19.

PAPERS REFFERED TO IN THE MAYOR'S MESSAGE TO COUNCIL JUNE 1st. 1914

RE HYDRO-ELECTRIC RATES

TORONTO HYDRO-ELECTRIC SYSTEM

COPY.

May 28th, 1914.

W. A. Littlejohn, Esq., City Clerk, City Hall, Toronto, Ont.:

RATE REDUCTION.

Dear Sir,—I enclose on behalf of the Toronto Electric Commissioners and in compliance with the request of the City Council, the correspondence relating to the above matter.

The attention of the Council is directed to the letter from the Secretary of the Hydro-Electric Power Commission of Ontario, dated the 19th inst., relating to the reports of their officials which are not included among the enclosures.

The Toronto Electric Commissioners feel that the report enclosed gives the main features of the case and covers the ground in a general way. Therefore, nothing further has been added thereto.

If, however, the City Council, in view of the fact that on the Municipality rests the final responsibility for making good any deficiency that may arise from the policy of rate reduction, require any additional information in order to facilitate consideration by them, the Commissioners will be glad to assist in any way possible.

I am, dear sir,

Yours faithfully,

(Signed) P. W. ELLIS, Chairman.

COPY.

Toronto, November 19th, 1913.

Mr. E. M. Ashworth,

Sec'y, Toronto Hydro-Electric System,

CITY.

Dear Sir:—

We are submitting herewith a proposed revision of the schedule of rates used by the Toronto Hydro-Electric System in billing for power and lighting service, to take effect on Jan. 1st, 1914. The suggested rates are as follows:—

POWER RATE:

Service Charge

$1.00 per month per horse-power of connected load or maximum demand where the consumer instals a suitable maximum demand meter.

Consumption Charges

1½c. per K.W.H. for the first 50 hours monthly use of load;

1c. per K.W.H. for the second 50 hours monthly use of load, and

0.15c. per K.W.H. for all additional consumption.

These base power rates shall be subject to the following class discounts:—

Class A—24 hour unrestricted use—no discount.

" B—24 " restricted " —10% "

" C—10 " unrestricted " —10% "

" D—10 " restricted " —33 1-3% "

Monthly bills shall also be subject to a prompt payment discount of 20 per cent.

LIGHTING RATES:

Domestic Lighting

4c. per 100 sq. ft. of floor area, and

3c. per K.W.H.

Commercial Lighting

6c. per K.W.H. for the first 30 hours monthly use of installed capacity, and

3c. per K.W.H. for all additional consumption.

Monthly lighting bills shall be subject to a Prompt Payment Discount of 20 per cent.

Street Lighting

$8.00 per lamp per year for 100 watt lamp for both single and cluster lights.

The Commission wish these recommendations as to rates considered and adopted unless there is in the opinion of the municipality an objection to them, then the Commission will hear said objections and make a ruling accordingly.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO.

Yours truly,

(S'g'd.) F. A. Gaby,

Chief Engineer.

(COPY)

November 29th, 1913.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen: **Re. Reduction in Rates.**

With further reference to the above, the matter was again considered by the Commissioners at the meeting yesterday when I was instructed to inform you that in view of the fact that the new unit system of costs has not yet been completed, the Commissioners regret their inability to either agree or disagree, at the present moment, with the proposed rates put forward.

It is still, as it has been in the past, the desire of the Toronto Electric Commissioners to supply current at the least possible cost consistent with good service and sound finance, and the Commissioners feel that it would be unwise to attempt any adjustment in the rates until each unit of cost is definitely arrived at and until the final adjustment of the year's accounts are definitely settled.

Every effort is being put forward to arrive at this unit cost with the least possible delay, and as soon as this has been done the Commissioners will communicate with you at once.

I am, dear Sirs,

Yours faithfully,

TORONTO HYDRO-ELECTRIC SYSTEM.

(Signed) H. H. Couzens,

General Manager.

(COPY)

January 16th, 1914.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen:— **Suggested Rate Reduction.**

The Toronto Electric Commissioners have instructed me in order to assist them in forming a decision in connection with the above, to ask you to kindly forward them a copy of the full and detailed figures and facts on which your recent recommendation as to the reduction of the Toronto rates was based.

Yours very truly,

TORONTO ELECTRIC COMMISSIONERS.

(Signed) E. M. Ashworth,

Secretary.

COPY.

March 24th, 1914.

P. W. Ellis, Esq.,

Chairman, Toronto Hydro-Electric System,

Toronto.

Dear Sir:

As directed by the Commission, I herewith enclose you an extract from the minutes of a meeting of the Hydro-Electric Power Commission held to-day, and I would be glad to be advised which of the days mentioned, viz., the 31st of March or the 1st of April, would be most suitable, and I will then be glad to advise you of the hour and place of meeting.

Yours truly,

(Signed) W. W. Pope,

Secretary.

EXTRACT FROM THE MINUTES OF A MEETING OF THE HYDRO-ELECTRIC POWER COMMISSION.

March 24th 1914.

"That the Toronto Hydro-Electric Commission be requested to meet the Hydro-Electric Power Commission of Ontario on Tuesday or Wednesday next, March 31st or April 1st, that they may explain their objections, if any, to the recommendation of the Hydro-Electric Power Commission of Ontario of November 8th last, as to the reduction of rates."

(COPY)

March 25th, 1914.

W. W. Pope, Esq., Secretary,

Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Dear Sir: **Re Proposed Joint Meeting.**

Replying to your letter of March 24th, the Chairman has instructed me to advise you that the Toronto Electric Commissioners will be glad to meet your Commission on Tuesday March 31st, 1914, at 2.30 p.m., as arranged by the writer with Mr. Gaby over the telephone to-day.

I presume that it will be satisfactory to hold the meeting at the office of your Commission.

Yours very truly,

(Signed) E. M. Ashworth,

Secretary and Assistant General Manager.

COPY.

March 28th, 1914.

E. M. Ashworth, Esq.,

Secretary and Asst. General Manager,

Toronto Hydro-Electric System, Toronto.

Dear Sir:

Your letter of the 25th instant received respecting a meeting of the Commission, and I am directed by them to say that owing to the engagements of members of the Board at the Parliament Buildings with Committee work, etc., that it will be inconvenient for them to meet at this office, and consequently the meeting has been fixed for 2 p.m. on Tuesday, March 31st, in the Chairman's room on the 3rd floor of the Parliament Buildings.

Kindly acknowledge receipt of this letter.

Yours truly,

(Signed) W. W. Pope,

Secretary.

(COPY)

April 1st, 1914.

