

LOWER ST. LAWRENCE POWER COMPANY

ANNUAL REPORT

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HEAD OFFICE RIMOUSKI, Que.

LOWER ST. LAWRENCE POWER COMPANY

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

OFFICERS :

HONOURABLE J. A. BRILLANT, C.L., C.B.E., *President*

T. A. BERNIER, I.C., *Vice-President*

P. E. GAGNON, K.C., *Secretary*

NORMAN GENDREAU, L.C.M.I., *Controller*

JEAN DUCHESNEAU, *Treasurer*

DIRECTORS :

J. A. BRILLANT Rimouski

NORMAN GENDREAU Rimouski

T. A. BERNIER Rimouski

J. H. BROCHU Rimouski

P. E. GAGNON Rimouski

JEAN DUCHESNEAU Rimouski

GEORGES MASSON Rimouski

MISS A. DUBE Rimouski

G. A. LAVOIE Rimouski

HEAD OFFICE

46 Cathedral Avenue, Rimouski, Quebec, Canada.



Town of MATANE
looking north



Central Section of RIMOUSKI, Que. *looking north*

ANNUAL REPORT

of

LOWER ST. LAWRENCE POWER COMPANY

for the year 1945

To the Shareholders :

The Directors of the company take pleasure in submitting the annual report for the year 1945. The financial statements for the year, together with the report of the auditors, are submitted herewith, as well as statistical data showing, in graphic form, the remarkable progress accomplished during the 22 years of the company's corporate existence.

The operations during the last fiscal year, in terms of customers served, power sold, and gross revenue, attained the highest point in the company's history.

This is rather remarkable since the territory served by the company — situated in the South-eastern section of Quebec province — is rural and semi-rural in character. Therefore, it is not industrialized to any considerable extent. As a result, it was not favored with war contracts as were other sections of the Province.

However, this very fact is an assurance that, unlike industrialized centers, it will be little affected by post war unemployment and other such unfavorable effects. The progress thus far attained by the company is the result of the natural normal growth and expansion of the communities served, without the stimulus of abnormal and temporary conditions which usually cause unfavorable reactions when "boom times" cease to exist.

The company can, therefore, feel the territory it serves is better stabilized than other districts and can depend upon a continued normal growth and progress, to which coupled with good management and progressive, yet, sane methods, mean steadier income and profits.

FINANCIAL ASPECT OF REPORT

The total revenue reached \$607,155.35, as compared to \$524,928.29 in 1944 — an increase of \$82,227.06.

Operating and administrative expenses totalled \$257,212.90, an increase of \$35,183.74, leaving a net operating profit of \$349,942.45, as compared with \$302,899.13 in 1944.

The net profit for the year, after payment of bond interest and provision for depreciation as well as income and excess profits taxes, amounted to \$31,954.65, a reduction of \$5,082.38 from the previous year.

The incidence of excess profits tax is such that the company's final profit remains in a constant ratio to the amount of standard profits, and the amortization of the financing expenses incurred as a part of the company's refinancing programme referred to below, which is not permitted as a deduction from taxable profits, together with other minor items of a similar nature, explains the decrease.

It should be noted, however, that provision for excess profits tax has been made on the maximum basis pending the ascertainment of the company's standard profits, which are at present under review by the Department of National Revenue.

Quite naturally, the successful outcome of the company's standard profits claim will greatly improve the balance sheet position and the earnings of the company for the years 1944 and 1945.

Another cause for the increase in operating expense has been the heavy cost of maintenance of the company's properties. During the war years, conditions as to supplies and labor were such that we were compelled to defer much of the maintenance work. During the year 1945, though conditions were still adverse, we undertook, at considerable expense, to carry on the maintenance work that had been deferred. This item alone accounts for a large proportion of the increase in operating expense.

REFINANCING OF FUNDED DEBT

During the early months of the year under review, the company called for redemption its 5% first mortgage bonds, totalling \$1,847,300, and replaced them by a new issue of first mortgage bonds, consisting of \$240,000. 3½% serial bonds, payable 1st March 1946 to 1953 inclusive, and \$1,610,000. 3% sinking fund bonds, due 1st March 1965.

The saving resulting from this refinancing amounts to \$23,590. annually.

During the latter part of 1945, the company sold an issue of general mortgage serial bonds, consisting of \$210,000. 4% bonds, maturing 1st December 1947 to 1952, inclusive, and \$290,000. 4½% bonds, due 1st December 1953 to 1960, inclusive.

EXPANSION PROGRAMME CONTINUED

The general programme of expanding throughout the territory served by the company, as fast as circumstances would permit, was observed during 1945. Capital expenditures on plant, consisting largely of improved distribution facilities, amounted to \$241,149.85. No less than 81 miles of new distribution lines were built, of which 60 miles were put into service during the year to permit the addition of five villages to those the company already served.

NEW GENERATING PLANT ON METIS RIVER

As stated on the balance sheet, the company has undertaken the construction of a new hydro-electric development on the Metis River, one mile below the existing plant. This new plant of 6,000 h.p. is scheduled to be completed by the end of 1946. It will enable the company to then add considerably to its output and thus better be able to cope with the increased demand which now exists in the territory served.

The directors take pleasure in expressing their appreciation of the loyal and efficient support of the officers and employees throughout the year.

Submitted on behalf of the Board,



PRESIDENT

LOWER ST. LAWRENCE POWER COMPANY

Balance Sheet as at 31st December 1945

ASSETS

| | | |
|---|-----------------|------------|
| Fixed Assets : | | |
| Land, water power sites, plant, buildings, transmission and distribution systems, motor vehicles, etc. — at cost (Note 1)..... | 3,577,266.15 | |
| Current Assets : | | |
| Cash on hand and on deposit | 531,659.18 | |
| Dominion of Canada 3% bonds due 1966, at par | 5,000.00 | |
| Accounts Receivable, less reserve for bad debts | 54,765.14 | |
| Inventory of merchandise for sale, based on inventory records verified by physical count during the year by employees of the company and valued at cost | 34,368.72 | |
| Prepaid expenses | <u>7,865.62</u> | 633,658.66 |
| Replacement and Repair Materials | | 31,970.75 |
| Investments and Advances : | | |
| Investment in and advances to La Compagnie de Distribution Electrique de Temiscouata Limitée, an affiliated Company | 15,127.74 | |
| Investment in Quebec Telephone and Power Corporation — at cost | | |
| 3,305 class "A" shares | 110,624.66 | |
| 19,681 class "B" shares | 7,200.00 | |
| Miscellaneous — at cost | 41,692.43 | 174,644.83 |
| Refundable portion of excess profits tax (estimated) | | |
| Financing Expense, less amounts written off | | 124,940.55 |

Notes

- (1) The company has contracted for the construction of a new hydro-electric generating plant on the Metis River at a cost of approximately \$1,050,000, of which approximately \$64,000 is included in the above accounts.
- (2) Pending the hearing of the company's standard profits claim and the ascertainment of the company's standard profits, the calculation of excess profits tax has been based on the company's factual standard profits.

