

which cannot for economic reasons use primary power. Owing to this fact, the responsibility of the Commission is to supply not only primary power, but interruptible power as well. Some of the basic industries are not able to pay the higher cost of primary power, and leaving such loads out of consideration in providing future requirements does not give a correct value to the power requirements of the System as a whole. If these industries are not supplied, they will locate elsewhere, with resultant loss to Ontario of industries vitally important to its economic structure, in addition to loss of employment of thousands of men.

In the power load referred to recently, the amount of 833,000 h.p. was given as the uninterruptible firm peak of the Niagara System in 1934. No reference is made of the firm export power load, amounting to 60,000 h.p., which the Commission is obligated by contract to deliver. The present Commission on the other hand, gives the firm power load on the Niagara System for January, 1935, as 937,000 h.p., or 100,000 in excess of the amount of 833,000 referred to. The total peak load, including interruptible and surplus power was 1,315,000 h.p. You will recall that the firm peak power load, including export in the year 1929, just prior to the depression, was 970,000 h.p., and in 1931-1932, the firm and contractual obligations of the Commission to supply its customers, amounted to 1,000,000 h.p.

When I speak of contractual obligations, I am referring to the fact that customers under contract with the Commission have contracts under which they pay for power on a minimum basis, and that if, under these contracts, power is not taken, it must nevertheless be paid for. Power paid for under these contracts in excess of that actually used amounted to 70,000 to 100,000 h.p. in the years 1931-1932, and produced a revenue to the Commission of the magnitude of \$1,000,000 per annum.

It will be said that some of the contractual load was interruptible power, which is the fact, but the rate paid for it was in excess of the purchase cost to the Commission and justified the Commission in its delivery. The basic industries capable of utilizing such power will, upon the return to normal times, again be able to pay a reasonable price and this factor must be allowed for in the power requirements of the future. These interruptible power loads must also be considered in assessing the peak power requirements, as was shown in 1929 when, for the purpose of supplying the necessary total quantity of energy, 50,000 h.p. of peak power was obtained from the Gattineau Power Company, in advance of the contractual requirements, notwithstanding that the existing peak capacity of the Commission's resources was sufficient for peak loads.

The former Hydro Commission never doubted that improved economic conditions would result in increased demand sufficient to absorb the power reserves that had been provided. Even through the severest depressions, there has always been a general increase in the domestic load, a very important and *steadying* outstanding factor. The provisions made will, it is believed, yet be vindicated, just as have other Hydro supplies of power, even though severely criticized, while the load was building up.

You may remember Sir Adam Beck's words when, in the early days, he was met with the same criticism. On September 7, 1922, he said:

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"It is one of the functions of the Commission to appraise existing conditions and, so far as possible, anticipate and provide for future demands for additional energy. The Commission, consequently, has usually to act years in advance of the actual materialization of the demand. Not infrequently the Commission's action in providing for future needs has met with severe criticism—especially from some who have lacked vision."

The present Chairman, Mr. Lyon, in a formal statement in January, 1935, says that the Niagara System in the last fiscal year contributed about \$1,500,000 to increased earnings. This is 7% for the year from all sources. Let us, for the moment, therefore, assume that all increase of 7% will become an annual increase on power loads of say, 833,000 h.p., and determine the course of demand and increase reserves which would result, it seems to me, in view of the improving industrial condition, and from what may be expected upon the stabilization of monetary policies and the execution of industrial reforms now under way, that such an assumption is amply justified. Based upon all costs of 1934, including provisions of normal reserves for renewals and sinking fund, plus payment of future obligations as required under the power contracts, plus charges on additional capital of \$16,000,000 said to be necessary to bring all of the Quebec power into the Province, the charges for power to the Municipalities in 1934 upon which the present rate structure is based, will be maintained. By 1940, the contingency reserve would have been drawn upon and replenished, leaving a balance of \$1,000,000 in that year to its credit. By the year 1942, on this basis, the annual surplus from operations would be provided at the rate of \$7,000,000 per annum for the contingency reserve and that reserve would amount, as of that date, to \$12,000,000.

In addition, during this period, the normal reserves mentioned above on all the systems, will have increased from \$72,000,000 in 1934 to over \$130,000,000 in 1942. This increase takes into consideration only the additions to reserves from the Niagara System, and the usual accumulation of interest credited to this fund.

I now come to my concluding point: The Quebec contracts. I assure you that there was never anything in these contracts that was not open to the fullest investigation. They were entered into after the most careful study by all the engineers as to the probable requirements, and after a comparison and consultation as to the probable trends with the United States and Canadian electric utilities and after a check had been made by the Municipalities themselves. There were no so-called secret agreements. There was nothing to hide. The price was fixed by Sir Adam Beck himself, and was even less than the Commission in early days had to pay for power under contract.

The former Commission issued a statement that the contracts for power from Quebec were open to the inspection of the representatives of the Municipalities at all times, and they were available to members of the Legislature as attached to Orders-in-Council under which they were authorized.

The reports of the engineers were placed before the Executive of the Ontario Municipal Electric Association, representing the Municipalities. In addition, the Executive of your Association independently obtained from the Municipal Systems estimates of

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