P. W. Ellis, Esq.,

Chairman, Toronto Electric Commissioners,

Yonge St., Toronto.

Dear Sir:

I am instructed by the Hydro-Electric Power Commission to advise you that Mr. W. S. Andrews, the Commission's Advising Accountant, has been instructed to secure from the books of your Commission such information as the Commission may require respecting the financial operation of your System.

The Commission desire to proceed with this work on Friday next, the 3rd instant, and desire that you will have such instructions issued to your proper officer as will enable him to obtain the information required, and advise the Commission of the name of such officers, in order that he may place himself in communication with them.

Kindly favor me with a reply, and oblige,

Yours truly,

(Signed) W. W. Pope,

Secretary.

(COPY)

April 2nd, 1914.

The Hydro-Electric Power Commission of Ontario,

W. W. Pope, Esq., Secretary,

Continental Life Building,

Toronto.

Gentlemen:—

I am duly in receipt of your letter of April 1st, which was considered by the Commissioners this afternoon.

If you will be good enough to ask Mr. Andrews to see Mr. H. H. Couzens, our General Manager, Mr. Couzens will be pleased to make the necessary arrangements.

Yours truly,

TORONTO ELECTRIC COMMISSIONERS.

(Signed) P. W. Ellis,

Chairman.

(COPY)

April 6th, 1914.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen:

As requested by Mr. Gaby on the telephone this morning, I beg to forward copy of the following statements:—

(a) Interim Approximate Balance Sheet and Revenue Accounts as at December 31st, 1911.
(b) Interim Approximate Balance Sheet and Revenue Accounts as at March 31st, 1912.
(c) Interim Approximate Balance Sheet and Revenue Accounts as at June 30th, 1912.
(d) Interim Approximate Balance Sheet and Revenue Accounts as at September 30th, 1912.
(e) Second Annual Report, 1912.
(f) Interim Approximate Balance Sheet and Revenue Account as at March 31st, 1913.
(g) Interim Approximate Balance Sheet and Revenue Account as at June 30th, 1913.

You have already been forwarded a copy of the statement as at December 31st, 1913, together with the Commissioners' Report.

You, of course, understand that the Interim Reports are tentative and approximate statements subject to adjustments.

We have no further copy of the whole of the foregoing with the exception of the Second Annual Report, and must therefore ask you to be good enough to return our copies at an early date as I have not delayed sufficiently to make copies, due to the urgency of your request.

I am, Gentlemen,

Yours faithfully,

(Signed) H. H. Couzens,

General Manager.

(COPY)

April 8th, 1916.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen:

As requested by Mr. Gaby on the telephone this morning, I beg to forward copy of the following statements:—

(a) Interim Approximate Balance Sheet and Revenue Accounts as at December 31st, 1915.
(b) Interim Approximate Balance Sheet and Revenue Accounts as at March 31st, 1916.
(c) Interim Approximate Balance Sheet and Revenue Accounts as at June 30th, 1915.
(d) Interim Approximate Balance Sheet and Revenue Accounts as at September 30th, 1915.
(e) Second Annual Report, 1912.
(f) Interim Approximate Balance Sheet and Revenue Account as at March 31st, 1913.
(g) Interim Approximate Balance Sheet and Revenue Account as at June 30th, 1913.

You have already been furnished a copy of the statement as at December 31st, 1914, together with the Commissioners' Report.

You, of course, understand that the Interim Reports are tentative and approximate, and are subject to adjustments.

We have no further copy of the whole of the foregoing, with the exception of the Second Annual Report, and must therefore ask you to be good enough to return our copies at an early date as I have not delayed sufficiently to make copies, due to the urgency of your request.

I am, Gentlemen,

Yours faithfully,

(Signed) R. H. Cameron,

General Manager.

COPY.

April 13th, 1914.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen: **Re Accounts.**

Further referring to our letter of April 6th. We beg to acknowledge with thanks the statements referred to in that letter which were handed by Mr. Andrews to the writer on April 8th.

I am, Gentlemen,

Yours faithfully,

(Signed) E. M. ASHWORTH,

Secretary and Asst. General Manager.

10—3—11.

COPY)

April 17th, 1914.

P. W. Ellis, Esq.,

Chairman, Toronto Hydro-Electric Commission,

Toronto.

Dear Sir:

As directed by the Hydro-Electric Power Commission of Ontario, I herewith enclose you copies of the report of Mr. F. A. Gaby, Chief Engineer, together with the report of Mr. W. S. Andrews, Advising Accountant and report of the Commission's Auditor of Municipal Accounts, respecting a reduction in the rates for the City of Toronto.

Yours truly,

(Signed) W. W. Pope,

Secretary.

NOTE:—PERMISSION HAS NOT YET BEEN RECEIVED FROM THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO TO TRANSMIT THIS REPORT TO COUNCIL.

(COPY)

April 21st, 1914.

The Hydro-Electric Power Commission of Ontario,

Continental Life Building,

Toronto.

Gentlemen:

We have under careful consideration your memoranda regarding rate reductions, furnished us on Friday afternoon, the 17th instant. We request that we be allowed a proper opportunity of submitting our views on the points raised therein before you take any final decision on this question. As it will be two or three days yet before we can complete our statement we therefore respectfully ask you to defer your final decision until we place it in your hands. It is not necessary to point out the importance of allowing us an adequate opportunity of submitting a full and accurate statement of our views upon such an important matter prior to your making an order in the premises. Our statement will be furnished you this week.

TORONTO ELECTRIC COMMISSIONERS.

(Signed) P. W. Ellis,

Chairman.

COPY.

22nd April, 1914.

The Honorable the Members of the Hydro-Electric

Commission of Ontario, Toronto.

Gentlemen:

With further reference to our letter of yesterday's date we deem it our duty to advise you that there are serious errors in the reports you have submitted us on the question of rate reduction, and therefore any decision that you might take on this question based upon these reports would be founded on matter that is entirely inaccurate and misleading. Our statement on the subject which we will place in your hands this week, will deal fully with these errors. We trust, therefore, in the common interest of your own Commission and ours that no decision will be taken by you until you receive our statement; otherwise it will be founded on inaccurate and misleading grounds, of which this letter is intended to give you full notice.

Respectfully submitted,

(Signed) P. W. Ellis,

Chairman, Toronto Electric Commissioners.

(COPY)

April 22nd, 1914

DELIVER:

P. W. Ellis, Esq.,

Chairman, Toronto Electric Commissioners,

Toronto.