Approved on behalf of the Board :

| | | |
|---------------|---|-----------|
| T. A. BERNIER | } | Directors |
| N. GENDREAU | | |

\$ 4,542,480.94

LIABILITIES

| | | |
|--|---------------------|------------------------|
| Funded Debt : | | |
| Authorized — first mortgage bonds | \$ 5,000,000.00 | |
| Issued — | | |
| 3-1/2% serial bonds due 1946 to 1953, Series "A" | 240,000.00 | |
| 3-3/4% sinking fund bonds due 1965, series "B" | <u>1,610,000.00</u> | 1,850,000.00 |
| Authorized — general mortgage bonds | \$ 950,000.00 | |
| Issued — serial bonds, Series "A" | | |
| 4% bonds due 1947 to 1952 | 210,000.00 | |
| 4-1/2% bonds due 1953 to 1960 | <u>290,000.00</u> | 500,000.00 |
| Capital Stock : | | |
| Authorized and issued — | | |
| 8,000 6% non-cumulative redeemable preferred shares of \$100.00 each | 800,000.00 | |
| 20,000 common shares without nominal or par value | <u>30,000.00</u> | 830,000.00 |
| Reserves for Depreciation | | |
| | | 804,673.43 |
| Contributions for Extensions | | |
| | | 14,769.69 |
| Current Liabilities : | | |
| (Exclusive of \$30,000 first mortgage 3-1/2% serial bonds maturing 1st March 1946) — | | |
| Accounts payable and accrued expenses | 37,041.87 | |
| Accrued bond interest | 28,287.50 | |
| Income and excess profits taxes payable (Note 2) | <u>161,314.87</u> | 226,644.24 |
| Surplus : | | |
| Balance at credit -- per attached statement | 274,701.15 | |
| Refundable portion of excess profits tax — per contra | <u>41,692.43</u> | 316,393.58 |
| | | <u>\$ 4,542,480.94</u> |

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of Lower St. Lawrence Power Company for the year ended 31st December 1945, and we have obtained all the information and explanations which we have required.

In our opinion, the above Balance Sheet and attached Statement of Profit and Loss Account are properly drawn up so as to exhibit a true and correct view

of the state of the company's affairs and of the results of the operations for the year, according to the best of our information and the explanations given to us and as shown by the books of the company.

McDONALD, CURRIE & CO.
Chartered Accountants.

MONTREAL, 13th March 1946.

LOWER ST. LAWRENCE POWER COMPANY

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1945

| | | |
|---|-------------------|---------------------|
| Gross revenue from sale of power | | 543,317.92 |
| Profit from retail stores and electrical contracting | | 53,530.51 |
| Miscellaneous revenue | | <u>10,306.92</u> |
| | | 607,155.35 |
| Deduct : | | |
| Operating expense | 241,372.59 | |
| Taxes | 14,283.70 | |
| Miscellaneous interest | <u>1,556.61</u> | <u>257,212.90</u> |
| Operating Profit | | 349,942.45 |
| Deduct : | | |
| Bond interest | 91,798.63 | |
| Amortization of financing expense | 5,620.70 | |
| Provision for depreciation | 86,135.91 | |
| Provision for income and excess profits taxes | <u>134,432.56</u> | <u>317,987.80</u> |
| Net Profit for the year — transferred to Surplus Account | | <u>\$ 31,954.65</u> |

STATEMENT OF SURPLUS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1945

| | |
|--|----------------------|
| Balance at credit — 31st December 1944 | 242,746.50 |
| Net profit for the year | <u>31,954.65</u> |
| Balance at credit — 31st December 1945 | <u>\$ 274,701.15</u> |

TWENTY-TWO YEARS OF PROGRESS

The history of Lower St. Lawrence Power Company is one of uninterrupted development. During the twenty-two years since it first came into operation, there has been integrated a system which has assured the people of the region of an electric service altogether comparable in quality and dependability to that available in the most industrialized districts of the Province.

At all times the power supply has been adequate, and future requirements have always been provided for. A new power plant is now being developed in anticipation of postwar needs which can now be foreseen.

