generating Station mentioned above.

There has been some indication that the provisions in the federal Proposals for Tax Reform (the White Paper on Taxation) which, failing provincial redress would have discriminated against shareholders of investor-owned utilities, may be amended or eliminated. Both the Senate and the House committees studying the White Paper have recommended that there be no such discrimination in taxing statutes. Your Company continues to work on its own and with the Canadian Gas Association and with investors' representatives for a favourable decision on this very important matter in forthcoming federal legislation.

We are pleased that the number of our common shareholders continues to

grow. As at September 10, 1970, there were 27,255 common shareholders, an increase of 729 during the year. There has been a three-fold increase during the past 10 years in the number of common shareholders of the Company.

Your attention is directed to pages 20 to 23 which this year contain expanded statistical information.



Present at the posting of the common shares of The Consumers' Gas Company on the Montreal Stock Exchange are Oakah L. Jones, President, Consumers' Gas, Charles B. Neapole, President, Montreal and Canadian Stock Exchanges, and George H. Nation, President, Dominion Securities (Quebec) Ltd.

On October 19, 1970 the common shares of the Company were listed on the Montreal Stock Exchange in order to assist residents of Quebec in investing in our Company and to show our confidence in the future of that province. Already, approximately 8% of our shareholders reside in the Province of Quebec and hold approximately 18% of the common shares outstanding.

Your Board of Directors was disappointed with the adverse report rendered by the Ontario Energy Board and the subsequent refusal by the Lieutenant-Governor in Council to allow your Company to proceed with the acquisition of the common shares of Union Gas. All shares which had been deposited with

the trustee have been returned in compliance with the terms of the offer. The 700,000 shares of Union Gas still owned by the Company have been reclassified on the balance sheet from Current Assets to Investments.

Research and Development

The emphasis of the Research and Development efforts of your Company has been modified to take account of the opportunities offered by natural gas in combatting air pollution recognizing this to be one of the most serious social problems of the day.

Vehicle emission is a major contributor to air pollution. For a one-year test programme, six vehicles of the Company's fleet have been converted to dual fuel operation. Compressed Natural Gas will be the primary fuel used and gasoline will be the alternative fuel. Six other vehicles are being operated on gasoline only as monitors for this test. Natural gas is expected to reduce vehicular emissions significantly.

Other projects which the Company is conducting or assisting in include the development of power assisted burners for gas combustion, a new gas-fired total climate control system for use in homes, a new approach to gas utilization with high rise apartments built under modular construction systems, and a noiseless pavement breaker.

Related Activities

In past years, our annual reports have included information on efforts being made to utilize the knowledge and skills, so necessary to the basic gas utility operation, in non-regulated business operations beyond the utility field. The overseas sale of consulting services and the entry into oil and gas exploration are early examples of this extension into new but allied fields.

Within the year just ended, important new steps have been taken to further capitalize on the knowledge and skills of our staff in related business activities.

As announced previously, Consumers' Realty Limited was formed to own and manage certain of the Company's properties with present or potential rental income, to manage mortgage investments and to examine further opportunities for investment in the real estate field. Activities to date in real estate include a joint venture in an Ottawa land development project.

As your Company's capability to utilize computers has increased, the computers used and the development of related technology have continued to grow. A new third generation IBM 360/65 computer has now been installed and is operational together with earlier Honeywell computer equipment. This installation provides Consumers' Gas with computer capability well beyond its own requirements. Consumers' Computer Limited has been formed as a wholly-owned subsidiary to operate this facility for the Company and for others wishing to purchase additional computer time.

To provide the capability for marketing the excess computer capacity and to provide necessary systems support, an agreement has been concluded to acquire a 50% interest in The Harrow Group Limited, a firm with which we have had

a long association. The Harrow Group Limited will provide the desired sales support to Consumers' Computer Limited and will also continue offering general computer consulting services.

Another wholly-owned subsidiary, Business Innovations Limited was formed during the year to expand the Company's capabilities by developing new packaged computer systems for broad use in industry and by marketing computer programmes already developed in Consumers' Gas operations. The first of the new systems has been developed for insurance agency accounting and has recently been placed on the market. Other significant systems are under development and will shortly be offered to main segments of the business community.

In June of this year, Consumers' Gas acquired a controlling interest in T-Scan Limited, a Canadian company that has developed, manufactured and marketed a significant advance in terminal devices for use with computers. Ferranti-Packard Limited, which has been instrumental in production engineering and component manufacturing for the terminal, has also acquired an equity position in this company. These terminals are the first on the market to offer computer users both a pencil-marked input and an instantaneous printed output on the same card. They also provide an important segment in the systems concepts being developed by Business Innovations Limited for use with our large computer.

Underwater Gas Developers Limited, a wholly-owned subsidiary Company, continues to do all drilling for Consumers' Gas and is available for others both on Lake Erie and on land. Underwater has added a second drilling rig to its equipment to provide the capability of drilling to 6,500 feet depth either under water or on land.

Personnel and Labour Relations

Consumers' Gas clerical workers in Metropolitan Toronto and surrounding areas who are represented by Local 513 I.C.W.U. were on strike for approximately six weeks during March and April of 1970. In June, a two-year contract was signed with this local providing for wage increases of 13% over two years as well as improvements in insurance, vacation and welfare benefits. Contract negotiations with Local 161 I.C.W.U. which represents some 600 trade and technical employees in central Ontario areas are currently under way. The contract with this local expired on July 7, 1970.

Comprehensive training programmes are undertaken in many facets of the Company's operations. As a result of such training programmes, Mr. John Eggert of the Service Department won the "President's Award" and the St. John Ambulance Certificate of Achievement this year for saving the life of a child by mouth to mouth resuscitation. He is shown with representatives of the St. John Ambulance Society, and the Metropolitan Toronto Police Force. Your Company works closely with these organizations and the Fire Department in matters of safety and training—particularly with the youth in those communities we serve. Consumers' personnel have been actively engaged in several projects concerning Junior Achievement, as either Directors or Advisers to

Junior Achievement Companies. We again sponsored a day, in the Georgian Bay District, for a group of "Young Voyageurs" from Alma, Quebec, with Consumers' Gas employees as hosts and hostesses. Direct assistance has been given to the Riverdale Youth Project in establishing student-employment programmes as well as acting in a consultative role.



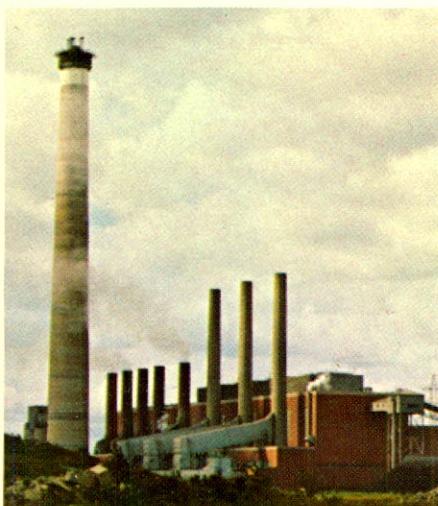
Presentation of St. John Ambulance Certificate of Achievement which is given for meritorious acts. Left to right: J. Eggett, Constable B. Wood, Oakah L Jones and Staff Superintendent A. Walmer.