Dear Sir:

Your letter of the 21st came to hand at 11 o'clock to-day and your further letter of the 22nd at a later hour, respecting the reduction in rates, both of which were brought to the attention of the Board at a meeting held this afternoon, and I am instructed by the Commission to advise you that the matter respecting the reduction of Toronto rates was adjourned until 11 o'clock Friday morning next, the 24th instant, when the Commission will again meet.

I am also instructed to further advise you that any communications or statements you desire to present, must be in the hands of the Chairman not later than to-morrow, Thursday evening.

Yours truly,

(Signed) W. W. Pope,

Secretary.

COPY.

23rd April, 1914.

The Honorable the Members of the Hydro-Electric

Power Commission of Ontario,

Toronto.

Gentlemen:

We are in receipt of a communication from the Secretary of your Commission to the effect that a meeting of the Commission is to be held at eleven o'clock to-morrow forenoon to consider our statement on the matter of rate reductions, and that such statement must be placed in your Chairman's hands to-night.

We regret that it is quite impossible to place this statement in your hands by to-night or in time for to-morrow's meeting, and we respectfully ask you therefore to hold the meeting at a later date and to advise us of the date thereof, whereupon we will place our statement in your hands in time for such meeting. You are aware we did not undertake to complete our statement by Friday.

We have already advised you that there are serious errors in the reports that have been submitted you by your own advisers on this question, and the importance of the matter is such that we must deal properly and fully with these errors.

Respectfully submitted,

(Signed) P. W. Ellis,

Chairman, Toronto Electric Commissioners.

(COPY.

DELIVER. April 24th, 1914.

P. W. Ellis, Esq.,

Chairman, Toronto Electric Commissioners,

Yonge St., Toronto.

Dear Sir:

Your letter of the 23rd re Toronto rates was laid before the Board at its meeting held to-day, and I am instructed to advise you that they have deferred the consideration of Toronto rates until their next meeting, which is to be held the coming week, and to further advise you that any statement or material that you desire to present will require to be in their hands by Tuesday next, the 28th instant, if at all possible, but in any event by 11.00 a.m. on the 29th instant, Wednesday next.

Yours truly,

(Signed) W. W. Pope,

Secretary.

Toronto, April 28th, 1914.

The Honorable the Members of the Hydro-Electric Power Commission of Ontario, Toronto:

Gentlemen,—You have obtained reports upon the financial position of the Toronto Hydro-Electric System from your own Auditor, Mr. McCollum, under date of 8th instant; from your Chief Engineer, Mr. Gaby, under date of 14th instant, and from Mr. W. S. Andrews, Accountant, under date of 14th instant. Copies of these reports have been furnished us.

They culminate in a recommendation by your Chief Engineer to your Chairman that the existing tariff of power and light rates in the City of Toronto be replaced by a new and reduced rate, as stated therein. We understand that it is your intention to order a reduction of rates in accordance with the recommendation of your Chief Engineer unless we can show conclusive rea-sons in favor of a contrary course.

We have, therefore, given the most careful consideration to the contents of these reports, and we beg to submit herewith our formal reply thereto. Inasmuch as all three reports deal largely with the same questions, it will probably be more satisfactory to take up an orderly consideration of the fundamental questions raised, rather than to attempt to deal with each report separately.

We trust that you are as much alive as we are to the gravity of issuing any premature order for the reduction of rates that would place in jeopardy the well-being of the Toronto Hydro-Electric System. Without further preliminary, therefore, we proceed to deal in the first place with the particular propositions that relate to the capacity of the Toronto Hydro-Electric System to stand a reduction of rates at the present time.

(1) We observe, first of all, that no clear distinction is drawn between the Corporation of the City of Toronto and the Toronto Electric Commissioners. It is, of course, obvious that the Toronto Electric Commissioners cannot interfere with the functions of the municipal corporation or with those of its authorized officers, and vice versa. We note this point especially, because it seems to us that confusion has been introduced into the reports by attributing to the Toronto Electric Commissioners responsibility for functions which fall exclusively within the domain of the municipality, and it is most important in the interest of clear thinking and in defining responsibility that this distinction be borne in mind. We shall refer hereunder to the Corporation of the City of Toronto as "the Corporation," and to the Toronto Electric Commissioners as "the Commissioners."

(2) The first question of prime importance is that raised which relates to the discount of $509,874.45, which has been allowed by the Corporation of the City of Toronto in connection with its ultimate sale of $2,750,000 of debentures issued for Hydro-Electric construction purposes under By-lay No. 5036. Mr. Andrews states that this discount "is not properly chargeable against the Commission, for the reason that these " debentures were bought and paid for at par in 1911 by the City of Toronto as a sinking fund investment.... ; " that it has been stated in the press that any claim there may be to a restitution of this amount has been re- " linquished by the Chairman of the Commission; that if this has been done, it is submitted that the interests " of the Commission have been entirely overlooked, and that the question of their rights should be reconsid- " ered."

In reply to these strictures we beg to say :—

(a) That we are advised the debentures in question are a legal obligation of the Corporation of the City of Toronto, expressly and preferentially secured by statute upon the works, lands and property of the Hydro-Electric System, in favor of the holders thereof; that the liability of the Corporation and of the property of the Hydro-Electric System for the full amount of the debentures is not affected by the circumstance that the bonds were held in some form prior to their ultimate sale as an interim investment of the consolidated debt sinking fund of the city, or that the discount in question arose in connection with the ultimate sale thereof to third parties; and therefore that the debt assumed in the accounts of the Commissioners for the ultimate cash proceeds of these debentures, and for the discount allowed in connection therewith, has been properly assumed in accordance with the legal obligation of the Corporation and the duty of the Commissioners. A copy of counsel's opinion upon this point is annexed hereto.

(b) That without discussing the question as to why the views of the Chairman in this matter should be taken from the newspaper press rather than authoritatively obtained from himself, it is sufficient to say that no claim upon the city for the recovery of the discount in question has been abandoned by the Chairman, for the simple reason that no such claim has ever been set up on behalf of the Commissioners. On the contrary, the third annual report of the Commissioners, and the accounts covered thereby, expressly, and, according to our advice, properly, accept on behalf of the Hydro-Electric System responsibility for the charge in question.

(3) The next series of questions of importance that are raised affect the establishment and maintenance of the necessary sinking funds. Sinking fund obligations in respect of debentures issued have been assumed by the Commissioners as a charge against income, in accordance with the requirements of the governing Corporation By-laws, Nos. 5036, 5918 and 6674.