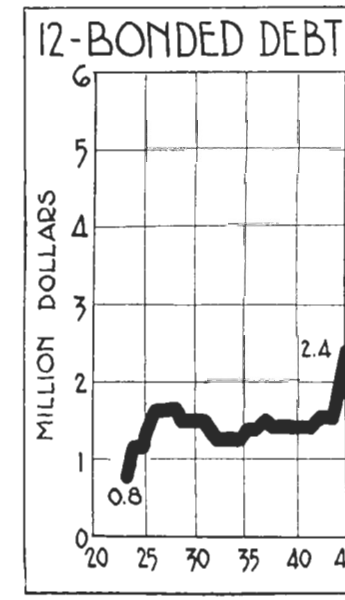
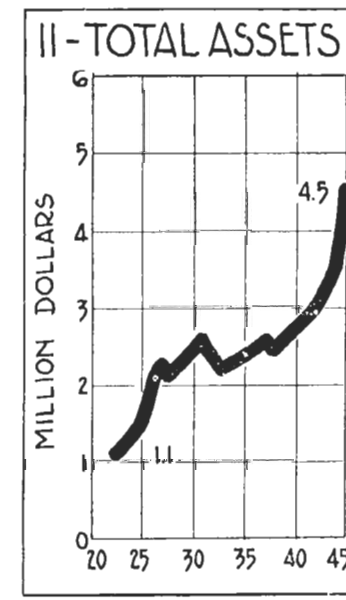
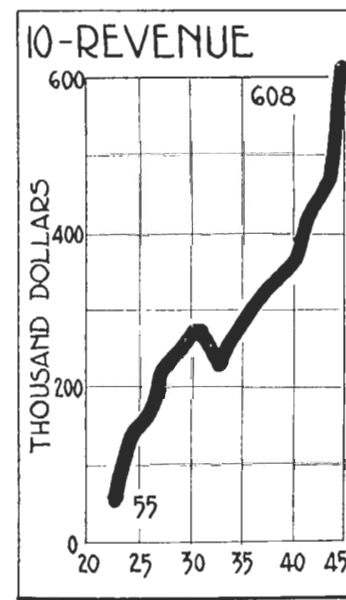
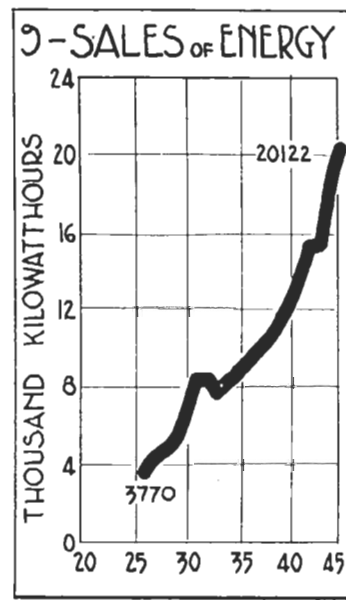
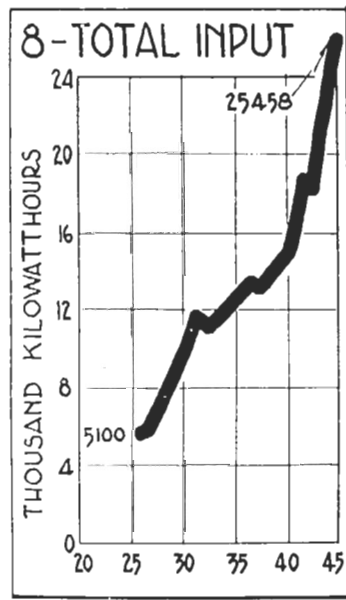
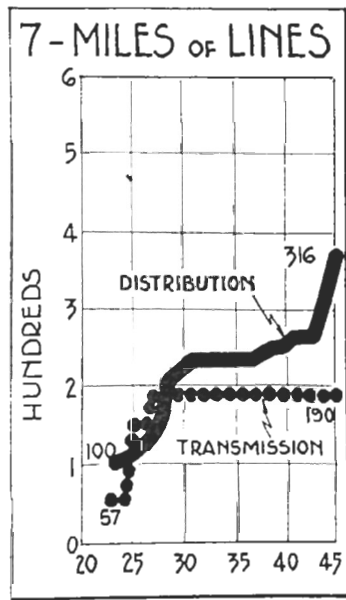
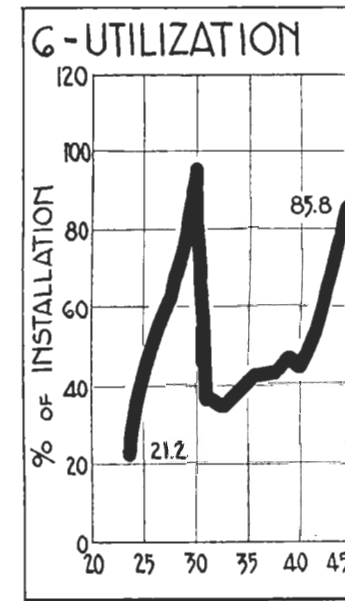
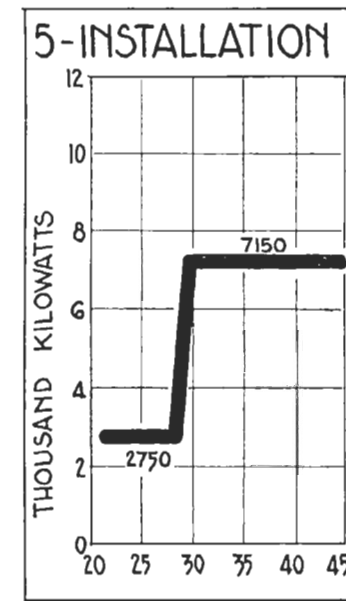
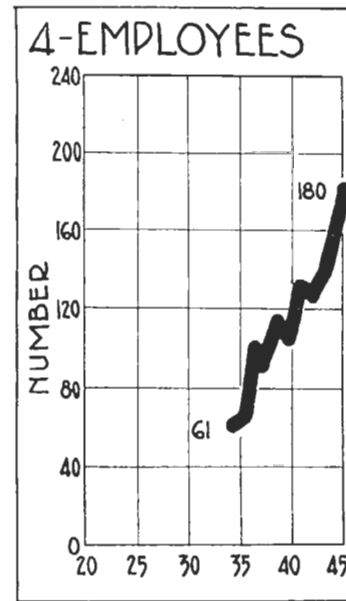
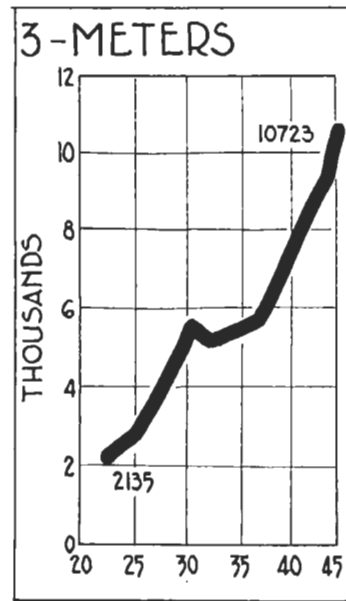
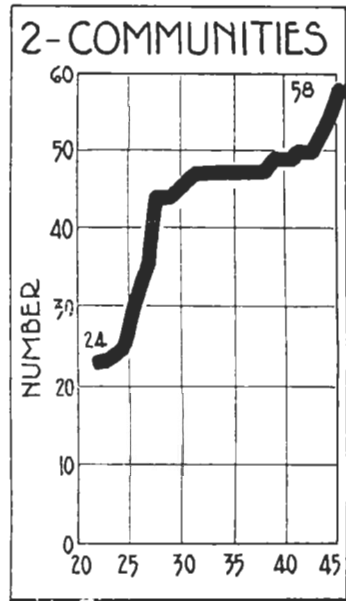
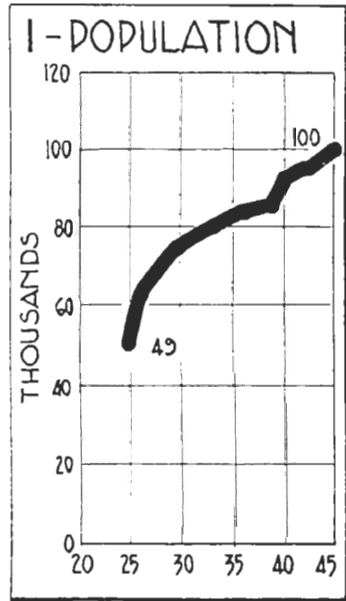
The chronological history of the company would be interesting reading without doubt but, unfortunately, it would be much beyond the confines of an annual report. That is the reason for the charts, submitted on pages 10 and 11 of this report, dealing with the salient features of the undertaking and showing that :

