capitalization equal to \$3,000,000. The probable consumption of power at Kenora was 700 k.w., or 900 horse-power.

A plant equipped tor 3,100 horse-power would have operating costs of \$36,000. This, on a basis of selling 1,800 horsepower, brought it to \$19 per horse-power. The cost of producing power was \$10, and it ought to be sold at the mill at \$20. The potential value of water was \$2 per horse-power. Steam cost, \$44; electrical power, \$10. The difference was \$25, and represented \$20,000 per year profit on the same to the mill of 2,000 horse-power, and the potential value of \$2 for 3,200 horse-power equalled \$6,400, making a total of \$28,-400, representing a capitalization of \$568,000, which was the value of the power site.

Interest at 5 per cent., sinking fund at 2 per cent., insurance and taxes $2\frac{1}{2}$ per cent., repairs and maintenance $2\frac{1}{2}$ per cent., wages \$6,000, equalled 12 per cent. and wages. If 2,500 horse-power were produced, the cost would be \$14.50 per horse power, with power house for 5,000, but not fully equipped. The cost, if the full 5,000 horse-power were produced would be \$9 per horse-power.

Mr. Smith knew of no reason why millers should come to Kenora except because of arrangements with the railway for trans-shipment and as the cheap power question was not important in milling—it only amounted to one cent per barrel—it was a minor consideration.

The railway connection was a possible customer for electric power. But the plant was too small if the railway were electrified. Nitrogen might be manufactured there. The development as it was, was not such as would be taken up commercially.

Power for flour mills cost more to produce than the town got for it. He would estimate the revenue at \$5 per head per annum. A population of 38,000 would be required to use up the power.

The present sale of light and power ought to carry the investment, so that the future business would be clear profit. A cheaper method of development might have been designed.

The cost of producing 2,500 horse-power equalled \$14.50 per annum, and carried the burden of the full hydraulic work exclusive of machinery for the remainder of the power. The carrying of this burden was unavoidable. The western outlet was more suitable for a large pulp industry than was the eastern. It was commercially possible to develop on the west side.

A pulp mill at Niagara Falls paid \$5 per horse-power for water. A firm at Ottawa paid \$10 per horse-power for water. The water could also be diverted from the east to the west channel by placing a dam in the east channel. He knew of \$2 being paid for water on the Trent Valley, but not \$4. In the case of the \$2, the Government had spent \$25 per horsepower, and the owners \$50 per horse-power in developing. This was a 4,000 horse-power plant, paying an annual rental of \$8,000 on the Government's expenditure of \$100,000. This at 5 per cent. was \$5,000, leaving \$3,000 for the water, but the dam was no doubt, underestimated, so the "water" charges would be less or perhaps nothing if the dam cost \$160,000.

Power was sold in Ottawa at \$15 per horse-power; for \$20 in Peterboro, and \$15 in Orillia; at Bracebridge \$12, and at Port Arthur, \$18. In dealing with the Niagara power the basis was \$12 per horse-power, but it varied with the size of the development, down as low as \$8 or \$9 per horse-power on a capital cost of \$60 or \$70 per horse-power.

The Belgo-Canadian Company at Shawinigan had, as a basis, \$5 for water. Power at Shawinigan was sold at \$10 per horse-power, and it was transmitted to Montreal at \$15.

The Ontario Hydro-Electric Commission would deliver power at Toronto at \$18.10. The estimated demand for power in Ontario was about 300,000 horse-power.

The development at the west branch should cost \$65 or \$70 per horse-power, on the basis of a 20,000 horse-power. If the town developed say, 800 horse-power at the west branch, the power developed at Kenora would cost \$16.50 per horse-power per year. Their firm paid \$10,000 for a 2,000 horse-power site near North Bay. This site had a 90-foot head, and, by storage, the horse-power could be increased to 4,000. The controlling factor was the stability of the market for power. The pulp industry could afford to pay \$10 for power, but a pulp industry in order to live would have to get from 5,000 to 10,000 horse-power.

The Kenora development was an ideal one, but it would cost \$125 per horse-power to develop on the west side of the east branch for half, or, say, 2,500 horse-power.

Douglas C. Cameron, formerly mayor of Kenora: The town made a definite offer to the Hudson Bay Company of \$25,000. Mr. Willis Chipman, C.E., of Toronto, advised that if they made the offer \$30,000 he would recommend the company to sell it. Then, on August 28th, 1902, Mr. Chipman wrote that the company would not sell but would lease the power to the town. In 1903 the town got authority to expropriate the power on both sides of the river. He thought he could put in a sufficient development for \$100,000, or, say, \$125,000. Mr. Cameron tried to interest grain men in building mills at Kenora, but they thought Kenora not the right point to make flour. They would not increase their mill capacity at Kenora because it was easier to transport the grain in bulk than it was as flour. They were building at Port Colborne and would use 2,000 horse-power, for which they would pay \$8 per horse-power. There was a saving of ten cents per barrel over Kenora by manufacturing at Port Colborne, and so they would not extend their Kenora mills. The only industry he could see for Kenora would be a pulp mill, and it would afford to pay \$5 to \$6 per horse-power for water power; it would not require electric power. The mining industry had died out, the lumber business was decreasing and the furniture industry was not likely. He did not believe this power would ever be sold except at a very low rate. They had in the past three years cut out half their saw mill plant and moved it away. The capacity of the New Keewatin Lumber Mills was less than of the old ones.

In 1893 there was a power on the west of the west branch of the Keewatin called the Dick Banning power with three wheels installed for driving a sawmill. This power could be increased by widening the canal in the rock. They bought it with nineteen acres of land and the plant for \$35,000, being the value placed upon it by Thomas Pringle. It was then the only water power there, and they could have developed it to a large amount as they had the whole of the Lake of the Woods.

The water power itself was valued at \$8,000, which covered the land, the power and the development. They offered this power for sale, holding it from 1803 to 1897, when it was sold during the mining boom to the Ottawa Gold Mining and Production Company for \$25,000. This power had since been further developed and was operating a mill of four to five thousand barrels of flour per day, about 2,000 horse-power. The Lake of the Woods Milling Company's power was adjacent to this one, and there was the development of the Keewatin Lumber Company, further west on the same bay, and all were of the same character, and all three were in Keewatin.

He was mayor of Kenora when the town took over the electric light and telephone services. This was done be-