(a) Each of the debenture issues was sold subsequent to the date at which the corporation was authorized to issue the same, and it is stated in this connection that "Under the law, no charge whatever " can be made in respect to sinking fund prior to the sale of the debentures, irrespective of the date " of execution of same. (Ontario Law Report, No. 1, 1901, Page 496, Township of King v. Bo- " gart.)"

In reply to this claim we beg to annex hereto a copy of counsel's opinion to the effect that it is incumbent upon the municipality to raise annually and maintain the sinking funds for the payment of the principal of the debentures issued under the authority of by-laws passed by the municipality

to provide for the cost of the System **as specified in the by-laws,** and that the assumption by the Commissioners of these obligations is proper and lawful.

(b) It is stated in the next place by the Chief Engineer that "the sinking fund charge of 1909, 1910 and " 1911, or the construction period....is properly a construction charge in the same manner as in- " terest during construction." We beg to say that we think, and we are advised, that this view is incorrect. Interest during construction is a proper charge against construction account by reason of the fact that it is an integral element in the cost thereof, but the payment of sinking funds or the assumption of liability therefor are in no manner related to construction operations. Such payments neither increase the value nor the cost of construction, and they cannot properly be charged thereon. The debentures authorized under the first two by-laws covered the estimated cost of the plant, including specifically interest accruing to the construction period, and the operating deficiency caused thereby, but excluding provision for sinking fund obligations. We annex copy of counsel's opinion to the effect that all sinking fund obligations are properly chargeable against the **income** of the enterprise.

(c) It is also stated that the following instalments of sinking fund obligations have been assumed in advance of their maturity, and the implication necessarily follows that the surplus has been improperly diminished by the amount thereof:—

By-law No. 5036—Instalment for half-year accrued at 31-12-13	$18,235 50
By-law No. 5918—One year's instalment, up till 31-12-13	34,254 00
By-law No. 6674—Half-year's instalment, accrued at 31-12-13	4,641 50
	$57,131 00

This claim is evidently based upon a wrong idea of the dates of the by-laws and an entire misapprehension of the requirements of the sinking funds. The sixth annual instalment of the sinking fund under By-law 5036 falls due on June 30th, 1914. The accounts of the Comissioners were made up till December 31st, 1913. It is clearly correct to charge the income of the last half of that year with the corresponding half-year's accrued instalment of sinking fund.

In the case of By-law No. 5918, the debentures are dated January 1st, 1912, and therefore, by December 31st, 1913, that is, two full calendar years from the date of the debentures, two years' sinking fund instalments obviously have to be provided for. Exactly two years' sinking fund instalments have been assumed in the accounts.

Under By-law No. 6674, the debentures are dated July 1st, 1913. A large part of the proceeds of these debentures had been paid over to the Commissioners by the end of the year, and the plant and equipment established thereunder had been in use yielding income. It is therefore clearly correct to charge the half year's sinking fund which had accrued at December 31st, 1913, against the income account of that year, which included the earnings of the additional plant established under the said by-law.

(d) It is further stated that "the annual charge for sinking fund at present is about $16,500 greater " than is necessary....for the reason that the by-laws....provide for interest....at the rate of 3% " instead of 4% as it should be"; and "it is submitted that this annual overcharge of $16,500 must " continue so long as the Commission is prevented from investing the sinking funds at a higher " rate than 3%, and it is suggested that such proceedings be taken as will result in the diverting of " this very large sum from the revenue of the City of Toronto generally to the revenue of the Com- " mission, where it properly belongs."

Unless there is special legislation in force affecting the obligations of the city in this matter, of which we have not as yet been advised, we would say that this criticism is based on an erroneous view. It is obvious that when long term debentures are issued subject to retiral by the accumulation of annual sinking fund instalments, it is necessary in determining the amount of the annual instalments to assume that a minimum rate of interest will be realized on the actual investment of the instalments. If a rate of interest be assumed greater than that which is realized, the fund will not amount at the maturity of the debentures to the sum necessary to retire them; while if the actual investment rate of interest realized should exceed the assumed rate, and the accumulation thereof should be allowed to continue until the maturity of debentures, the final fund for the redemption thereof would be greater than the amount required. The Commissioners understand that it is the general practice of the corporation to calculate the amount of the annual sinking fund instalments required to retire debentures at maturity, upon the view that they will accumulate under investment at the rate of 3% per annum, and such was done in the case of these debentures. Under present conditions the actual sinking fund investments of the corporation will undoubtedly accumulate at a higher rate of interest. But we understand that the corporation is bound to hold for the retiral of the debentures the whole of the sinking fund instalments, and the whole of the income arising therefrom. And such income, in whatever degree is may exceed the said estimated annual rate of 3%, will pass ultimately to the credit of the Hydro-Electric System, thereby preventing any excess charges against the System in respect of sinking funds. The Commissioners have assumed a liability to the corporation for the various sinking fund instalments required under the by-laws, as at the dates they respectively fall due, with 3% per annum added to all past due instalments upto December 31st, 1913, to provide for the maximum requirements of the fund to the said date. Counsel's opinion on this point is being taken, and will shortly be submitted.

(4) The next question to be dealt with is that of depreciation. The principal criticism on this matter may be summarized as follows, namely:—That the rate of depreciation alleged to have been taken, of 4.7% for 1913, is not comparable with the 5% rate taken by other municipalities, for the reason that the Toronto system carries a larger proportion of long life equipment than other mnuicipalities; that the charge made by the Commissioners is an obsolescence charge only, because no expenditure for replacements had been charged against the fund up till the end of 1913; that the depreciation fund "will yield interest at the rate of at least " 4%," and that no allowance has been made therefor; and that in any event the creation and disposal of the fund "is beyond their powers, it being specifically under the jurisdiction of the Hydro-Electric Power Commis- " sion of Ontario.

On this matter we observe as follows:—

(a) We have had the General Manager make a careful apraisal of the wearing lifetime of the various classes of plant and equipment, and a careful estimate of the residual value of each class, with the object of determining as accurately as possible the average annual inroad of wear and tear. He has applied no less than thirteen different rates of depreciation, ranging from 1.67% per annum upwards, to as many different classes of plant and equipment. He has not employed any average figure, but has determined specifically the average wear and tear of each class of plant, and has applied thereto the specific rates in question. No general statement that "70% of Toronto's plant " consists of construction of long life and does not correspond with similar classes of construction " in other municipalities," is of value as against a careful detailed apraisal of the lifetime and re-

sidual value of the different parts of the plant, such as has been carried out. For the appraisal in question the General Manager is peculiarly well fitted by experience and by association with eminent engineers, who are recognized authorities on the question of electrical depreciation. We have every confidence that his judgment in this matter is well founded, and that the average annual decay caused by wear and tear cannot be made good unless the income is regularly charged with appreciations based on his estimate.