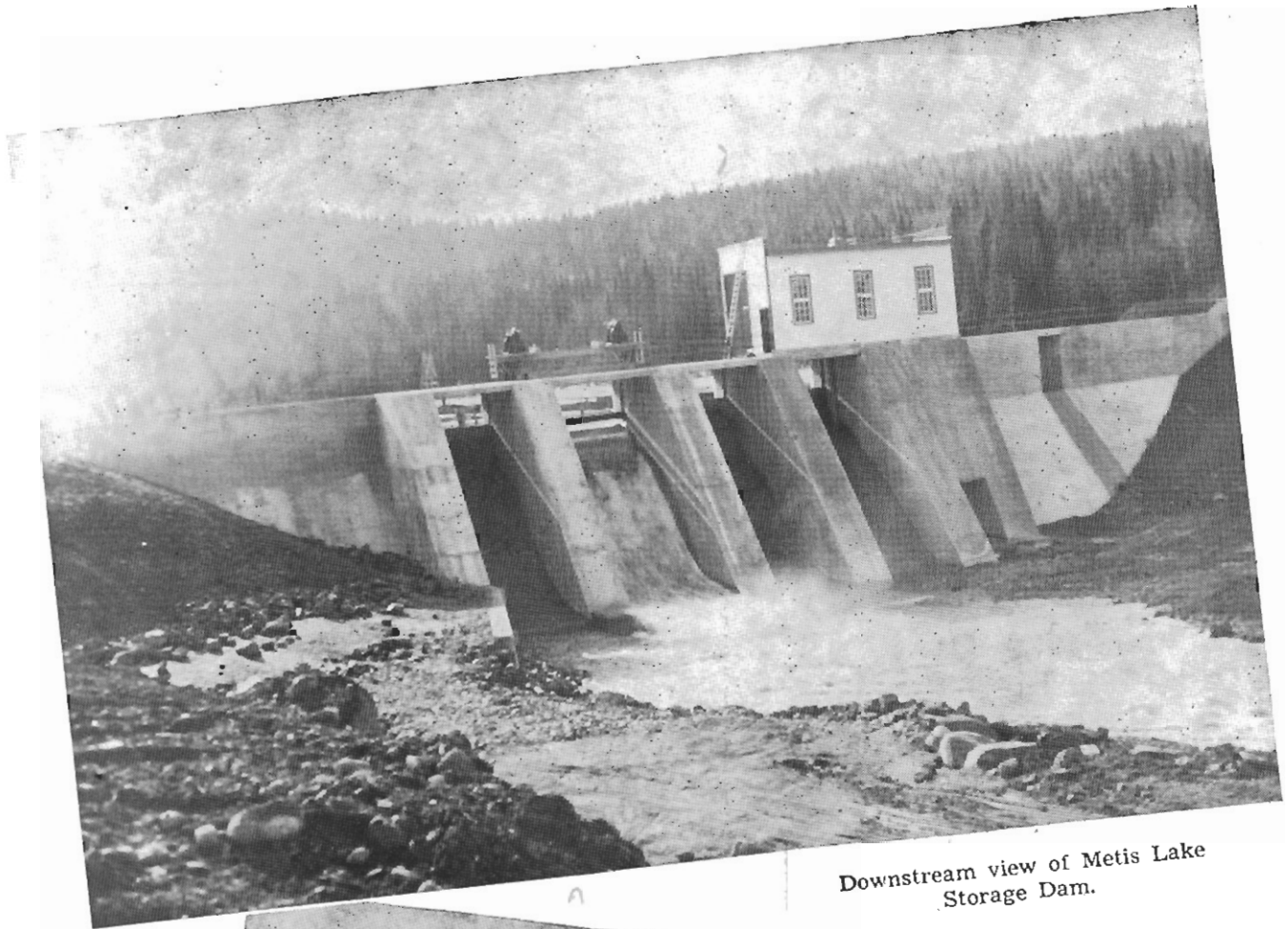
1. Between 1925 and 1945, the population served more than doubled by increasing from 49,000 to 100,000 people. Of that population 11,000 is now to be found in Rimouski, 6,700 in Matane, 4,500 in Mont-Joli, 3,400 in Trois-Pistoles and 3,200 in Amqui
2. In 1923, the company started its operations by serving 24 communities, in 1928 the number had increased to 43, in 1945 there were 58. In addition an affiliated company serves 5 villages in Temiscouata County.
3. From 2,135 in 1923, the number of meters grew to 5,424 in 1930. With the depression, the number of meters remained fairly constant ; in 1937 there were 5,793. Since that time the rise has been very rapid ; in 1945 the number (10,723) was nearly twice that of 1936.
4. In 1945 the number of employees was nearly three times that of 1934. This is explained to a large extent by the recent construction programme. With the construction of the new power plant, the number of employees should further increase in 1946.
5. In 1923 the installation at the Price plant consisted of one generator of 2,750 kilowatts. The new unit put in service in 1930 increased the installation to 7,150 kilowatts, the present capacity of the plant.
6. In 1924 the installation was utilized to only 21.2 per cent of its capacity. As the demand on the system increased the utilization rose rapidly. When the new unit came into operation the coefficient of utilization had reached 97.2. With the new unit available the coefficient of utilization dropped to 34.2. During the last ten years, the utilization grew from 40% to 85.8 in 1945. This high level of utilization is a good indication that the present installation will soon be inadequate.
7. In 1923 the mileage of distribution lines was only 100 miles. In 1930 the mileage had reached 226 miles. The year 1945 saw the mileage of distribution lines increase by 60 miles to 316 miles. When the company started its operations in 1923, it had 57 miles of transmission lines. Since 1927, the mileage of transmission lines has remained constant at 190 miles.
8. The input consists of the energy produced and that which is purchased. The company purchased energy for the first time in 1929, it then amounted to 163,000 kwh, and, it now amounts to 696,000 kwh. The input of 25.5 million kwh in 1945 was equal to five times the production in 1925, and to twice the production of 1933.
9. In 1945, the energy sold amounted to 20.1 million kwh ; in 1939 it amounted to 11.5 million kwh ; in 1926 it was equal to 3.8 million kwh. The kwh sales for the year 1945 were more than five times the sales for the year 1926.
10. In 1945, the revenue from sale of power reached \$608,000 ; in 1939 it amounted to \$336,920. The 1945 revenue was equal to six times the revenue received during the first year of operation in 1923.
11. In 1930 the company's gross assets amounted to \$2,500,000. and did not change appreciably until 1940. Since that time the total value has increased by approximately \$2,000,000., one-half of which increase took place during the year 1944.
12. The bonded indebtedness of the company remained about constant throughout most of the life of the company — equal to \$750,000. in 1923, it grew to \$1.7 million in 1927. In 1943 it amounted to \$1.5 million ; in 1945 the bonded indebtedness was increased to \$2,350,000. through the sale of \$500,000. General Mortgage Bonds.

