

Toronto Hydro-Electric System

Second Annual Report of Toronto Electric Commissioners.

Commissioners' Report

To His Worship the Mayor and the Members of the Council of the Corporation of the City of Toronto: Toronto.

Gentlemen,—
Your Commissioners beg to submit their Second Annual Report, accompanied by the Revenue Account and the Balance Sheet of the Toronto Hydro-Electric System for the year ended 31st December, 1912.

The accounts have been audited by John Mackay and Company, Chartered Accountants, Toronto, under the joint appointment of the Provincial Hydro-Electric Commission and your Commissioners. Their certificate is appended to the accounts in question.

FINANCIAL POSITION AS AT 31ST DECEMBER, 1912:

The operations for the year 1912 have yielded satisfactory results. From the Revenue Account annexed hereto it will be observed that:

The gross income amounted to the sum of \$726,763.55

The cost of electric current and the expenses of operation and management, including repairs and maintenance, absorbed the sum of 500,564.26

Leaving a balance of net income of \$226,199.29

The interest chargeable against current operations for the year, the sinking fund instalments for the year, and provision for the depreciation reserve fund, absorbed the sum of 212,643.88

Leaving a balance of net surplus earnings for the year 1912, after meeting all charges applicable thereto, to carry forward to 1913 of \$ 13,555.41

It is to be especially noted that the expenses and charges generally described above, and which have been defrayed out of the year's income, include the total cost of getting business and promoting new business. The expenditure for advertising and for canvassers, etc., in prosecuting this important work amounted to over \$53,000 for the year. In view of the volume of continuing business which has been procured as a result thereof, it would have been quite in accordance with commercial practice to carry forward as a charge against future profits a part of this expenditure. Your Commissioners, however, preferred to follow the conservative course of charging the total expenditure of the year against the income of the year.

The sinking fund accruing to the almost purely construction period ended 31st December, 1911, and which is carried as from that date as a charge against future profits, amounts as per the Balance Sheet to \$50,985.49. The final result, therefore, of the operations for 1912 has been that of discharging in full the deficiency that accumulated during the earlier part of the year, when the revenue was smaller, and of accumulating a surplus of \$13,555.41 to apply on the sinking fund obligations of the construction period, thus leaving only \$37,430.08 of that obligation to carry forward against future earnings.

The net earnings are continuing to improve during the current year in a satisfactory ratio, and your Commissioners therefore feel warranted in stating that the surplus for the present year 1913 should, in their opinion, discharge the balance of sinking fund liability arising from the construction period, and leave a margin that will justify a reduction of rates in 1914.

The net result of the 1912 operations is more favorable than was anticipated from the interim approximate accounts prepared from time to time during the year. A very gratifying increase of business in the latter part of the year, together with the pleasing reduction of rates made by the Provincial Commission, a reduction in the rate of interest from that on which the interim accounts were based, and other matters, contributed to the ultimate satisfactory result.

It is perhaps worth noting that had the enterprise been conducted under share capital as an ordinary commercial corporation, instead of under debenture capital subject to repayment, the provision that has been made out of income for interest and sinking fund instalments, together with the surplus carried forward to next year (amounting to nearly \$158,000) would have been available for dividend, and would have permitted the payment of a dividend at the rate of over 5 per cent. for the whole year on the average capital of \$3,000,000 employed during the year. And this result has been effected on a scale of rates very much lower than the City and the Citizens had previously enjoyed, and on a volume of business that is still in the infancy stage of development.

The estimated cost of the completed plant as finally decided upon by your Commissioners was \$4,500,000. Of this amount \$3,734,911.33 had been expended to the end of 1912, leaving an unexpended balance against the completion of construction operations of \$765,088.67. This sum will be sufficient to complete the work included in the \$4,500,000 estimate.

The condition of the money market during the past year had the effect of leading your Commissioners to moderate the rate of construction progress, with the object of reducing their financial calls upon the Corporation.

GROWTH DURING 1912:

The growth in the services rendered the public during the year 1912 is striking, as the following table shows:

Particulars.	At Jan. 1, 1912.	At Dec. 31, 1912.	Increase.
Meters in use.....	3,901	13,858	9,957—255%
Lamps in use.....	87,270	300,024	212,754—244%
Street lanterns in use.....	18,800	33,824	15,024—80%
Connected load, h.p.	10,811	54,655	43,844—405%
Peak load, h.p.	5,934	17,198	11,264—190%

Revenue Account of the City of Toronto Hydro-Electric System for Year Ended 31st December, 1912

SECTION I: SHOWING NET EARNINGS FROM TOTAL OPERATIONS FOR YEAR.