(b) It is quite wrong to allege that the depreciation fund created has "practically been placed aside as "an obsolescence charge only." No provision has been made for "obsolescence." The charge made under the name of "depreciation" covers estimated wear and tear and that only. It is quite true that no expenditure for replacements was charged against this fund up to the end of 1913, but the record is that during the year 1912 a tentative depreciation rate of 2½% only was taken. And while the depreciation for the year 1912 made under the 2½% rate was quite adequate to the wear and tear of that year, it is not adequate to the average annual wear and tear over the whole lifetime of the plant. Therefore the small replacements that were made during 1912 were, as a matter of policy, charged against maintenance, rather than against the depreciation fund, to offset to some extent the low depreciation charges of the previous year. As a matter of fact, all replacements properly chargeable against the depreciation fund have been so charged since the first of January of this year.

(c) The point that additional excess depreciation has been charged rests upon the theory that interest at the rate of at least 4% per annum should accumulate thereon, and seems to proceed from an insufficient consideration of the question. The depreciation fund actually created has **not been invested at interest,** and in consequence no interest for which credit should be taken has been received upon it. It has been kept employed because of the necessity of the case, through a lack of working capital in the System, and the whole of the surplus profits, including those attributable to the internal employment of the fund, have been credited to surplus account. If the primary charge for depreciation is reduced on the view that a proportion of the surplus profits should be credited to the fund because they were realized from its employment in the System, then the resultant, namely, the primary charge plus the accruing profit, amounts to precisely the original sum. That is to say, if one year's charge for depreciation should be $104.00, and $100.00 only is charged directly against income, from the view that being employed in the business it will yield $4.00 of net profits, then out of the net profits for the year the $4.00 must be appropriated and added to the original charge of $100.00. It ought to be perfectly clear that in the final result it makes no difference whether the charge $104.00 is made directly, or only $100.00 directly, and $4.00 indirectly.

(d) With regard to the claim that the creation and disposal of the depreciation fund is within the sole jurisdiction of the Hydro-Electric Power Commission of Ontario, we beg to say that we cannot acquiesce in this view. We think it is wrong, and that both the creation and the disposal of this fund fall exclusively within the power of the Commissioners. There is no bona fide surplus available for reduction of rates, or for any other purpose, until the wear and tear of the plant caused by the daily operations thereof are made good out of income. The charge against income to cover this element of decay is an integral part of the operating cost, and by reason thereof the determination and the reservation of the necessary annual amount fall in our opinion exclusively within our own jurisdiction. We are sustained in this view of our duties and powers by counsel, a copy of whose opinion on the point is also annexed.

(5) Mr. McCollum states that there is a difference between the amount of the debt owing the Corporation, according to the accounts of the Commissioners and the amount thereof as shown by the books of the Corporation, and he has compiled and submitted a statement of the debt from the books of the City Treasurer, which are assumed thereby to be correct. We have no jurisdiction over the books and accounts of the City Treasurer, and we do not think that any attempt should be made to hold us responsible for the accuracy thereof, or that the assumption should be made that the books of th eCity Treasurer are correct and those of the Commissioners wrong. As a matter of fact, moneys have been received by the Commissioners from the City Treasurer under By-law No. 6674 (including debenture discount) to December 31st last, to the amount of $406,232.50 in excess of the amount shown on Mr. McCollum's statement. When the sinking fund and interest charges dealt with in the preceding paragraphs have been corrected in accordance with the legal obligations of the Hydro-Electric System, it will be found that the accounts of the Commissioners are correct.

(6) In our third annual report we stated that the working capital required as at December 31st amounted to the sum of $434,811.37, as follows:—

Stores Investment	$231,511 51
Accounts Receivable	351,748 12
Prepaid Charges	3,582 31
Sinking Fund Obligations Carried Forward	94,617 20
	$681,459 14
Less Depreciation Reserves Accumulated	246,647 77
	$434,811 37

On this question the Chief Engineer states "the accounts receivable are naturally offset by a balance of " over $260,000 in accounts payable, which appears to be lost sight of when making the above calculation; " also the sinking fund obligation of $94,617 is purely imaginary." Upon this account we observe:—

(a) That the accounts payable were not overlooked when making the calculation in question. A reference to the balance sheet submitted with the third annual report will disclose the fact that:—

The capital expenditure, including debenture discount to Dec. 31st last, was	$5,552,607 26
While the amount received from the corporation in respect thereof was	5,421,432 01
Leaving a balance payable by the corporation in respect of the actual expenditure to the said date, of	$131,175 25
The total liabilities on current account were	$823,985 40
Deducting from this amount the balance owing by the corporation on Construction Account to Dec. 31st, of	131,175 25
Leaves a net balance of debt of	$692,810 15
Deducting from this the cash on hand and on deposit with the Bank of Montreal at the same date, amounting to	257,998 78
Leaves a balance of debt, to cover which working capital is required of	$434,811 37

(b) As for the statement that "the sinking fund obligation of $94,617 is purely imaginary," we can only say that we do not understand the type of mind that would commit itself to such a proposition. The reality and the legality of this obligation have already been dealt with, and we have nothing, therefore, to add in regard thereto.

(7) Mr. Andrews states that "the amount expended in 1913 for general and office salaries and expenses, " aside from promotion of business and billing and collecting expenses, is over $150,000, equal to 13% of the " total revenue, or 15½% of the total expenses," and that "this is abnormal, and in the opinion of the writer " should be very much reduced." We regret that Mr. Andrews did not point out at the same time that the net expenditure on construction account during the year 1913 amounted to $884,627.87 (nearly as much as the income for the year), and that a large part of the expenses referred to were attributable to these construction operations. The amount attributable to working operations was $96,032.20, or 8.28% upon the income for the year.

(8) With reference to the annual operating cost of the steam reserve plant, which it has been decided to instal, it is, of course, clear that whatever such charges amount to, they will be additional to those of last year, and therefore that allowance must be made for such in computing the rate reduction capacity of the System.