LOWER ST. LAWRENCE POWER COMPANY

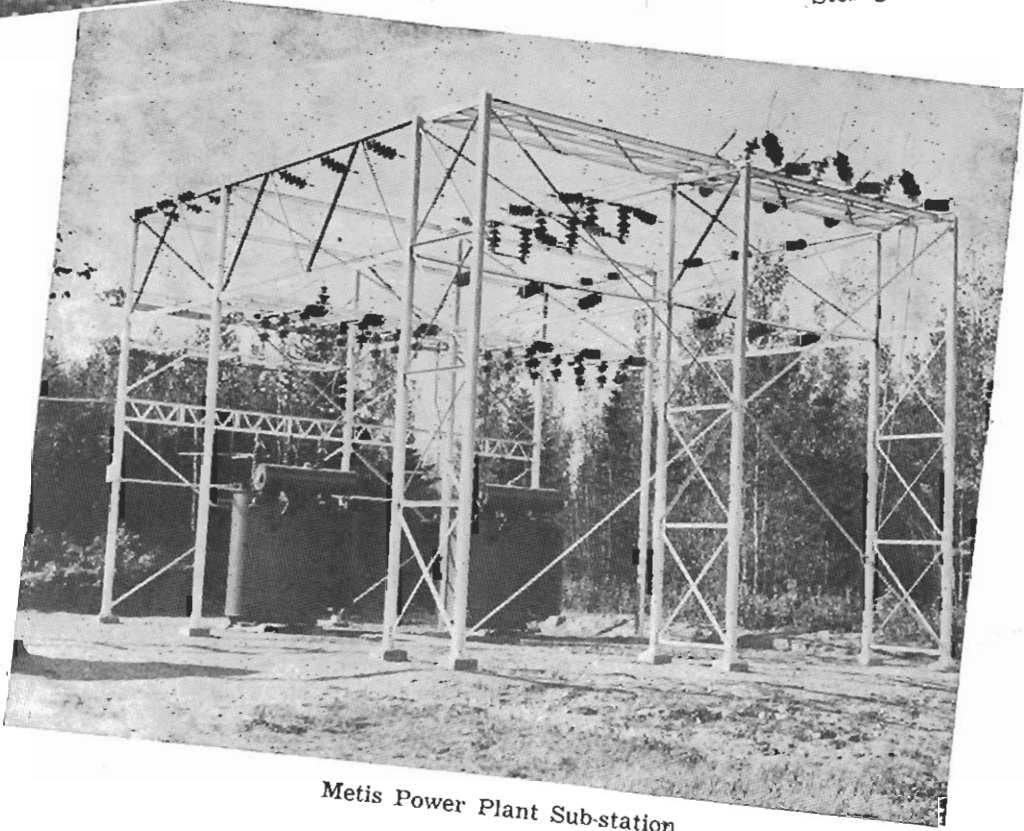
TWENTY-TWO YEARS OF PROGRESS

1923 ~ 1945





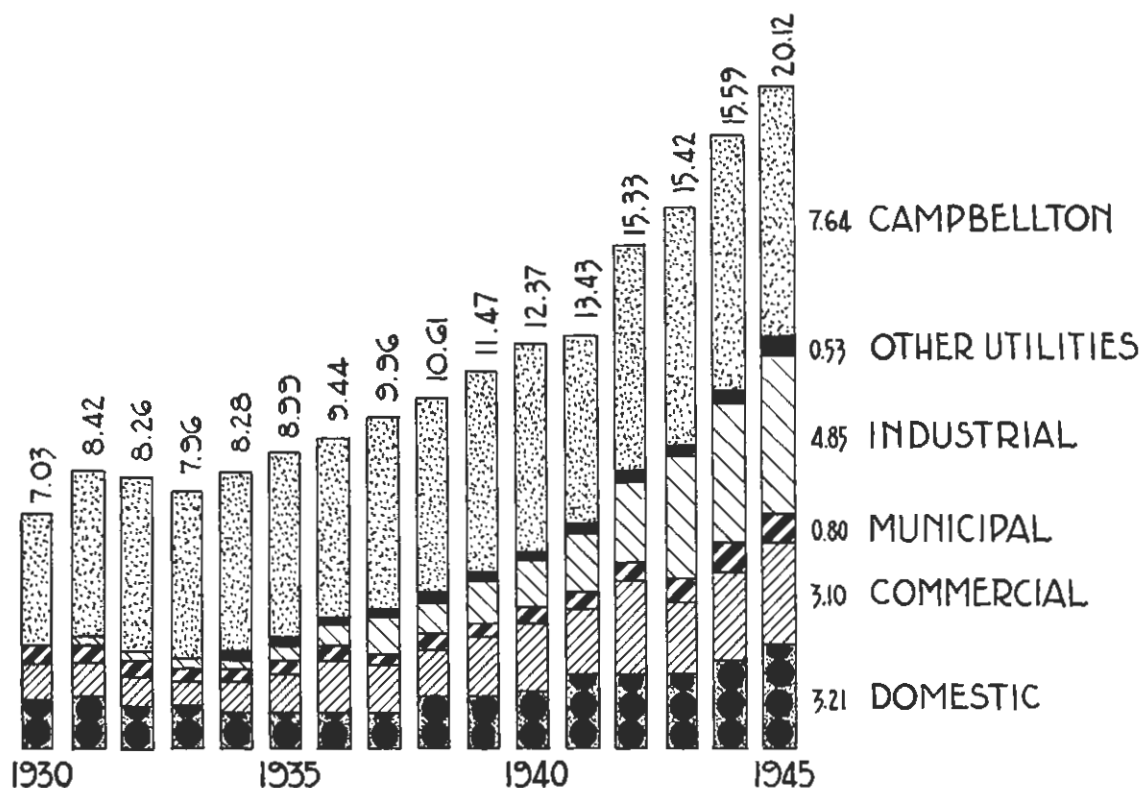
Downstream view of Metis Lake
Storage Dam.