CHARGES.		INCOME.	
	Amount.		Total.
To cost of electric current	\$ 194,328 19	By Income From—	
To expenses of operation and management, including repairs and maintenance, provision for special depreciation of leasehold buildings and improvements (\$3,041); provision for actual and contingent losses on accounts receivable, and for all accrued charges as at 31st December, 1912	306,236 07	Commercial lighting	\$ 197,739 21
To balance—Profit carried forward to Section II	500,564 26	Municipal buildings	94,400 05
	226,199 29	Municipal power	3,615 53
		Municipal street lighting	106,619 38
		Exhibition light and power	275,666 23
		Other municipalities	22,032 35
		Sundry other sources	2,399 77
			24,091 03
			\$ 726,763 55
			\$ 726,763 55

SECTION II: SHOWING DISPOSITION OF NET EARNINGS.

	Amount.	Total.
To interest (one-half charged against construction accounts till 30th September)	\$6,443 19	
To provision for depreciation	68,568 20	
To sinking fund instalments for year, including amount accrued at 31st December, 1912, and interest on past due instalments	57,682 49	212,643 88
To balance, representing surplus profits carried forward to 1913	13,555 41	
		\$ 226,199 29

Balance Sheet as at 31st December, 1912, of the City of Toronto Hydro-Electric System

ASSETS.		LIABILITIES.	
	Amount.		Total.
FIXED.		ON CURRENT ACCOUNT.	
To Capital Expenditure on—		By Sundry Accounts Payable—	
Lands, buildings, transmission system, sub-station equipment and feeder system, distribution system, municipal street lighting system, line transformers, meters equipment and devices, general office stores department, utility department and miscellaneous equipment and Exhibition construction	\$3,672,800 22	Including charges accrued to date	\$ 433,287 30
Leasehold premises and improvements	62,111 11	By Corporation of the City of Toronto—	
	\$3,734,911 33	Interest to date, including \$3,846.35, under adjustment	94,989 54
LIQUID.			\$ 528,276 84
To stores on hand	\$ 254,003 55	By Sinking Fund—	
To accounts receivable (cash value)	314,733 13	Instalments due and accrued to date to extinguish capital debt to Corporation of the City of Toronto by 1st July, 1914, the date on which the city debentures fall due	106,610 51
To cash on hand and in bank	4,904 18	Interest to date on past due instalments of sinking fund	2,007 47
To prepaid charges	1,074 40		\$ 108,617 98
To City Treasurer's suspense account	8,546 35		\$ 636,894 32
	\$ 583,261 96	ON CAPITAL ACCOUNT.	
To sinking fund suspense account for amount of sinking fund instalments accrued during construction period and carried forward as a charge upon future profits	\$ 50,985 49	By Corporation of the City of Toronto—	
	\$ 60,985 49	Advances under By-law No. 5,036, including interest capitalized thereunder	\$2,539,005 60
		Advances under By-law No. 5,918, including interest capitalized thereunder	1,108,093 35
			\$3,647,099 95
		ON SURPLUS ACCOUNT.	
		By Depreciation Reserve Fund—	
		In respect of general system, after providing out of income for repairs and maintenance of buildings, plant, and equipment	\$ 68,568 20
		In respect of leasehold buildings and improvements	3,041 00
			\$ 71,609 20
		By Surplus Earnings for Year—	
		After providing for expenses of operation, management and maintenance, for actual and contingent losses, and for interest, depreciation, and sinking funds	13,555 41
			\$5,104 61
			\$4,369,158 38
			\$4,369,158 38

CIVIC SERVICES:

Very satisfactory arrangements have been entered into with the Waterworks Department, which should prove of interest and value to the citizens in connection with the most important question of water supply. These arrangements cover the maintenance by the Waterworks Department of a complete steam pumping plant to be used by it during "Electric-Peak" hours, while, during "Off-Peak" hours electric power will be used. This insures to the Waterworks Department two sources of power supply, thereby protecting the citizens against the dangerous risks attendant upon a single source of supply, while at the same time it gives the Commission a substantial customer for "Off-Peak" periods. The estimated cost to the Waterworks Department of maintaining under this combination the two sources of supply does not exceed the cost of maintaining the steam plant alone under the old arrangements. The Civic Street Car System is also being successfully operated with electric power furnished by the Commission.