Without good people, little real progress of the nature evident in this year's report can be expected. Consumers' Gas is very proud of its employee group and is making every effort to assist in the achieving of ever higher standards of skills and competence.

Chairman of the Board and President



Ontario's Science Centre set amid beautiful parklike surroundings against the backdrop of a skyline of highrise apartments, homes and modern office buildings expresses the all 'round living which makes today's city an exciting, pleasant place in which to live and work. Natural gas plays an important role in providing energy and clean air for a better environment.



When The Richard L. Hearn Generating Station converts to natural gas during 1971, an important contribution to clean air will be made. Other large users of energy in Consumers' service areas are planning similar steps in combatting air pollution.

Consumers' Gas ***IN TUNE WITH THE SEVENTIES!***

Business today has a responsibility to operate for the well-being of society—to the benefit of customers, employees, shareholders, the community and the public.

Consumers' Gas is working purposefully and effectively to this objective in supplying clean-burning natural gas to meet the growing needs of residential, commercial and industrial users.

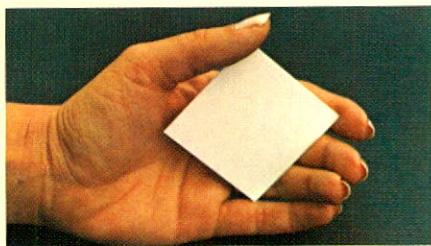
If these users, totalling more than 400,000 in 1970, had to use an alternative fuel to natural gas, 120,000 tons of sulphur oxides could have been dispersed into the atmosphere. During 1971, and subsequent years, as we add new users to our system, further substantial reductions in air pollutants that might have been discharged into the atmosphere will be made.

Homeowners and industrial and commercial users are converting to natural gas, month after month, aiding constructively in the fight against air pollution as well as enjoying all the benefits and savings which natural gas has to offer.

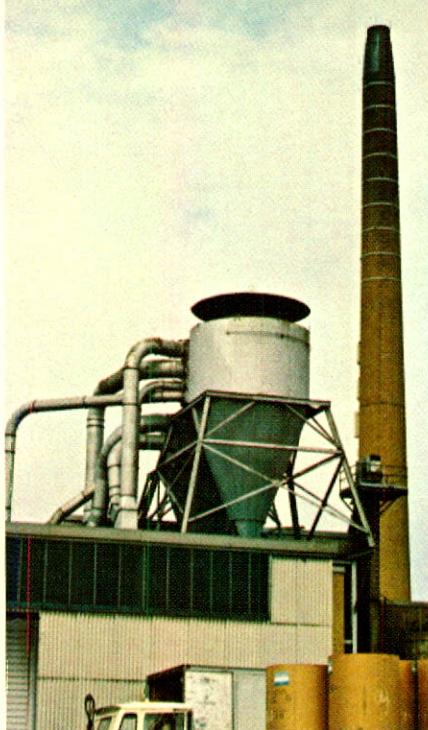
It all adds up to "Better Living", *better for everyone!*

This four-page section permits limited space to tell this story. We hope the broad scope of company activity serving homes, apartments, schools, hospitals, industry, government, so illustrated, conveys to you the important part which the company plays in the "life" of our times.

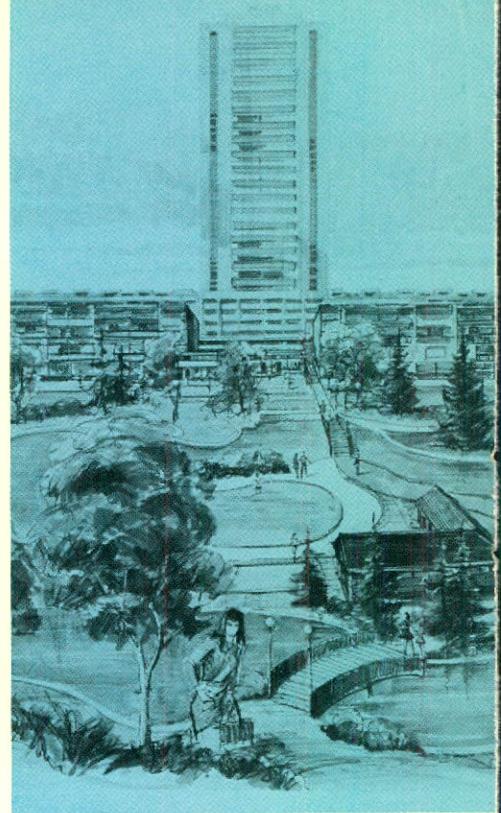
Additional information about natural gas and its role "in tune with the Seventies" is available upon request. Use the convenient reply card provided in the back of this Annual Report.



Alumina Ceramic Substrate produced by Duplate Canada Limited in Oshawa. Natural gas-fired furnaces provide the finish which eliminates costly polishing. The resulting product is in demand by the electronic industry around the world.



Smokeless smoke stacks are a sign that industry is using natural gas. The changeover to natural gas by many industries is helping to win the battle for clean air for our community.



"The Highlands", a condominium development by Wesman Gas cooperates with the planners at every stage of the project to be served completely by natural gas.



Large industrial users of natural gas demonstrate the importance of natural gas in industrial heating and processing. As more and more industries convert to natural gas, Consumers' industrial market continues to grow year after year—to the benefit of users and the public.



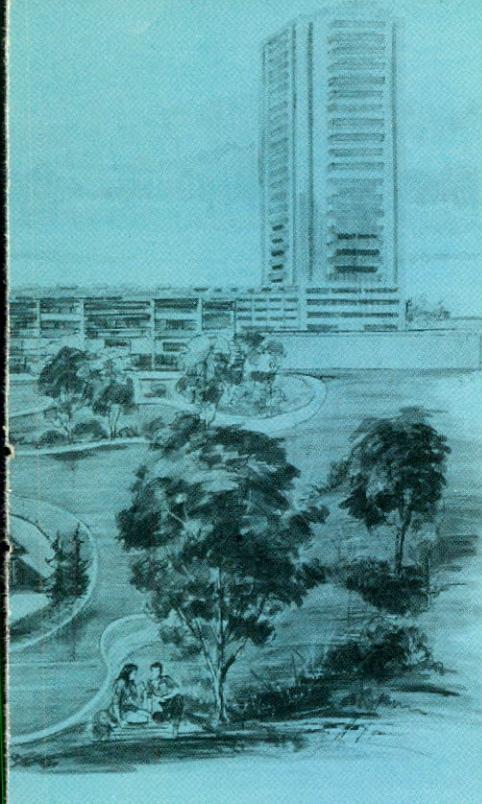
Attractive community development assures better living with natural gas. Wesman Gas provides an extra bonus to customers and the community.