Metis Power Plant Sub-station.

DISPOSITION OF ENERGY

MILLION KILOWATTHOURS

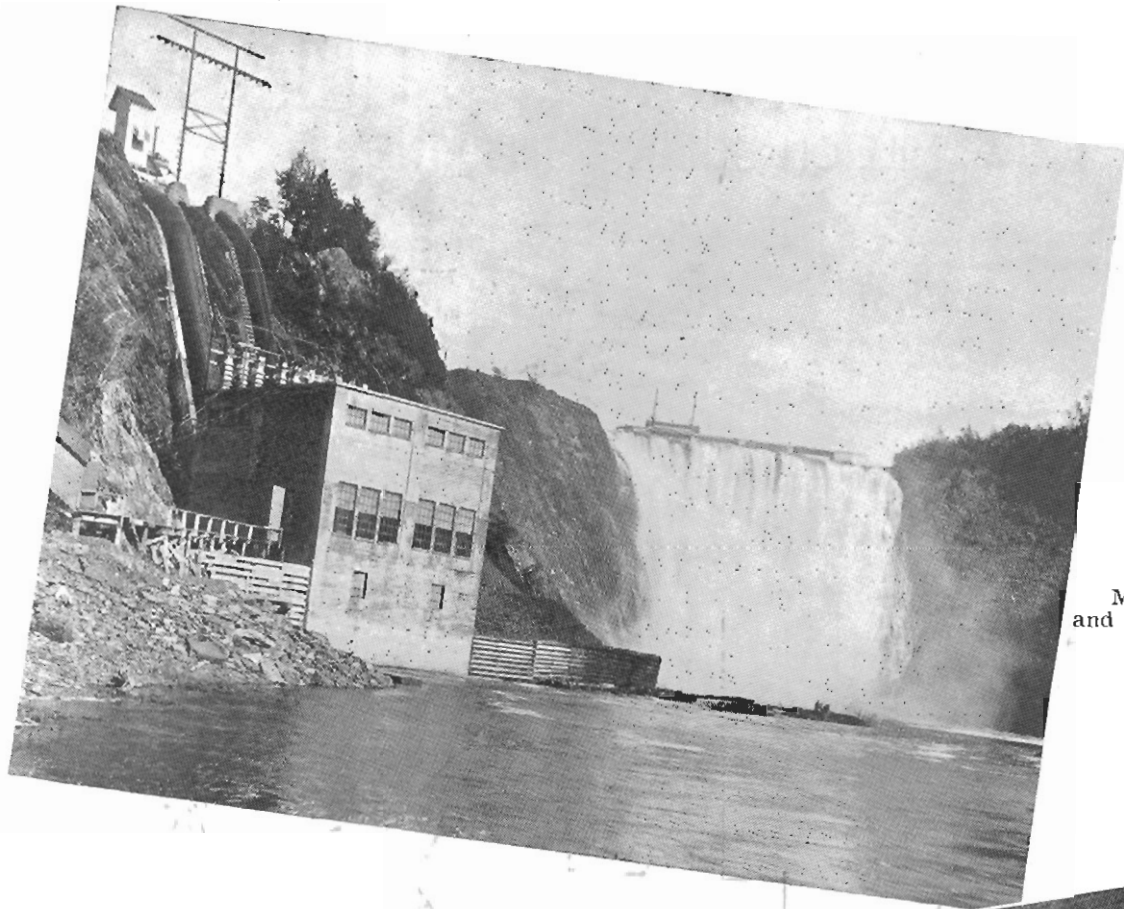


The pattern of utilization of electric energy in the district served by Lower St. Lawrence Power Company is now much different from what it was in the earlier years of operation of the company. Whereas in 1930, for example, Campbellton was responsible for 56 per cent of the total utilization; in 1945 its share amounted to only 38 per cent of the total. The following table shows very well the relative importance of the various services as users of electric energy in 1930, 1938 and 1945.

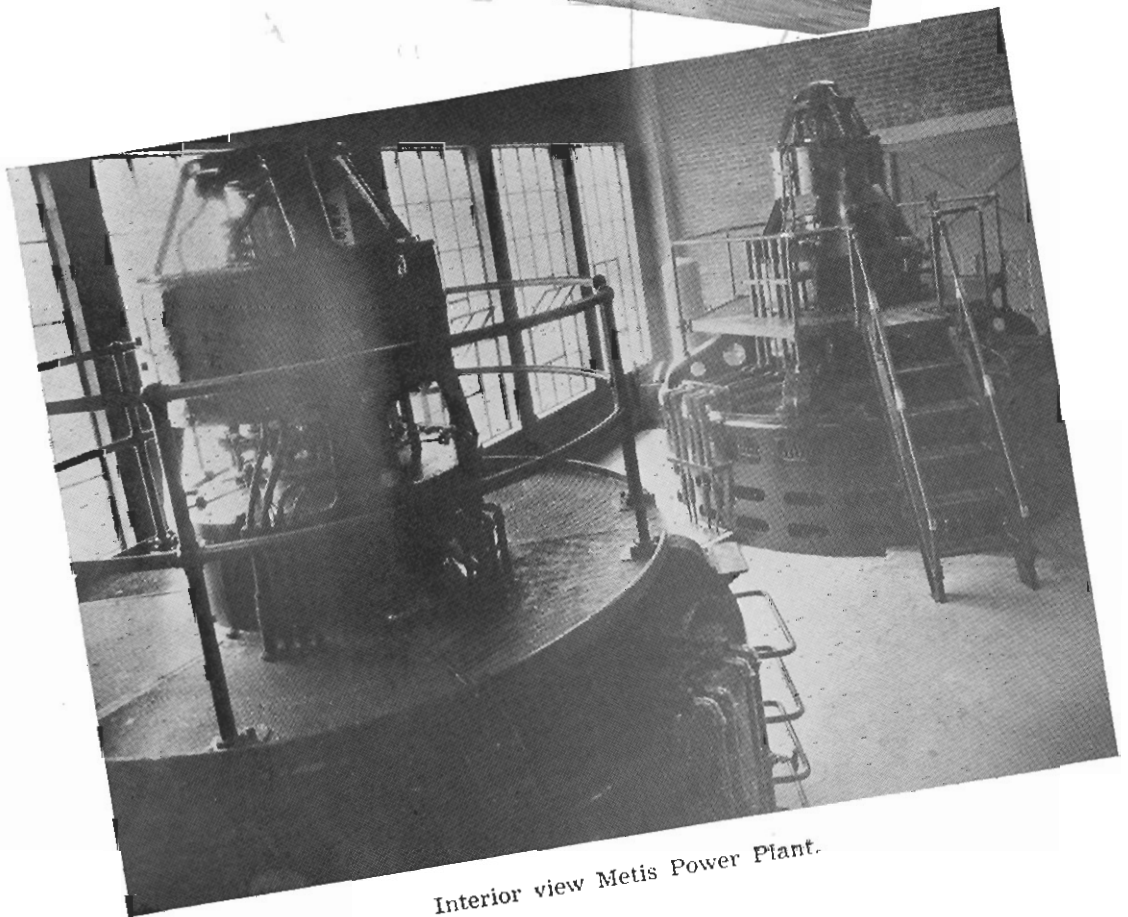
Trend of the Relative Importance of each Service
as a Consumer of Electricity