GROWTH OF CITY AND ITS OBLIGATIONS:

Attention is drawn to the fact that the growth of the city will necessitate from time to time capital extensions to the Hydro-Electric System. The mileage of the streets of the city was increased during 1912 from about 408 to 508 miles; the population is increasing; industrial activity shows no sign of abatement; and the services to the public which the Hydro-Electric System was established to render must be adapted to the enlarging conditions and to the increasing demand that will arise therefrom. The undertaking as confirmed by the public at the time of the passage of the last By-law provided for 13,000 services, while at the present time nearly 17,000 services are established. While, however, these conditions will compel from time to time enlargements of the system, it is to be noted that the system as it stands to-day is capable of bearing the load of greatly increased demands from the public at large. Wherever Hydro lights are to be found in the streets, there is room and there are facilities for extending the service to the public.

GENERAL CONDITIONS:

That the work accomplished to date has been productive is sufficiently evidenced by the annexed accounts. It has not, however, been free from difficulties. On the contrary, your Commissioners have had to deal with serious and exacting administrative, construction, and technical problems which have laid upon them an arduous burden of work. Nor is this work by any means finished. The potentialities of the system are very great. The development of a perfect, frictionless, and economical organization adapted to the increasing needs of the public and to the enlarging area of the city will always impose a burden of responsibility and concentrated work upon those to whom it is entrusted.

The final result of this venture into a new and wide field by Commission government under municipal auspices will also exert a great influence on the future limits of municipal enterprise. This additional responsibility is deeply felt. Your Commissioners have absolute confidence in the outcome.

For the confidence and the sympathetic support extended by the Prime Minister of the Province, Sir James Whitney, by the Provincial Hydro-Electric Commission, by the Board of Trade and the Manufacturers' Association, by the Press as a whole, and for the active support rendered by the municipal corporation of the City of Toronto, and by the citizens

at large during the past year, they are deeply grateful. Such support and confidence can but stimulate them to further exertions in the work to which the city is now finally committed.

Respectfully submitted on behalf of the Commission.

P. W. ELLIS,

H. C. HOCKEN,

Toronto, Canada, 4th April, 1913.

Mayor.

AUDITORS' REPORT.

Toronto General Trusts Building,
85 Bay Street, Toronto, 3rd April, 1913.

The Toronto Electric Commissioners,
Toronto.

Gentlemen,—

We beg to annex hereto the Revenue Account for the year ended, and the Balance Sheet as at 31st December, 1912, of the Toronto Hydro-Electric System. We have audited the books and accounts of the System from the 1st June, 1911, to the 31st December, 1912. The expenditure upon the System from its inception until the 31st of May, 1911, (during which time it was administered by the municipal corporation of the City of Toronto), amounting to approximately \$1,400,000, has not been subject to this reservation. We certify as follows:—

- (1) No expenditure has been charged to Capital Account except such as is properly attributable thereto. That portion of the interest which constitutes an integral part of the cost of construction has been charged thereto. By-law No. 5,918 of the City of Toronto authorizes the issue of \$2,200,000 of debentures for the express purpose of providing, inter alia, for the said interest charge.
- (2) The Income Account for the year has been charged not only with the usual expenses of operation and management, but with the whole of the cost of getting actual and contingent losses, for special and general depreciation, in addition to the cost of repairs and maintenance, for interest chargeable against current operations, and for the full requirements of the sinking fund necessary to extinguish the debt incurred.
- (3) The inventories of stores on hand at 31st December, 1912—while checked by us as to calculations—have been accepted in the usual way as to quantities and prices on the certificates of responsible officers. The inventory of stores on hand at 31st December, 1911, amounted to approximately \$113,000 less than the stores which, according to the books, should have been on hand at that date. The missing stores have in the interval been traced and satisfactorily accounted for, except to the extent of \$5,562.06. In our opinion, after full inquiry, there is little doubt but that, subject to the usual wastage, which itself is a charge upon the operations causing it, the stores represented by this deficiency were consumed upon construction operations and through oversights in the stores department not charged thereto. The amount has therefore now been charged against Capital Expenditure Account.
- (4) Our requirements as Auditors have been complied with, and in our opinion the annexed Revenue Account and Balance Sheet are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the enterprise.

We may add that the interim approximate accounts prepared from time to time during the year subject to adjustment in some important matters, showed a less favorable result than is disclosed by the annexed accounts, for the reason that in the interest of safety they were loaded for contingencies to a greater extent than has proved necessary.

Respectfully submitted,

JOHN MACKAY & CO., Auditors.
Chartered Accountants.

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AND

Agriculture
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FODDER

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\$8.50.

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