Schools recognize the value of natural gas for economical, efficient heating, and set a good example to the community in thus reducing air pollution.



The new Motor Hotels which are setting new standards in popular. Expansion at Toronto's famous Inn on the Park is to include natural gas for heating, and cooking.



Holdings Limited in Ottawa demonstrates how Consumers, ect. The result, when completed, is a "model community".



natural gas. These days when we are so environment con-
d the community at large.



accommodation and hospitality are becoming increasingly
typical of the trend. Natural gas is the fuel for heating, water



Town Houses are gaining in popularity throughout Consumers' areas. The homeowner enjoys individual home benefits with reduced land cost. A large percentage of such new developments use natural gas for heating and water heating because of the economy and convenience it assures.



High density living, conveniently located, combine luxury living with total convenience. Natural gas in serving the needs of such large scale accommodation, without contributing to air pollution, is an advantage which becomes more obvious as population increases.



Hospitals are vitally important in every community. The North York Hospital is a large user of natural gas and consequently an important factor in helping provide clean air.



Apartments offset the high cost of
land in meeting growing needs for
accommodation in heavily popu-
lated centres. Natural gas helps
make apartment living more enjoy-
able—and without air pollution!



At the National Home Show, Consumers' Gas sponsored the Model Home in cooperation with the National House Builders' Association. This annual event is indicative of the sustained effort of the company in promoting public interest in better living. This year "the total environment concept" theme was most appropriate and resultful in obtaining positive response from many of the 100,000 visitors who toured our exhibit.



Home Service is a fact as Consumers' Gas Betty Bright girls in their new attractive outfits are on their way to assist users in getting the full benefits of natural gas appliances right in the home. Personal visits are the keynote of the success of this program.



The display of natural gas home appliances at the National Home Show featured—"The Wonderfuel World of Natural Gas"—clean burning natural gas for cooking, clothes drying, home heating, ornamental lighting, outdoor barbecuing and pool heating.

For further information . . .

Write to:

**THE CONSUMERS'
GAS COMPANY**
19 TORONTO STREET
TORONTO 1, ONTARIO

Fleet of experimental vehicles operated by the company as part of a research program to study the use of natural gas as a non-polluting fuel for automobiles.



Consolidated Statement of Income

The CONSUMERS' GAS COMPANY and subsidiary companies

	Year ended September 30	
	<u>1970</u>	<u>1969</u>
REVENUE		(in thousands)
Gas sales	\$144,817	\$129,757
Other	<u>11,843</u>	<u>10,088</u>
	<u>156,660</u>	<u>139,845</u>
COSTS AND EXPENSES		
Gas costs	77,294	68,753
Operation and maintenance	24,307	21,348
Depreciation	10,052	9,248
Municipal and other taxes	3,865	3,725
Interest and amortization—		
long term debt	10,389	9,463
Other interest	<u>2,116</u>	<u>1,683</u>
	<u>128,023</u>	<u>114,220</u>
Income before income taxes and extraordinary item	<u>28,637</u>	<u>25,625</u>
Income taxes (note 4)		
Current	8,531	7,476
Deferred	<u>(424)</u>	<u>(567)</u>
	<u>8,107</u>	<u>6,909</u>
Income before extraordinary item	20,530	18,716
Extraordinary item		
Costs of offer to purchase Union Gas shares and Ontario Energy Board hearings in connection therewith	367	—
Net income for the year	<u>20,163</u>	<u>18,716</u>
Dividends		
Preference shares	940	964
Common shares (1970—74 cents, 1969—72 cents)	<u>12,933</u>	<u>12,577</u>
	<u>13,873</u>	<u>13,541</u>
Net income after dividends	<u>\$ 6,290</u>	<u>\$ 5,175</u>
Basic earnings per common share (note 9)		
Income before extraordinary item	\$ 1.12	\$ 1.02
Net income	<u>\$ 1.10</u>	<u>\$ 1.02</u>

Consolidated Balance Sheet

The CONSUMERS' GAS COMPANY and subsidiary companies

ASSETS

	September 30	
	<u>1970</u>	<u>1969</u>
	(in thousands)	
CURRENT ASSETS		
Cash and deposits	\$ 11,335	\$ 5,399
Accounts receivable (including accounts receivable on merchandise finance plan, 1970—\$10,325,000, 1969—\$9,212,000)	22,470	21,241
Materials and supplies at the lower of cost and market	3,946	3,662
Gas stored underground at cost	19,647	12,751
Prepaid expenses	<u>1,336</u>	<u>1,136</u>
	<u>58,734</u>	<u>44,189</u>
INVESTMENTS at cost (note 1)		
Union Gas Company of Canada, Limited.	12,846	12,846
Tecumseh Gas Storage Limited	<u>3,000</u>	<u>3,000</u>
	<u>15,846</u>	<u>15,846</u>
PROPERTY, PLANT AND EQUIPMENT at cost or redetermined value (note 2)	418,462	393,578
Lands, structures, gas transmission and distribution systems, equipment, motor vehicles, unamortized franchise and permit costs, etc.		
Less depreciation	<u>60,900</u>	<u>58,860</u>
	<u>357,562</u>	<u>334,718</u>
OTHER ASSETS AND DEFERRED CHARGES		
Mortgages receivable	5,987	6,325
Special federal refundable tax	—	245
Property held for resale and other assets	3,694	2,626
Unamortized debt discount and expense	1,370	1,982
Other deferred charges	<u>959</u>	<u>264</u>
	<u>12,010</u>	<u>11,442</u>
Approved by the Board:		
J. K. MACDONALD, Director		
OAKAH L JONES, Director		
	<u><u>\$444,152</u></u>	<u><u>\$406,195</u></u>

LIABILITIES

	September 30	
	<u>1970</u>	<u>1969</u>
(in thousands)		
CURRENT LIABILITIES		
Bank borrowings	\$ 33,267	\$ 19,023
Notes payable	20,537	130
Accounts payable and accrued	18,593	16,544
Accrued interest on long term debt	2,215	2,276
Taxes payable	2,275	2,110
Dividends payable October 1	3,729	3,385
Sinking fund requirements payable within one year	1,338	1,668
	<u>81,954</u>	<u>45,136</u>
LONG TERM DEBT		
Funded debt (note 3)	184,872	189,728
Mortgages payable	708	757
	<u>185,580</u>	<u>190,485</u>
DEFERRED INCOME TAXES (note 4)		
	<u>2,014</u>	<u>2,438</u>
MINORITY INTEREST IN SUBSIDIARY COMPANY		
	<u>727</u>	<u>—</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 5)		
Preference shares (note 6)	17,176	17,645
Common shares (note 7)		
Authorized—75,000,000 shares without par value		
Issued—17,486,828 shares (1969—17,472,607 shares)	72,578	72,418
Contributed surplus	3,136	3,025
Excess of net redetermined value of property, plant and equipment over depreciated book cost (note 2)	17,925	18,498
Retained earnings (note 8)	<u>63,062</u>	<u>56,550</u>
	<u>173,877</u>	<u>168,136</u>
	<u><u>\$444,152</u></u>	<u><u>\$406,195</u></u>

