

a return to prosperity or do you think we should plan on the basis of continued depression?

Do not the data for our course of action in the spring of 1929, based upon eighteen years of actual and excellent records of the past demands for power—extending over a period of both good and bad power business—offer an infinitely better criterion upon which to base estimates for forecasting future power provisions, than the seriously curtailed conditions of the last three or four years, pertaining to a time of depression such as has never before been witnessed? Are future hopes and operations to be held within the confines of the world's greatest depression? Is there no hope that the producers of electrical apparatus will find a market for new appliances? Is there to be no expansion of business? Are there to be no new homes and new commercial and industrial buildings which will require new lighting or power facilities? Will industries in general not expand and will not new industries arise? Will the business in motors, electric irons, washers, electric ranges and other appliances be confined to repairs and replacements? Do the electrical manufacturers and their thousands of employees accept such an outlook? What hope does it offer for re-employment of help now idle or even for the maintenance of present staffs?

I emphasize these matters because it has been found throughout the history of power utilities operations that these works and installations are continuously made, even through a depression such as has been experienced. The results of these will be materially felt upon the return of industry to normal conditions.

My fourth point deals with the alleged losses; the purpose of reserves and the stabilization of power costs, and in order to properly consider the questions involved in this subject, may I explain what is the character of the reserves which the Hydro Commission is required to set up under its legislative authority. These reserves are divided into separate funds in accordance with the nature of the current and future disbursements they are designed to meet.

There are reserves for the sinking fund designed to retire capital liability. Also money is provided to renew equipment when it wears out and to purchase, when required, improved equipment. Provision is also made for unforeseen contingencies arising from accidents, storms, or any like physical causes. The last mentioned are known as the reserves for renewals, obsolescence and contingencies. In a word, these reserves are set up by paying into the funds instalments in advance of future requirements, and there they await the time for disbursement when they are taken out in order to discharge the obligations for which they were provided. For reserves in general, a close parallel is found in the procedure of an individual who has a mortgage or other obligation to discharge and who, prior to the time of its falling due, lays aside funds, allowing them to accumulate until the time for the discharge of the obligation arrives. He then draws upon the fund for the purpose for which it was set up and in so doing he simply follows the pre-arranged course. Nothing could be more ridiculous than to say that, when he takes the money out of his special savings to discharge the obligation, he has made "a loss," because his reserve fund does not stand at the same amount it did before. Correspondingly, if an electrical generator has to be renewed its cost is taken out of the renewal reserve. Obviously, this depletes the fund but

Page Twelve

the reserve was created to function in this very manner.

It is somewhat different in regard to the stabilization of costs, yet here again the contingency reserve was created to take care of this very thing. Lean periods inevitably arise and in preparation for such, extra funds are conserved in good times out of which any increased cost may be met, so that the cost to the consumer may be kept from undue fluctuation. This is not a matter of hoodwinking the consumer, making him believe that he is getting power for so much when it is really costing him a much larger sum which he will ultimately have to pay. It is simply a method of stabilizing the cost as the term stabilization-fund implies, that is, equalizing the expenses over good years and bad. The contingency fund has as a result of the unusually long depression had a greater draught upon it than ordinarily would have been expected, yet, notwithstanding, it has stood the strain and still has over \$6,500,000 in hand, an ample reserve, as the present Chairman, Mr. Lyon, says—according to a public statement on February 27th, 1935: "It is my firm conviction that the fund will be sufficient to see us through the lean years."

Let it be clearly understood then that this contingency reserve which includes the fund for the stabilization of power costs and which had reached the sum of some \$14,500,000 for the Niagara System, is only a part of the aggregate reserves of the Commission which, in 1933, amounted to more than \$69,000,000, of which some \$52,000,000 is for the Niagara System.

Furthermore, please mark well that according to a statement made by Chairman Lyon in 1935, these reserves for the fiscal year 1934 will aggregate some \$72,700,000, an increase of \$3,300,000. Thus, while it is true that in the stabilization of power costs over the period of the depression, some \$9,000,000 has been drawn from the contingency fund of the Niagara System, notwithstanding this withdrawal from one portion of the reserves, the total reserves as announced by Mr. Lyon, and as will doubtless be disclosed by the forthcoming annual report of the Commission, will have been increased during the past fiscal year by three or more million dollars. The course followed was simply applying funds from the reserve in the manner in which it was intended when the reserve was set up, and the result of the creation of this fund has been that the cost of power to the consumer has not been increased. Any adjustments on the contrary have been by way of reduction. The charge for power to Toronto has been maintained during the depression at from \$24.00 to \$26.50 per h.p. Toronto's rates to its consumers have remained the same. This applies also to Hamilton, London and, in general, to all Municipalities. For example, the annual report of 1929 shows that 30% of the power consumers received power for \$20.00 or less, and the report for 1933, the last published, shows that 56% of the power consumers received their power for \$20.00 or less.

The information given recently as to the primary peak load and the probable losses to follow as a result of the purchase of Quebec power, is based upon assumptions that cannot be borne out by actual conditions. All of the data and information referred to up to the end of 1933 can be found in the Commission's reports and statements.

There is a further point which seems to have been overlooked in some of the recent statements. I refer to that class of industry

Page Thirteen

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