(9) Summarizing shortly the effect of the matters referred to in the preceding paragraphs upon the question of rate reduction, we may say that on a correct statement of facts the annual charge against income created by the debenture discount of the first by-law, stands as an obligation against the System until the debentures are paid off; that the obligation to pay to the Corporation of the City of Toronto sinking fund instalments in accordance with the terms of the respective governing by-law out of the income of the System, stands as a further obligation until the debentures are paid off; that no advance instalments on sinking fund account have been charged against income up to the end of last year, and in consequence thereof there has been no diminution of surplus through charges of that nature; that no excess charge against income has been made in respect of depreciation; that the debt to the corporation is as shown by the books of the Commissioners, and not as shown by the incorrect statement of Mr. McCollum; that no error was made in the computation of the working capital required to place the System on a proper financial basis, and therefore no relief from the interest charge thereon can be expected; that the general and office salaries and expenses have not absorbed the percentage of total income stated by Mr. Andrews, and in consequence no great economies are to be anticipated from a reduction thereof; that the operating charges of such steam reserve plant as may be installed will require to be added to the normal operating expenses of the System,and that in consequence of the whole of the foregoing no changes have been established in the financial position of the System as it was disclosed in the accounts which accompanied, and in the third annual report.

(10) Under these conditions we respectfully submit that no reduction of rates should be ordered. We have already pointed out that at December 31st last the Commissioners were nearly $450,000 short of the amount required to liquidate the current liabilities of the System, and this after keeping within the System intact the whole of the depreciation funds established. Without attempting to estimate the earnings of the enterprise for the coming year, we respectfully submit that it is impossible to justify a reduction of rates until after the enterprise is placed in a position to pay its debts in full as they fall due, and after the net annual earning thereof yield a surplus over and above the whole of the annual charges and the back charges which have yet to be made good. Large extensions to the System will require to be made in the future. It is impossible to foresee or to foretell the contingencies connected therewith and otherwise, and a reduction of rates upon a speculation as to future profits while debts and back charges have yet to be made good, may in certain con-

tingencies work great injury to the enterprise. And in any event it is our duty as public servants to adopt a prudent and conservative policy, and not to engage in any speculation with great public interests, and we respectfully venture to affirm that a like obligation rests upon yourselves.

(11) We now proceed to deal with some other questions raised by the reports in question, but not strictly relevant to the question of rate reduction.

(12) In our third annual report we stated: "At a joint conference held by the Provincial Commission " and your Comissioners during the year, a formal decision was taken to instal, as soon as possible, the neces- " sary steam reserve plant. The estimated capital cost thereof is approximately $1,000,000. The carrying and " the operating charges thereof will add substantially to the annual charges of the System, but this extra " cost must be regarded as a relatively cheap insurance against the heavy penalties that otherwise would have " to be borne by the power and light consumers, on account of service interruptions from time to time pro- " ceding from uncontrollable causes."

With reference to this statement your Chief Engineer states on page 6 of his report: "We refute the state- " ment made that the Engineering Department concurred in the recommendation for the installation of a steam " plant as an auxiliary to the distribution system of the Toronto Hydro-Electric System. The matter was dis- " cussed and a preliminary report was made as to the advisability of installing an auxiliary generating " plant to take care of the operation of the waterworks." With regard to the distinct issue thus raised, we beg to say that we have on file a letter from Mr. F. A. Gaby, Chief Engineer of the Hydro-Electric Power Commission of Ontario, dated August 7th, 1912, as follows:—

"Referring to your favor of July 9th, re joint meeting of the Provincial and Toronto Hydro " Commissioners, I am pleased to give you the following extract from the Commission in connec- " tion with matters of joint interest:—

No. 10: Minutes of June 24th.

"Mayor Hocken, Chairman Ellis, and Manager Couzens, of the Toronto Electric Commission, " waited upon the Board respecting a supply of power for the waterworks plant during interrup- " tions on the Hydro System. A connection with the Toronto Electric Light Company was sug- " gested by the Mayor, who strongly urged its necessity. Chairman Ellis urged the installation of " a steam auxiliary plant to take care of this. The matter was fully and carefully discussed, and it " was decided to refer same to Messrs. Couzens and Gaby, to report at a joint meeting of the To- " ronto Electric Commission, to be held at an early date."

No. 21 of Minutes of July 21st.

It is recommended as follows:—

"Mayor Hocken, Chairman Ellis and General Manager Couzens, of the Toronto Hydro-Electric " Commission, waited upon the Commission respecting the establishing of an auxiliary power plant " for the waterworks. **The joint report of Engineer Couzens and Gaby was also before the meet- " ing, and after lengthy and careful discussion approved.**"

" The above are the only extracts appearing in the Minutes of the Commission in connection " with the Toronto Hydro-Electric Commission and our joint report.

"I trust this is the information you desire."

The joint report of Messrs. Couzens and Gaby, which was approved at the joint meeting of July 21st, is as follows:—

July 7th, 1913.

"In accordance with the verbal instructions given at the joint meeting of the Provincial and Toronto " Hydro-Electric Commissioners, held on June 24th last, we have considered the best means of providing an " auxiliary electric service to the waterworks pumping and filtration plants and the sewage disposal plant, in " order to insure the necessary supply in case of interruption in the transmission lines to Toronto.

" Owing to the limited time at our disposal we have been unable to give this important matter the study " necessary for a comprehensive report. In addition to the above, there are questions of policy and general " commercial consideration which must be carefully considered in working out the full details of the scheme " adopted in its relation to the present waterworks pumping station. Having regard to the urgency of the " case we have dealt with the general aspect of the situation from an engineering standpoint only. We have " only attempted to outline a line of action to obtain relief for the situation at as early a date as possible, " eliminating all unnecessary studies and investigation.

" We find that the waterworks have an insufficient reserve of steam power to deal with their load in case " of interruption in the supply of power, which, apart from other considerations, does not enable the City to " meet the requirements of the Fire Underwriters' Association.

"It will be remembered that in consideration of the Waterworks steam reserve the Toronto Commission " offered the City a specially low rate for the electric service, which rate has been approved by the City sub- " ject to the sanction of the Provincial Commission.

" The power installed for the civic requirements as outlined is over 14,000 horsepower, and there are two " broad lines on which a permanent auxiliary electric service to operate the plant can be dealt with:

" (a) By the installation of generating plant within the city to be driven by steam, gas or oil engines.

" (b) Connection with the system of the allied electric companies.

" A comparison of these two methods shows in our opinion the following among other advantages in " favor of the former under present conditions:

" (1) Greater rapidity in picking up the load.

" (2) Less delay in transferring the load after resumption of supply.

" (3) Greater reliability.

" (4) The whole Toronto System would remain under the direct control of the Toronto Commission " and therefore under the general Hydro scheme.

" (5) Lower capital cost.

" (6) Economy due to utilizing the steam plant for the reduction of peak loads.

" (7) Ability to use the plant in cases of emergency in accordance with the terms of the agreement " between the Provincial and the City of Toronto.