Consolidated Statement of Retained Earnings

The CONSUMERS' GAS COMPANY and subsidiary companies

	Year ended September 30	
	<u>1970</u>	<u>1969</u>
		(in thousands)
Balance at beginning of year	\$ 56,550	\$ 50,881
Net income after dividends	6,290	5,175
Amounts realized through depreciation provisions, transferred from excess of net re-determined value of property, plant and equipment over depreciated book cost . .	349	494
	<u>63,189</u>	<u>56,550</u>
Deduct costs of obtaining supplementary letters patent	127	—
Balance at end of year	<u>\$ 63,062</u>	<u>\$ 56,550</u>

Consolidated Statement of Source and Use of Funds

Sixteen year period since conversion to natural gas 1955—1970
(in thousands)

	Year ended September 30	
	<u>1970</u>	<u>1969</u>
		(in thousands)
SOURCE OF FUNDS		
\$236,267	Addition to working capital from operations and extraordinary items . . .	\$29,970
216,850	Issue of funded debt	—
76,029	Issue of preference and common shares . .	160
1,614	Miscellaneous items	730
<u>530,760</u>	<u>30,860</u>	<u>88,671</u>
USE OF FUNDS		
383,713	Net additions to property, plant and equipment	33,051
9,321	Investment in mortgages receivable and other assets, net	370
(708)	Reduction in mortgages payable, net . .	49
3,000	Investment in shares of Tecumseh Gas Storage Limited	—
12,846	Investment in shares of Union Gas Company of Canada, Limited . . .	—
338	Investment in shares of subsidiary company less working capital at date of acquisition	338
3,675	Expenditures on conversion to natural gas	—
40,218	Reduction in non-current portion of funded debt	4,856
824	Preference shares purchased for cancellation	469
6,732	Capital stock and funded debt issue costs, net	127
96,421	Dividends on preference and common shares	13,873
<u>556,380</u>	<u>53,133</u>	<u>13,541</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	<u>\$(25,620)</u>	<u>\$36,678</u>

Notes to Consolidated Financial Statements

The CONSUMERS' GAS COMPANY and subsidiary companies

Note 1 INVESTMENTS

The company holds 700,000 common shares of Union Gas Company of Canada, Limited shown on the balance sheet at cost. At September 30, 1970 the market value of these Union Gas Company of Canada, Limited common shares was \$10,325,000 based on the closing price of \$14 3/4 per share. This asset was transferred from Current Assets to Investments in 1970 following denial of permission to acquire more than 20% of the common shares of Union Gas. The 1969 comparative figures have been reclassified to conform with the presentation adopted for 1970.

Tecumseh Gas Storage Limited, which operates natural gas storage pools, is owned 50% by the company and 50% by Imperial Oil Limited. Dividends received from Tecumseh and included in the item other revenue, amounted to \$270,000 in 1970 and \$300,000 in 1969. The company's interest in the undistributed earnings of Tecumseh to March 31, 1970, the end of its fiscal year, amounted to \$1,184,697. This amount has not been taken into the company's accounts.

Subsequent to September 30, 1970, the Company has agreed to acquire as an investment the majority of the preference shares and 50% of the common shares of The Harrow Group Limited.

Note 2 PROPERTY, PLANT AND EQUIPMENT

All land, plant and equipment is stated at cost, with the exception of plant and equipment acquired prior to the end of the companies' 1955 fiscal years which is stated at a redetermined value of \$62,800,000 based on reproduction cost according to appraisals made by Stone & Webster Canada Limited as at that time.

The balance sheet deduction for depreciation is based on estimated service life at the date of the appraisal plus annual depreciation provisions for subsequent years calculated on a straight line estimated service life basis using the stated values of depreciable assets and less adjustments for disposals.

The increase in the depreciated value of property, plant and equipment, resulting from the 1955 redetermination (less portions of such increase realized through disposals and depreciation provisions and adjustments for the years 1956 to 1970) has been included in shareholders' equity as excess of net redetermined value of property, plant and equipment over depreciated book cost.

Note 3 FUNDED DEBT

FUNDDED DEBT	Maturity	Outstanding	
		1970	1969
The Consumers' Gas Company			
First Mortgage Sinking Fund Bonds			
3 3/4% Series A	1974	\$ 5,612,000	\$ 5,737,000
5% Series B	1978	14,260,000	15,195,000
5 1/2% Series C	1983	17,704,000	18,250,000
4.85% Series D (1970—U.S. \$13,850,000, 1969—U.S. \$14,500,000)	1985	14,867,686	15,565,448
Sinking Fund Debentures			
4 1/4%	1974	4,116,500	4,404,000
4 3/4%	1976	6,365,500	6,432,000
5 3/4%	1977	3,884,500	4,248,000
6 1/2%	1979	7,732,000	8,004,000
6%	1981	11,229,500	11,947,400
5 1/2%	1982	8,626,700	8,930,100
5 3/4%	1984	9,886,300	10,245,900
5 5/8%	1985	18,989,000	19,423,000
Convertible Sinking Fund Debentures			
5 1/2% (convertible into common shares at a conversion price of \$23.53 per share) . . .	1989	60,000,000	60,000,000
St. Lawrence Gas Company, Inc.			
First Mortgage Sinking Fund Bonds			
5 1/4% (1970—U.S. \$2,712,000, 1969—U.S. \$2,784,000)	1988	2,936,554	3,014,515
Less balance of sinking fund requirements payable within one year, included in current liabilities		186,210,240	191,396,363
		1,337,854	1,668,229
		\$184,872,386	\$189,728,134

The outstanding principal amounts are expressed as the equivalents in Canadian funds at date of issue.

Aggregate sinking fund instalments due on the presently outstanding funded debt, amount to approximately \$4,849,253 in 1972 and \$5,459,158 in 1973.

Note 4 INCOME TAXES

The companies, depending on the circumstances described below, either collect or do not collect amounts in current revenues, which amounts offset income taxes the payment of which is deferred to later periods by reason of claiming for income tax purposes capital cost allowances and other deductions in excess of the related amounts charged to income in their accounts.