| Service | Per cent of Total Utilization | | |
|-----------------|-------------------------------|-------|-------|
| | 1930 | 1938 | 1945 |
| Domestic | 21.1 | 15.0 | 15.9 |
| Commercial | 17.2 | 14.0 | 15.4 |
| Municipal | 6.3 | 4.1 | 4.0 |
| Industrial | — | 9.6 | 24.1 |
| Other Utilities | — | 0.8 | 2.6 |
| Campbellton | 55.4 | 56.5 | 38.0 |
| Total | 100.0 | 100.0 | 100.0 |

The increased importance of the industrial service was the most striking. Although the Town of Campbellton's consumption was higher than in former years, it now represents a smaller percentage of the total than at any previous time.



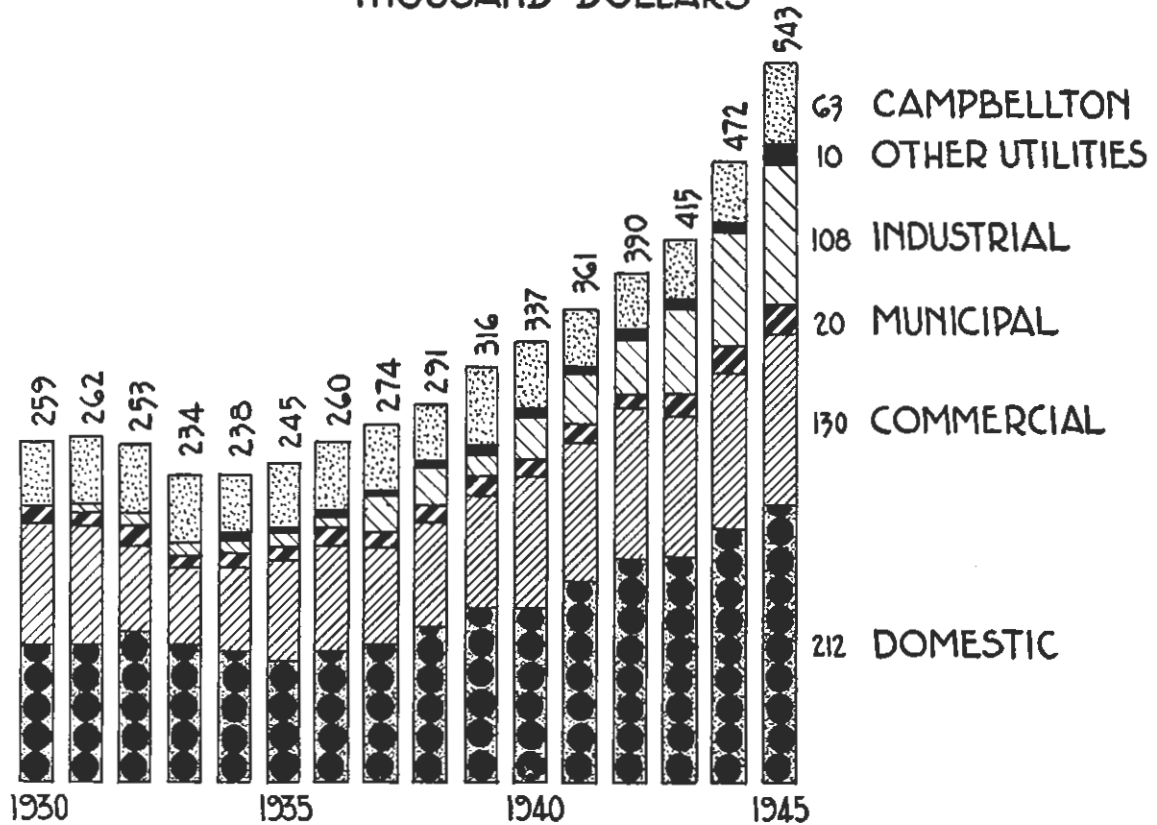
Metis Falls
and Power Plant



Interior view Metis Power Plant.

SOURCES OF POWER INCOME

THOUSAND DOLLARS



As indicated in the following table, the pattern of the sources of revenue is somewhat different from that of the disposition of energy. Although the domestic users contributed most of the revenue, the sales of power are now more diversified than they were 15 years ago, thereby giving greater stability to the earning power of the company.

Trend of the Relative Importance of each Service
as a Producer of Revenue

| Service | Per cent of Total Power Income | | |
|-----------------|--------------------------------|-------|-------|
| | 1930 | 1938 | 1945 |
| Domestic | 41.0 | 41.0 | 39.0 |
| Commercial | 36.0 | 27.4 | 24.0 |
| Municipal | 5.0 | 4.4 | 3.7 |
| Industrial | — | 9.6 | 19.9 |
| Other Utilities | — | 0.7 | 1.8 |
| Campbellton | 18.0 | 16.9 | 11.6 |
| Total | 100.0 | 100.0 | 100.0 |

It is natural that domestic service should produce the largest percentage of the total revenue, since it requires the largest investment per unit of energy sold and reaches 83.2% of all the company's customers.