" (8) Greater possibility of expansion in accordance with the requirements of the system and service.

" **We therefore beg to recommend the adoption of scheme (a) in general principle when the**

" **details can be carefully worked out and a report submitted to the Toronto Commissioners with a**

" **view to considering the various commercial features which concern the undertaking under their**

" **control.**"

We think that the foregoing sufficiently establishes the accuracy of our statements in our Third Annual Report. With further reference to this matter we note that your Chief Engineer states on Page 7 of his report "That the question of installing a steam reserve plant, **is a matter for the Consumers to decide for themselves.**" It should not be necessary for us to point out that we are charged by law with responsibility for the management of the Hydro-Electric System, and that the right to instal a steam reserve plant is ex-

pressly reserved to the Corporation of the City of Toronto under the original contract for the purchase of current from your Commission. We have submitted this express question to Counsel, and a copy of his opinion upon the power and duty of the Commissioners to determine this question for themselves, is annexed hereto. At the same time we are at a loss to describe the attitude of mind which suggests that the Commissioners should abdicate their functions and refer this question to a plebiscite of the consumers. In deciding this question we will be moved by the best interests of the System and by nothing else.

(13) Mr. Andrews states in his report that "the expenditure for auditing fees during the years 1912 and 1913 total about $22,000." This is entirely incorrect and misleading. The fees for auditing the books and accounts of the Commission since the first of July, 1912, have been fixed at the rate of $2,500 per annum. Previous to that time and by reason of the necessity for supervising closely the very heavy construction expenditure of the System including the heavy pay-roll thereof, the fees were fixed on a time basis of $50 per day for the principal's time, $20 per day for the office manager's time, and $10 per day for a senior chartered accountant's time.

The first Commissioners, shortly after assuming office in June, 1911, retained in accordance with the powers conferred upon them, the firm of John Mackay & Company, as consulting accountants and auditors. During the interval they and we have consulted Mr. Mackay in regard to many important questions of policy, executive management, and finance. All bills rendered for such services have been reasonable and satisfactory, and with the exception of some specially responsible matters, all compensation paid for services in addition to the audit, has been fixed on the above time basis. The principal bills were, as a matter of fact, submitted to yourselves for approval, and were so approved. Neither Mr. Mackay nor his firm have sought any retainers from the Toronto Hydro-Electric System. They have been retained on the sole initiative of the Commissioners, who believe that they have in the services rendered received excellent value that has been of great advantage to the enterprise.

(14) The above deals with all the fundamental and important questions raised by the reports that have been under consideration. We pass over many minor matters and many observations of minor importance. We sincerely trust that the counsels of prudence and the requirements of sound finance which we have endeavoured in restrained and moderate terms to place before you, will receive the attention they deserve and exert the influence upon your judgment which they are entitled to. We do not wish at this stage to go further and to point out the effect, whatever the intention may be, of the policy of an arbitrary rate reduction and of interference with the internal management of the Toronto System. We desire to work in the most complete harmony with the Provincial Commission and with the several municipal units of the whole Hydro-Electric System of the Province. We think it would be most injurious to the further progress of the Toronto System and of the whole movement, and to the cause of commission government, if the policy of friendly voluntary mutual co-operation should give place to one of arbitrary compulsion.

Respectfully submitted by the Board of Commissions.

COPY.

18th April, 1914.

George Bell, Esq., K.C., City:

Dear Sir,—I submit, on behalf of the Toronto Electric Commissioners, the following questions for your consideration and opinion:

1. What is the legal status of the Toronto Hydro-Electric enterprise?

That is to say:

(a) Does title to the property and assets vest in the Corporation of the City of Toronto?

(b) Are the Toronto Electric Commissioners agents of the said Corporation for the management of the enterprise?

2. Are the Hydro-Electric debentures issued by the Corporation of the City of Toronto under By-laws Nos. 5036, 5918 and 6674 secured by a preferential charge upon the property of the Toronto Hydro-Electric System in favor of the holders thereof?

3. Is the discount of $509,875. 45 on the ultimate sale of the debentures issued under By-law No. 5036 a lawful charge upon the Toronto Hydro-Electric System? In connection with this question you will note that the said debentures are said to have been purchased in the first instance by the Sinking Fund Department of the City at par, and subsequently resold by the Corporation at the discount stated.

4. Are the Annual Sinking Fund Instalments of the debentures authorized under By-laws Nos. 5036, 5918 and 6674 of the Corporation of the City of Toronto, as such are set forth in the said By-laws, a proper charge upon the *income* of the Toronto Hydro-Electric System?

5. Is it within the duties and the powers of the Toronto Electric Commissioners—

(a) To determine the amount of the annual charge against income for depreciation of the physical plant of the System?

(b) To determine the question of whether a steam reserve plant shall be installed as a part of the Hydro-Electric System?

Your kind attention to the foregoing at your earliest convenience will oblige.

Yours faithfully,

(Signed) P. W. ELLIS, Chairman.

COPY.

Toronto, 28th April, 1914.

P. W. Ellis, Esq., Chairman, The Toronto Electric Commissioners, Toronto:

Dear Sir,—I have considered the questions submitted by your letter of 18th instant on behalf of the Toronto Electric Commissioners, and I answer them as follows:—

1. What is the legal status of the Toronto Hydro-Electric enterprise? That is to say:

(a) Does the title to the property and assets vest in the Corporation of the City of Toronto?

Yes, the physical property of the System, in my opinion, belongs to the Municipality.

(b) Are the Toronto Electric Commissioners agents of the said Corporation for the management of the Enterprise?

The appointment of the Commissioners was authorized by 1 George V., Chapter 119, Section 16, and I think that the combined effect of the Statutes is to make them a body corporate, and that as such they are the agents of the Municipality to manage the Enterprise. 3 and 4 George V., Chapter 41, Sections 25, 34 (2) and 36. R.S.O., 1914, Chapter 204, Sections 25, 34 (2) and 36.

2. Are the Hydro-Electric debentures issued by the Corporation of the City of Toronto under By-laws Nos. 5036, 5918 and 6674 secured by a preferential charge upon the property of the Toronto Hydro-Electric System in favor of the holders thereof?

Yes, the works, land and property of the System are, in my opinion, specially charged with the repayment of the sums borrowed by the Municipality for the purposes thereof and of the debentures issued therefor, and the holders of the said debentures have, in my opinion, a preferential charge on such works, land and property for securing the payment of the debentures and the interest thereon. R.S.O., 1914, Chapter 204, Sections 25 and 31.