In circumstances where the aggregate reductions in income taxes will occur for many years, such as in the utility and like operations, the rate structures are designed to not collect these amounts in current revenues. Where the reductions occur for relatively short periods making it un-

Notes to Consolidated Financial Statements

(Continued)

The CONSUMERS' GAS COMPANY and subsidiary companies

desirable to adjust rate structures, such as in cases where acceleration in capital cost allowances is available for a limited time and in non-utility operations, the deferred taxes are included in the prices charged for materials or services and are collected in current revenues. Only in the cases where deferred taxes are collected in revenues are they recorded in the companies' accounts. In this way, a proper matching of revenues and expenses is accomplished in accordance with the principles set forth by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants.

Deferred income taxes not recovered in revenues and hence not recorded in the companies' accounts amounted to \$6,720,000 in 1970, and \$5,690,000 in 1969. The accumulated amount to September 30, 1970 is \$55,690,000 which amount has been increased in 1970 to reflect adjustments of deferred income taxes for 1969 and prior years.

Note 5 CAPITAL STOCK

By supplementary letters patent dated October 14, 1969 the company's capital was changed as follows:

- (a) Decreasing the authorized capital of the company by cancelling the 70,000 unissued preference shares with a par value of \$100 each.
- (b) Re-designating the issued preference shares with a par value of \$100 each, issuable in series, as preference shares, group 1 with a par value of \$100 each, issuable in series.
- (c) Increasing the authorized capital of the company by:
 - (i) creating 1,000,000 preference shares, group 2 with a par value of \$100 each, issuable in series;
 - (ii) creating 15,000,000 6½% convertible preference shares, group 3 with a par value of \$14 each; and
 - (iii) creating an additional 50,000,000 common shares without par value.

Note 6 PREFERENCE SHARES

Authorized

Group 1— 171,760 shares (1969—246,455 shares) of \$100 each, issuable in series

Group 2— 1,000,000 shares of \$100 each, issuable in series

Group 3—15,000,000 convertible shares of \$14 each

Outstanding, Group 1	1970	1969
48,310 shares (1969—48,815 shares) 5½% cumulative Series A, redeemable at a premium reducing from 3% to 1%	\$ 4,831,000	\$ 4,881,500
95,875 shares (1969—98,965 shares) 5½% cumulative Series B, redeemable at a premium reducing from 3% to 1%	9,587,500	9,896,500
27,575 shares (1969—28,675 shares) 5% cumulative Series C, redeemable at a premium reducing from 4% to 1%	2,757,500	2,867,500
	<u>\$17,176,000</u>	<u>\$17,645,500</u>

A retirement fund for the purchase of each class of preference shares for cancellation is required to be maintained in the amounts of \$100,000 for the Series A shares, \$200,000 for the Series B shares, and \$60,000 for the Series C shares. These funds are required to be augmented on January 2 of each year by the amounts necessary to re-establish them at the original amounts (see Note 8).

During the year, 505 Series A, 3090 Series B and 1100 Series C preference shares having an aggregate par value of \$469,500 were purchased for cancellation. The amount of \$92,795 by which the par value exceeded the purchase price of such shares is included in contributed surplus.

Note 7 COMMON SHARES

During the year, 14,221 common shares were issued for \$160,677 cash.

2,550,000 common shares are reserved for issue upon conversion of the 5½% convertible sinking fund debentures.

Under the terms of the Restricted Stock Option Plan approved by the common shareholders on November 19, 1956, 890,874 common shares have been set aside for purchase by key employees. At September 30, 1970, 777,857 shares had been issued under this plan and options are outstanding on 980 shares at \$12.00 per share, 9,330 shares at \$12.825 per share and 71,750 shares at \$17.55 per share for a total of 82,060 shares. The last of these options expires on January 19, 1975. A total of 97 employees hold options under the Restricted Stock Option Plan.

Note 8 RETAINED EARNINGS

Retained earnings includes a special account in which has been set aside, in accordance with supplementary letters patent creating the preference shares, amounts aggregating \$113,740 for the purchase of preference shares for cancellation.

Notes to Consolidated Financial Statements

(Continued)

The CONSUMERS' GAS COMPANY and subsidiary companies

Note 9 EARNINGS PER SHARE

Earnings per share have been calculated on the weighted average number of shares outstanding during the year.

Fully diluted earnings per share (assuming conversion of the convertible debentures and exercise of stock options):

	1970	1969
Income before extraordinary item	\$1.06	\$.97
Net income	\$1.04	\$.97

Note 10 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers amounted to \$372,542 for 1970 and \$308,917 for 1969.

Note 11 PENSION PLAN LIABILITY

The unfunded past service liabilities of the company and its subsidiaries according to independent actuarial valuations made as at September 30, 1967 amounted to \$1,800,755 at that date. This obligation is being satisfied and charged to operations in the amount of \$234,090 annually. Annual contributions are made and charged to operations in the amounts estimated in the actuarial valuation to be sufficient to fund all current costs of the plan.

Note 12 CONTINGENT LIABILITY

The company has entered into an agreement whereby it agrees to make sufficient use of the facilities of Tecumseh Gas Storage Limited to generate the revenue required by Tecumseh to meet its obligations under a Trust Indenture relating to its Series A debentures. In the event that there is any deficiency, the company will be required to purchase subordinated securities in an amount sufficient to make up the deficiency. The management of the company is of the opinion that Tecumseh will generate sufficient revenue to meet its obligations.

Auditors' Report

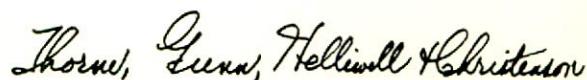
Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

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, 1970 and the consolidated statements of income, retained earnings and source and use of funds 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 these consolidated financial statements present fairly the financial position of the companies as at September 30, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Canada
November 2, 1970