COMMUNITIES SERVED

Rimouski County

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

Matane County

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

Matapedia County

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

Bonaventure County

Matapedia

Riviere-du-Loup County

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

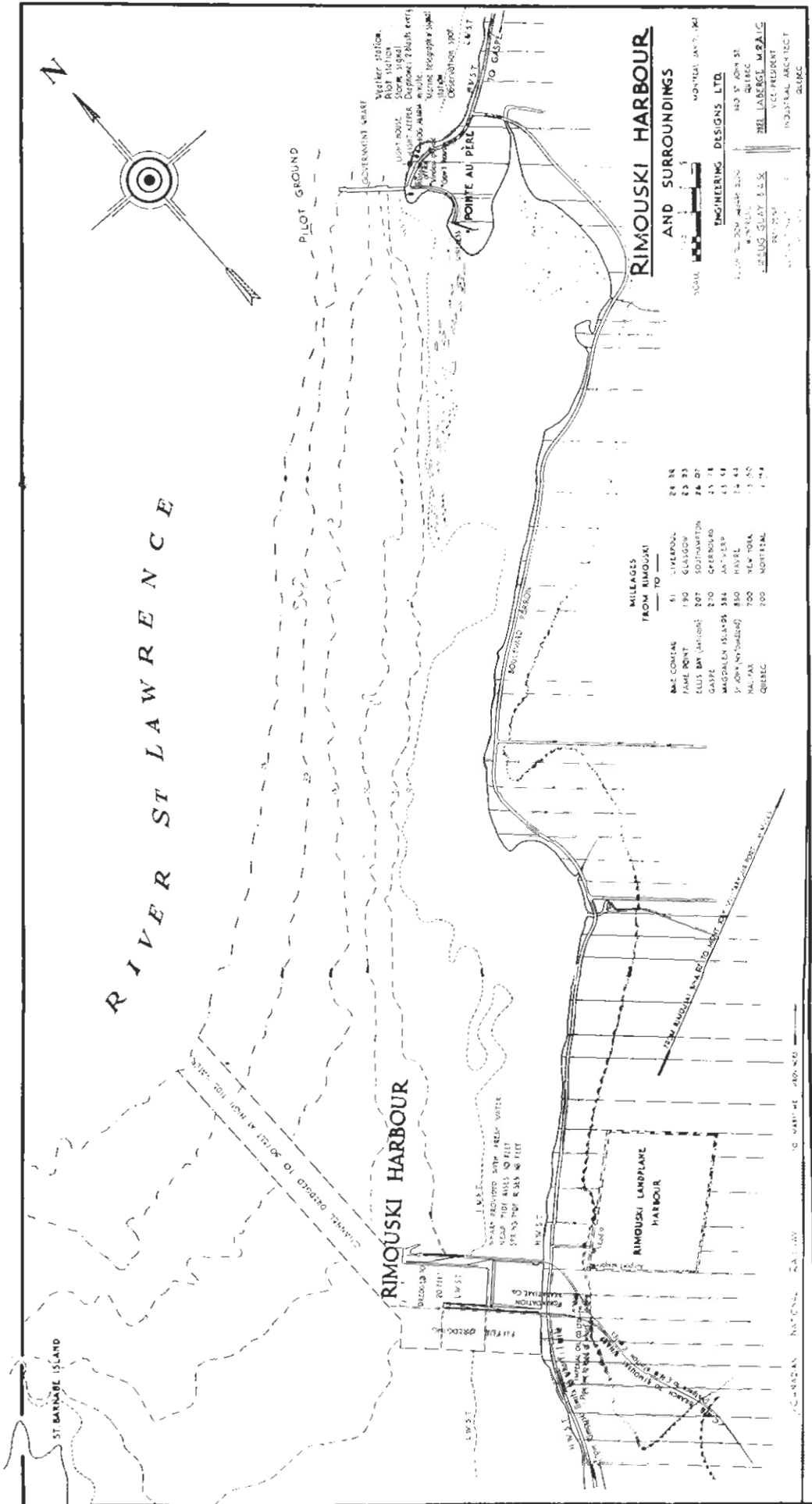
Temiscouata County

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

New Brunswick

Campbellton

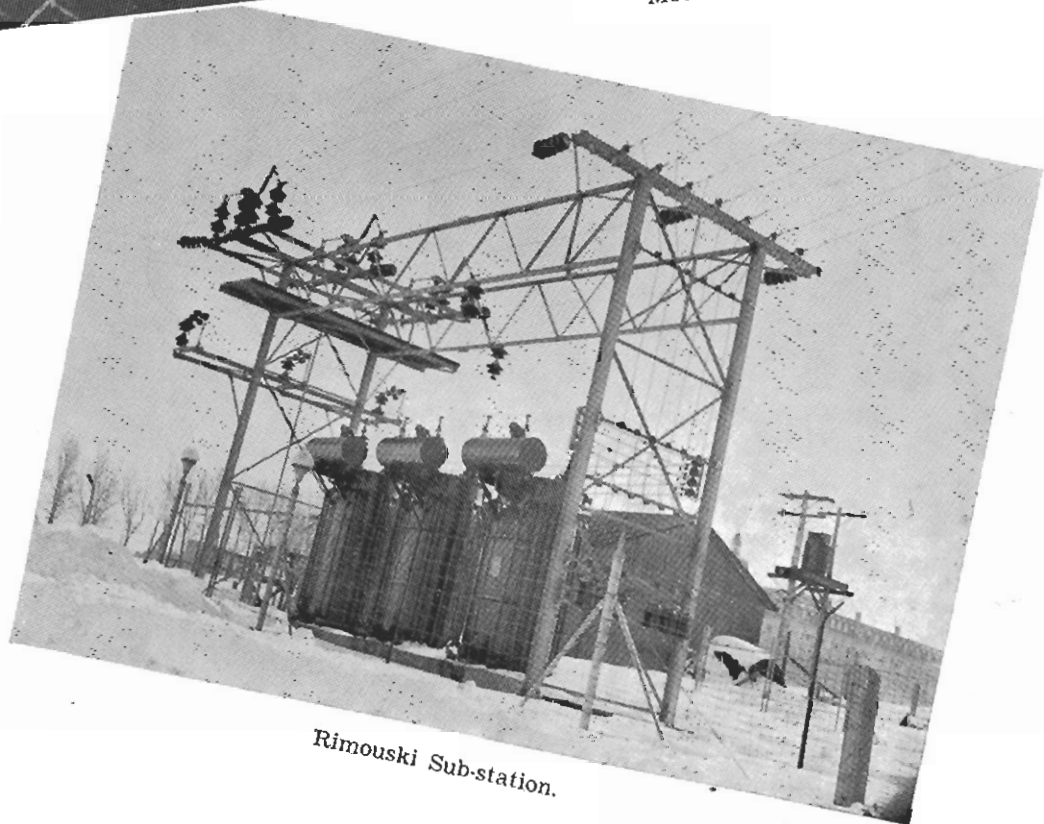
RIMOUSKI HARBOUR



Rimouski harbour is the only deep water harbour between Quebec and Halifax, connected by rail to the main line of Canadian National Railways, and it is the main connecting point with the North Shore.



Metis Dam, Falls and Power Plant.



Rimouski Sub-station.

