

## TORONTO HYDRO-ELECTRIC REPORT

Commission Awaits Working Capital from City—  
Financial Position as at 31st December, 1915

The cost of getting and promoting new business has been met out of the year's income, according to the fifth annual report of the Toronto Hydro-Electric Commissioners. The financial position of the commission as at December 31st, 1915, was as follows:—

The gross income amounted to the sum of.....	\$1,620,187.60
The cost of electric current and the expenses of operation and management, including repairs and maintenance, absorbed the sum of.....	979,208.75
Leaving a surplus of income on operating account for 1915 of .....	\$ 640,978.85
Charges and allowance not strictly attributable to the operating expenses for the year 1915, and reserves for contingencies and grants for patriotic purposes, absorbed the sum of .....	13,773.28
Leaving surplus income available for fixed charges of .....	\$ 627,205.57
Interest, depreciation and sinking funds for the year absorbed the sum of .....	624,067.78
Leaving a surplus of net income of .....	\$ 3,137.79

**Net Surplus on Operations.**

When the charges for interest, depreciation and sinking funds for the year, amounting to \$624,067.78, are deducted from the surplus income on the year's operating account of \$640,978.85, a net surplus on the year's operations of \$16,911.07 appears. Of this surplus, the sum of \$13,773.28 was absorbed by charges and allowances as above stated, not strictly attributable to the operating account for the year, thereby leaving a final net surplus after providing for all charges of every kind of \$3,137.79.

Nothing has been charged to capital expenditure that should have been charged to revenue, say the commissioners. The enterprise has, therefore, again fully paid its way and earned a small surplus after making full provision for contingencies, and after dealing in the most conservative manner with the accounts.

The net income available for fixed charges represents approximately 9½ per cent. upon the average amount of capital invested in the fixed plant during the year.

**Not Paid Yet.**

The interest due and accrued in favor of the corporation of the city of Toronto, while fully earned, has not yet been paid owing to the fact that no provision has yet been made by the city for the necessary working capital of the system as distinct from construction capital, and to the fact that the net proceeds of the debenture issues, so far received from the city, do not cover the net expenditure on construction account.

Of the sinking fund instalments which accrued during the purely construction period ended December 31st, 1911, a balance amounting to the sum of \$93,733.96 is still carried forward as a charge upon future surplus earnings. But for the reduction in rates this amount would have been covered ere this.

The net cash expenditure on construction account amounted at the end of the year to the sum of \$5,897,627.82, while the net cash proceeds of the debenture issues received from the city to the same date amounted to the sum of \$5,287,589.44. The sum required from the city, therefore, at the end of the year to meet the construction expenditure to that date amounted to \$610,038.38. This amount will be received from the city in due course out of the proceeds of the balance of \$350,000 of debentures authorized by certain city by-laws.

**Temporary Use of Reserve.**

Pending provision by the city for the necessary working capital of the system, the commissioners have been compelled to employ the depreciation reserve funds for working capital purposes. These funds were established for the purpose of replacing the existing plant and equipment as they wear out, and as the need for replacement arises, they will be required for that purpose.

The finance commissioner of the city of Toronto has advised that whenever in the future debentures require to be issued by the city for the purpose of purchasing physical plant or equipment, such debentures shall be limited as to their term to the estimated wearing lifetime of the structures for the purchase or construction of which they are required; and that while market conditions make it profitable to do so they shall be issued in serial form, that is, providing for the payment yearly of stipulated parts of the whole. An impression seems to have been formed here and there in the public mind, says the Toronto Hydro commissioners' report, that as a result of this new policy, if it should be adopted, the Toronto Hydro-Electric system will no longer require to maintain depreciation or replacement funds for the purpose of renewing the existing plant as it wears out. "As this impression is wholly erroneous," continues the report, "it may be well to add a word of explanation as to the need for maintaining depreciation funds as heretofore.

**Set Aside from Earnings.**

The commissioners set aside out of earnings from year to year the following sums, viz.:—

"(1) The amount necessary to meet all interest on the debentures issued for the purpose of the hydro-electric enterprise;

"(2) The amount necessary to constitute a sinking fund which, accumulating at a given rate of interest, shall be sufficient to pay off the debentures at maturity; and

"(3) The amount necessary to accumulate by the end of the wearing lifetime of the plant a fund sufficient to replace the same without making any further demand upon the city for new issues of debentures for replacement purposes.

**Effect of Policy.**

"The effect of this policy is, in short, to meet out of earnings the accruing annual interest charges, the accruing annual sinking fund requirements, and to entirely replace all plant at the expiration of its wearing lifetime without any further call upon the city. These are standing obligations which cannot be avoided. The first two are lawful obligations which can be enforced upon the commissioners. The last is an obligation of sound policy and sound finance, designed inter-alia to prevent the accumulation of city indebtedness for hydro-electric construction to such a level as might in time affect injuriously the credit of the city. It is obvious that if the policy of establishing and maintaining depreciation funds of the character described were abandoned, the commissioners would require to make application to the city from time to time, not merely for the issue of debentures to cover the extension of the plant, but also for the issue of debentures to cover the replacement of existing and future plant as such wears out. Hence the new policy with regard to future issues of debentures which the city has been advised by its finance commissioner to adopt has no bearing upon the duty of the hydro commissioners to maintain depreciation funds on such a scale as will prevent, in the interest of the city's credit, a perpetually increasing debt for hydro-electric purposes."

**NEW CANADIAN PACIFIC DOCK AT VANCOUVER**

Construction of a new pier is to be undertaken at Vancouver by the Canadian Pacific Railway. It has now Pier A, at which transpacific boats dock, and Pier D, at the end of Granville Street on Burrard Inlet, which is used by the Victoria and Seattle boats, in addition to its main docks. The new pier will be known as Pier B. It will run 800 feet out into the water at the end of Burrard Street, and will be used for both local and transpacific freight. This wharf will be larger and better than any other here, with the most modern apparatus and improved devices to expedite and facilitate the loading and discharging of vessels. It was proposed a short time ago to proceed with the construction of Pier C, and soundings were made, but the plans have been changed in view of what is believed to be the greater demands of the future. The company evidently sees considerable business in sight, and as Mr. F. W. Peters, the company's general superintendent in this province, remarked, "The Canadian Pacific Railway wants to be able to provide facilities for any vessel coming into this port, and to be a little ahead, if anything, of the actual needs."