Chartered Accountants

Financial and Operating Statistics—1961-1970

Year ended September 30

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Consolidated Statement										
of Income (\$000's)										
Gas sales										
Residential	\$65,177	\$59,737	\$58,860	\$55,332	\$52,432	\$49,999	\$42,650	\$39,694	\$33,457	\$30,681
Commercial	40,041	33,934	27,532	23,694	19,853	16,203	12,133	9,953	8,158	7,173
Industrial and other Red	39,599	36,086	30,982	28,386	24,898	22,665	20,715	17,228	14,527	12,410
Total gas sales	144,817	129,757	117,374	107,412	97,183	88,867	75,498	66,875	56,142	50,264
Other revenue	11,843	10,088	9,031	7,561	6,144	5,260	4,897	3,885	3,105	2,852
	<u>156,660</u>	<u>139,845</u>	<u>126,405</u>	<u>114,973</u>	<u>103,327</u>	<u>94,127</u>	<u>80,395</u>	<u>70,760</u>	<u>59,247</u>	<u>53,116</u>
Gas costs	77,294	68,753	59,605	54,079	49,696	44,600	36,760	31,270	25,887	22,579
Operation and maintenance	24,307	21,348	20,876	19,076	17,769	17,585	17,967	17,591	15,116	14,316
Amortization of conversion expense	—	—	—	—	—	—	—	—	902	249
Depreciation	10,052	9,248	8,531	7,761	7,001	6,340	5,781	4,577	3,711	3,276
Municipal and other taxes	3,865	3,725	2,958	2,875	2,514	2,278	2,129	1,786	1,360	1,554
Interest and amortization— long term debt	10,389	9,463	7,560	7,774	7,958	7,031	6,075	5,212	4,115	3,681
Other interest	2,116	1,683	1,519	1,037	351	895	1,172	375	164	460
	<u>128,023</u>	<u>114,220</u>	<u>101,049</u>	<u>92,602</u>	<u>85,289</u>	<u>78,729</u>	<u>69,884</u>	<u>60,811</u>	<u>51,255</u>	<u>46,115</u>
Income before income taxes and extraordinary items	28,637	25,625	25,356	22,371	18,038	15,398	10,511	9,949	7,992	7,001
Income taxes										
Current	8,531	7,476	8,318	6,396	3,426	2,208	120	1,234	605	671
Deferred	(424)	(567)	(607)	43	1,169	1,460	787	153	—	—
	<u>8,107</u>	<u>6,909</u>	<u>7,711</u>	<u>6,439</u>	<u>4,595</u>	<u>3,668</u>	<u>907</u>	<u>1,387</u>	<u>605</u>	<u>671</u>
Income before extraordinary items	20,530	18,716	17,645	15,932	13,443	11,730	9,604	8,562	7,387	6,330
Extraordinary items	(367)	—	—	—	1,436	809	—	—	—	—
	<u>20,163</u>	<u>18,716</u>	<u>17,645</u>	<u>15,932</u>	<u>14,879</u>	<u>12,539</u>	<u>9,604</u>	<u>8,562</u>	<u>7,387</u>	<u>6,330</u>
Net income for the year	940	964	973	975	975	975	943	825	825	825
Preference share dividends										
Net earnings available for common shares	\$19,223	\$17,752	\$16,672	\$14,957	\$13,904	\$11,564	\$7,661	\$7,737	\$6,562	\$5,505

Net earnings available for
common shares

Statistical Information

Condensed Consolidated Balance Sheet (\$000's)		1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	
ASSETS:												
Current assets	\$ 44,189	\$322,242	\$28,310	\$28,749	\$27,511	\$26,522	\$26,784	\$24,936	\$24,729	\$24,729		
Investments—at cost	15,846	15,846	3,000	3,000	3,000	3,000	—	—	—	—		
Property, plant and equipment	393,578	368,760	335,362	312,107	290,785	273,644	251,830	222,005	202,599	202,599		
Less depreciation	58,860	56,267	41,248	36,774	33,919	30,295	27,701	24,424	27,843	27,843		
	<u>334,718</u>	<u>312,493</u>	<u>294,114</u>	<u>275,333</u>	<u>256,866</u>	<u>243,349</u>	<u>224,129</u>	<u>197,581</u>	<u>174,756</u>	<u>174,756</u>		
Other assets and deferred charges	11,442	13,770	17,120	15,696	14,471	11,963	10,675	3,077	3,065	3,065		
	<u>\$406,195</u>	<u>\$374,351</u>	<u>\$342,544</u>	<u>\$322,778</u>	<u>\$301,848</u>	<u>\$284,834</u>	<u>\$261,588</u>	<u>\$225,594</u>	<u>\$202,550</u>	<u>\$202,550</u>		
LIABILITIES:												
Current liabilities	\$ 81,954	\$ 69,867	\$ 32,958	\$ 34,613	\$ 19,351	\$ 43,288	\$ 36,226	\$ 23,392	\$ 13,255	\$ 13,255		
Long term debt	185,580	136,716	141,835	144,396	146,107	112,180	103,193	81,546	73,216	73,216		
Deferred income taxes	2,014	3,005	3,612	3,569	2,400	940	153	—	—	—		
	<u>727</u>	<u>—</u>										
Shareholders' Equity												
Preference shares	17,176	17,925	18,000	18,000	18,000	18,000	15,000	15,000	15,000	15,000		
Common shares	72,578	72,371	72,257	53,216	52,985	52,813	52,695	52,059	50,625	50,625		
Contributed surplus	3,136	3,025	2,980	2,977	2,977	2,977	2,977	2,977	2,977	2,977		
Excess of net redetermined value of property, plant and equipment over depreciated book cost	17,925	20,606	25,704	26,236	26,767	27,299	27,831	31,686	32,262	32,262		
Retained earnings	63,062	56,550	50,881	45,201	39,771	33,261	27,337	23,513	18,934	18,934		
	<u>168,136</u>	<u>164,763</u>	<u>164,139</u>	<u>140,200</u>	<u>133,990</u>	<u>128,426</u>	<u>122,016</u>	<u>120,656</u>	<u>116,079</u>	<u>116,079</u>		
	<u>\$444,152</u>	<u>\$374,351</u>	<u>\$342,544</u>	<u>\$322,778</u>	<u>\$301,848</u>	<u>\$284,834</u>	<u>\$261,588</u>	<u>\$225,594</u>	<u>\$202,550</u>	<u>\$202,550</u>		
Consolidated Statement of Source and Use of Funds (\$000's)												
SOURCE OF FUNDS												
Addition to working capital from operations and extraordinary items	\$ 29,970	\$ 27,572	\$ 25,695	\$ 23,892	\$ 21,721	\$ 19,558	\$ 16,315	\$ 14,020	\$ 11,742	\$ 9,929		
Issue of funded debt		60,000	—	—	36,102	11,000	23,098	9,875	9,875	13,699		
Issue of preference and common shares			47	114	19,041	231	172	3,118	637	1,434		
Miscellaneous items			1,052	722	(236)	1,260	1,016	82	430	589		
			<u>88,671</u>	<u>26,531</u>	<u>42,697</u>	<u>23,212</u>	<u>56,848</u>	<u>30,515</u>	<u>38,185</u>	<u>23,640</u>	<u>39,642</u>	
USE OF FUNDS												
Net additions to property, plant and equipment	33,051	33,087	31,476	26,542	25,468	19,858	25,001	34,772	26,798	20,540		
Investment in mortgages receivable and other assets, net	370	(2,545)	(2,505)	1,344	1,157	2,314	1,336	—	—	—		
Reduction in mortgages payable, net	49	1,163	—	720	(991)	(1,366)	(283)	—	—	—		
Investments in shares of subsidiary company less working capital at date of acquisition	338	—	—	12,846	—	—	—	3,000	—	—		
Reduction in non-current portion of funded debt	4,856	5,068	4,399	3,552	3,077	2,458	2,013	1,545	1,540	1,315		
Preference shares purchased for cancellation	469	280	75	—	—	—	—	—	—	—		
Capital stock and funded debt issue costs, net	127	1,399	—	380	—	—	502	177	368	66		
Dividends on preference and common shares	13,873	13,541	12,497	10,654	8,900	7,147	6,312	5,232	4,250	3,555		
	<u>53,133</u>	<u>51,993</u>	<u>59,508</u>	<u>41,481</u>	<u>37,236</u>	<u>31,996</u>	<u>37,839</u>	<u>41,917</u>	<u>32,654</u>	<u>25,900</u>	<u>25,900</u>	
Increase (decrease) in working capital position	<u>\$36,678</u>	<u>\$32,977</u>	<u>\$1,216</u>	<u>\$14,024</u>	<u>\$24,852</u>	<u>\$7,324</u>	<u>\$3,732</u>	<u>\$9,014</u>	<u>\$13,742</u>	<u>\$13,742</u>		

Increase (decrease) in working capital position

Financial and Operating Statistics—1961-1970 (Cont'd)

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>
Gas supply—MMCF										
Natural gas purchased	177,342	148,742	127,180	111,132	109,094	95,721	82,303	72,355	58,401	49,930
Natural gas produced	1,581	764	270	374	189	70	46	25	111	121
Propane-air gas produced										74
Total gas supply	<u>178,923</u>	<u>149,506</u>	<u>127,450</u>	<u>111,506</u>	<u>109,283</u>	<u>95,791</u>	<u>82,349</u>	<u>72,380</u>	<u>58,512</u>	<u>50,125</u>
Gas deliveries—MMCF										
Sales to customers										
Residential	51,568	46,942	46,326	43,270	40,885	38,883	32,184	29,842	24,730	22,187
Commercial	46,782	38,971	30,114	25,541	21,306	16,918	11,323	8,704	6,847	5,784
Industrial and other	63,110	57,939	49,124	45,323	41,213	38,203	36,277	29,273	25,336	20,574
Total sales	161,460	143,852	125,564	114,134	103,404	94,004	79,784	67,819	56,913	48,545
Gas into storage	40,908	24,039	22,256	16,305	18,093	17,096	13,973	13,314	8,900	7,014
Gas out of storage	(25,457)	(20,344)	(21,321)	(20,075)	(13,521)	(16,067)	(11,659)	(9,558)	(8,059)	(5,802)
Use by company	374	386	231	197	178	175	159	155	132	130
Unbilled and unaccounted for	1,638	1,573	720	945	1,129	583	92	650	626	238
Total gas deliveries	<u>178,923</u>	<u>149,506</u>	<u>127,450</u>	<u>111,506</u>	<u>109,283</u>	<u>95,791</u>	<u>82,349</u>	<u>72,380</u>	<u>58,512</u>	<u>50,125</u>
Maximum daily sendout MCF	855,300	739,833	719,814	616,526	524,248	489,659	416,557	370,813	305,644	262,262
Minimum daily sendout MCF	134,400	135,107	126,715	106,047	102,031	94,827	84,437	69,333	63,113	47,212
Average daily sendout MCF	447,868	399,482	346,616	315,825	286,879	259,622	219,274	188,011	158,003	134,008
Degree day deficiency (Note 1)	6,947	6,734	6,911	6,896	6,891	6,965	6,556	7,222	6,700	6,950
Number of active customers (year end)										
Residential	363,365	352,597	339,145	328,793	319,029	310,739	295,032	275,178	254,020	240,188
Commercial	28,601	26,342	24,503	22,569	20,837	18,530	17,190	15,876	14,348	13,334
Industrial and other	4,703	4,630	4,178	4,149	4,087	4,043	3,734	3,561	3,101	2,978
TOTAL	<u>396,669</u>	<u>383,569</u>	<u>367,826</u>	<u>355,511</u>	<u>343,953</u>	<u>333,312</u>	<u>315,956</u>	<u>294,615</u>	<u>271,469</u>	<u>256,500</u>
Cost to customers										
Average revenue per MCF										
Residential	\$1.26	\$1.27	\$1.28	\$1.28	\$1.29	\$1.33	\$1.33	\$1.35	\$1.38	
Commercial	\$.86	\$.87	\$.91	\$.93	\$.93	\$.96	\$.96	\$1.14	\$1.24	
Industrial and other	\$.63	\$.62	\$.63	\$.63	\$.60	\$.59	\$.57	\$.59	\$.57	\$.60
Average use per residential customer—MCF	141.0	132.8	135.8	130.8	126.8	125.2	110.5	111.4	100.5	94.6

Note 1: Degree day deficiency figures given are those for 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.

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>
Number of shareholders										
Common	27,255	26,526	25,205	24,477	22,757	21,589	18,886	14,908	13,812	12,933
Preferred	2,032	2,116	2,218	2,263	2,290	2,350	2,401	2,411	2,449	2,478
Basic earnings per common share										
Before extraordinary items	\$1.12	\$1.02	\$.95	\$.90	\$.79	\$.68	\$.55	\$.49	\$.42	\$.40
After extraordinary items	\$1.10	\$1.02	\$.95	\$.90	\$.88	\$.73	\$.55	\$.49	\$.42	\$.40
Fully diluted earnings per common share (assuming conversion of the convertible debentures and exercise of stock options)										
Before extraordinary items	\$1.06	\$.97	\$.95	\$.90	\$.78	\$.68	\$.55	\$.49	\$.42	\$.38
After extraordinary items	\$1.04	\$.97	\$.95	\$.90	\$.87	\$.73	\$.55	\$.49	\$.42	\$.38
Weighted average number of common shares outstanding during the year	17,476,077	17,468,215	17,460,727	16,527,768	15,847,870	15,823,785	15,789,116	15,732,390	15,533,842	13,827,936
Number of employees	2,377	2,221	2,142	2,166	2,053	2,081	2,150	2,288	2,126	2,042
Miles of mains in use	7,461	7,321	7,084	6,841	6,433	6,345	6,176	5,845	5,468	4,999
Population of area served	3,862,000	3,765,000	3,682,000	3,610,000	3,490,000	3,340,000	3,210,000	3,115,000	3,019,000	2,921,000
Gas costs to total gas sales revenue .	53%	53%	51%	50%	51%	50%	49%	47%	46%	45%
Operation and maintenance costs to total revenue	16%	15%	17%	17%	17%	19%	22%	25%	26%	27%
Income before income taxes and extraordinary items to total revenue	18%	18%	20%	19%	17%	16%	13%	14%	13%	13%

Corporate Information

The Consumers' Gas Company

Incorporated under the laws of the Province of Canada March 23, 1848
and continued as if incorporated under the laws of the Province of Ontario

GENERAL OFFICE
19 Toronto Street, Toronto, Ontario

REGISTRAR, TRANSFER AND DIVIDEND
DISBURSING AGENT
Canada Permanent Trust Company
1901 Yonge St., Toronto 7, Ontario

REGISTRAR AND
TRANSFER AGENTS

Canada Permanent Trust Company in
St. John's, Halifax, Charlottetown,
Saint John, Montreal, Toronto, Winnipeg,
Saskatoon, Calgary and Vancouver

Bankers Trust Company
16 Wall Street, New York

TRUSTEE (BONDS)

3¾% FIRST MORTGAGE SINKING FUND BONDS, SERIES A
5% FIRST MORTGAGE SINKING FUND BONDS, SERIES B
5½% FIRST MORTGAGE SINKING FUND BONDS, SERIES C
4.85% FIRST MORTGAGE SINKING FUND BONDS, SERIES D (U.S. Funds)
Canada Permanent Trust Company
320 Bay Street, Toronto

TRUSTEE (DEBENTURES)

4¼%, 4¾%, 5½%, 5¾%, 5¾%, 6% AND 6½% SINKING FUND DEBENTURES
Crown Trust Company
302 Bay Street, Toronto

TRUSTEE (CONVERTIBLE DEBENTURES)

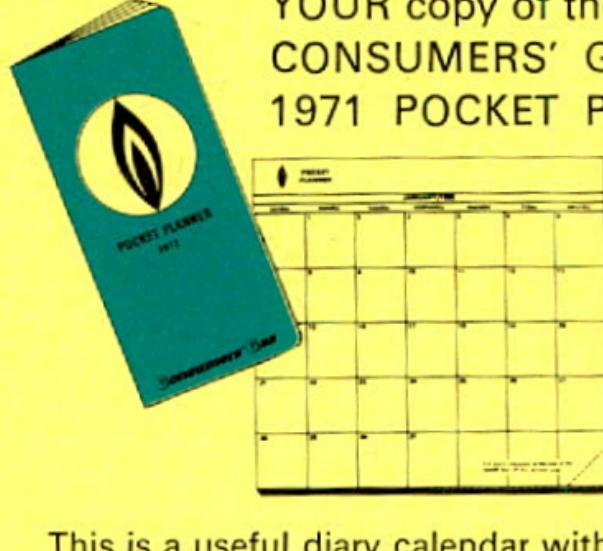
5½% CONVERTIBLE SINKING FUND DEBENTURES
The Royal Trust Company
Royal Trust Tower, Toronto-Dominion Centre,
Toronto, Ontario

TRUSTEE (U.S. BONDS)

5¼% FIRST MORTGAGE SINKING FUND BONDS,
ST. LAWRENCE GAS COMPANY, INC.
Bankers Trust Company
16 Wall St., New York

FREE—with our compliments

YOUR copy of the
CONSUMERS' GAS
1971 POCKET PLANNER



This is a useful diary calendar with space to record appointments, reminders, and desired information for each day of the year 1971. Its trim size and attractive appearance make it ideal for pocket, Purse or desk. It was designed specifically to be used by our employees to provide them with a convenient method of organizing their time and effort, thereby increasing employee efficiency.

It has proved so valuable we're repeating the offer again this year.

It contains addresses, telephone numbers of Company offices and important information about your Company and its operations.

By utilizing the preparatory work required to produce this Pocket Planner for employees, it is possible to make this offer to you at very little cost to the Company.

To obtain your copy, simply fill in the reply card which is directed to my personal attention.

Yours sincerely

A handwritten signature in blue ink that reads "Bob Jones".

Chairman of the Board
and President

USE THIS CARD FOR YOUR COMPLIMENTARY COPY

Dear Mr. Jones:

I would like to take advantage of your complimentary offer of the Consumers' Gas 1971

POCKET PLANNER.

Please supply _____ additional "Clean Air" stickers.

Name _____

Address _____

Zone _____

Phone Number _____

I am interested in having the latest information about the new natural gas appliances:

- Patio Light
- Outdoor Barbecue
- Fireplace
- Space Heater
- Range
- Washer-Dryer Combination
- Furnace
- Domestic Water Heater
- Range
- Air Conditioner

I am interested in the industrial application of clean burning, non-polluting natural gas for _____

Please mail information

Please have representative of the Company contact me.

"If everyone today used NATURAL GAS,
there would be a LOT LESS AIR POLLUTION"

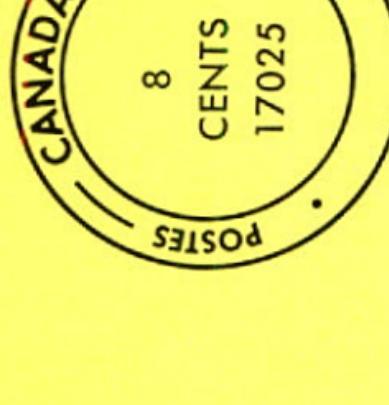
Attach the
"CLEAN AIR" STICKER
to the rear window or
bumper of your car.

It's one sure way
to make more
people aware of the
importance of natural gas
in providing "*Clean Air*".

Clean air means better living
and a better environment...

*You Benefit...
Everyone Benefits!*

Additional stickers will be provided.
Use the reply card for this purpose.



Business Reply Card

No postage stamp necessary if mailed in Canada

Postage will be paid by

The Consumers' Gas Company
19 Toronto Street
Toronto 1, Ontario

ATT. MR. O. L. JONES, PRESIDENT

CLEAN AIR "for the good of the Community"



Sticker enclosed

Today, everyone talks about our environment and the need to do something about it. Fortunately a great deal is being done—*more than many realize!*

For example, in our area more than 400,000 customers use natural gas. Since natural gas is a clean-burning, non-polluting source of energy, every user of natural gas makes a constructive contribution to clean air. *If everyone today used NATURAL GAS, there would be a LOT LESS AIR POLLUTION.*

Every new user who selects natural gas instead of alternative fuels makes an important contribution to clean air and a better environment.

To meet the demand which will result, steps which Consumers' Gas has taken to extend and improve service and to assure sources of supply and storage place the company in an excellent position to capitalize on this vital need.

Sales efforts and customer development plans are being stepped up to acquaint customers of the advantages of natural gas as a "Clean Air" source of energy.

As a case in point, to assist in this program, "Clean Air" stickers are being distributed to employees for their use. All company vehicles will carry this message as a means of alerting the public.

Suppliers of gas-fired equipment will be supplied with these "Clean Air" messages to attach to the appliances they sell. Promotional efforts to customers and potential users will tell the same story.

Enthusiastic support is expected from the public as they see and recognize the "Clean Air" message.

As a shareholder, interested in the company and its plans, the public need for clean air is important to you. That's why we are enclosing a sticker for your use. Additional copies are available for yourself and your friends upon request.

The more all of us stress the importance of "Clean Air" the more we will increase the use of natural gas, *to the benefit of everyone.*