3. Is the discount of $509,875.45 on the ultimate sale of the debentures issued under By-law No. 5036 a lawful charge upon the Toronto Hydro-Electric System? In connection with this question you will note that the said debentures are said to have been purchased in the first instance by the Sinking Fund Department of the City at par, and subsequently resold by the Corporation at the discount stated.

The debentures must be paid by the Municipality in full, and consequently, in my opinion, any loss in the sale of the debentures would fall on the Municipality and be properly chargeable to the System. If the debentures were taken as an investment for the sinking fund at par, and afterwards sold at a loss I think that such loss would not fall upon the holders of the debentures so as to entitle the Municipality to pay them at a discount, but would have to be borne by the Municipality and would, as I have said, be properly chargeable to the system.

4. Are the Annual Sinking Fund Instalments of the debentures authorized under By-laws Nos. 5036, 5918 and 6674 of the Corporation of the City of Toronto, as such are set forth in the said By-laws, a proper charge upon the income of the Toronto Hydro-Electric System?

The Annual Sinking Fund Instalments for payment of the principal of such debentures are, in my opinion, properly chargeable against the income of the System, and I think that this opinion will be strengthened by reference to the provisions of R.S.O., 1914, Chapter 39, Section 39.

5. Is it within the duties and the powers of the Toronto Electric Commissioners—

(a) To determine the amount of the annual charge against income for depreciation of the physical plant of the System?

Yes, that in my opinion is within their duties and powers, and in expressing that opinion I have not overlooked the provisions of R.S.O., 1914, Chapter 39, Section 39, to which I have already referred.

The payments to be provided for under that section are, first, any payments required to be made on account of principal or interest of any debentures. It is not stated out of what the specified payments are to be provided, but I think the obvious meaning is that they are to be provided for out of the residue of earnings after deducting operating expenses, which, in my opinion, would properly include a fair charge for depreciation of the plant.

If the contracts with the Hydro-Electric Power Commission of Ontario for the supply of power are continued until 19th December, 1939, the agreement between such Commission and the Municipality will remain in force until that date during the whole of which period efficient service must be continued. Portions of the plant will wear out and must be renewed during such period, and consequently the expenses of maintaining the plant in its efficiency are, in my opinion, operating expenses just as much as wages, without which the System would cease to operate and there would be no earnings. I think that this is supported rather than otherwise by the latter part of the section regarding the surplus, as it may be applied or disposed of as directed by the Commission in any of the several ways enumerated and without obligation to apply any part of same in the maintenance, repair or renewal of the plant.

(b) To determine the question of whether a steam reserve plant should be installed as part of the Hydro-Electric System?

Yes, because it is expressly provided by paragraph 2 (b) of the agreement between the Hydro-Electric Power Commission of Ontario and the Municipality, dated 4th May, 1908 (9 Edward VII., Chapter 19, Schedule A), as an exception to the obligation to take Electric Power exclusively from the Commission during the continuance of such agreement that "the Corporations may generate, store or accumulate electric power for emergencies or to keep down the peak load of the power taken from the Commission."

I may add with reference to the foregoing matters generally that if the Hydro-Electric Power Commission of Ontario should, in dealing with any of such matters or with the questions of surplus or rates, take a different view from that held by the Toronto Electric Commissioners, such difference could not be determined by judicial proceedings at the instance of the Commissioners without the consent of the Attorney-General.

Yours faithfully,

(Signed) GEORGE BELL.

(COPY)

May 5th, 1914.

REGISTER.

P. W. Ellis, Esq., Chairman, Toronto Electric Commissioners, Toronto, Ont.:

Dear Sir,—I am directed by the Hydro-Electric Power Commission, at a meeting held to-day, to forward the enclosed Order as to schedule of rates to take effect the first day of June, 1914.

Yours truly,

(Signed) W. W. POPE, Secretary.

IN THE MATTER OF RATE ADJUSTMENT FOR THE CONSUMERS OF THE TORONTO HYDRO-ELECTRIC SYSTEM

After investigation of the recommendations, report and evidence submitted by the Engineers and Auditors of the Hydro-Electric Power Commission of Ontario, and the evidence, representations and reports on behalf of the Toronto Hydro-Electric Commission, the Board has decided to confirm its recommendations of November 19th, 1913.

AND IT IS HEREBY ORDERED AND DIRECTED THAT the following schedule of rates for the supply of electrical power or energy to the consumers of the Toronto Hydro-Electric System, shall be adopted as the rates of that System, and shall replace those now in use.

SCHEDULE OF RATES.

POWER RATE:

$1.00 per month per horsepower of connected load, or maximum demand of such load, where a suitable maximum demand meter is installed.

In addition there shall be a consumption charge of 1.5c. per K.W.H. for the first fifty hours' use of the maximum demand.

1c per K.W.H. for the second fifty hours' use of the maximum demand, and

0.15c per K.W.H. for all additional consumption.

These base rates shall be subject to the following class discounts:—

Class "A"—24 hour unrestricted use—no discount.

Class "B"—24 hour restricted use—10% discount.

Class "C"—10 hour unrestricted use—10% discount.

Class "D"—10 hour restricted use—33 1-3% discount.

In addition monthly bills shall be subject to a prompt payment discount of 20% for all power bills paid within ten (10) days from date of bill.

LIGHTING RATES:

Domestic Lighting.—4c per 100 square feet of floor area, plus a consumption charge of 3c per K.W.H.

Commercial Lighting.—6c per K.W.H. for the first thirty hours' monthly use of installed capacity, plus 3c per K.W.H. for all additional consumption.

Domestic and Commercial lighting bills shall be subject to a prompt-payment discount of 20% for all bills paid within ten (10) days of the date of bill.

The standard interpretation of rates as used by municipalities for electrical service, as compiled by the Commission, shall apply to the above schedule of rates.

Street Lighting.—A reduction of $1.00 per lamp for each 100-watt lamp, used for the purpose of street lighting, for both single and cluster light, shall be made.

IT IS FURTHER ORDERED AND DIRECTED that the above rates shall come into force and effect on June 1st, 1914.

(Signed) HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO,

ADAM BECK,

Chairman.

DATED AT TORONTO, May 5th, 1914.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO.

STANDARD INTERPRETATION OF RATES AS USED BY MUNICIPALITIES FOR ELECTRIC SERVICE

General—

(1) No electric service shall be given until a proper contract has been drawn up and signed by the prospective Consumer, and by the Corporation.

(2) A copy of these interpretations shall accompany and be a part of every contract between Consumers and Corporations served by the Hydro-Electric Power Commission of Ontario.

(3) Contracts are for one year and are self-renewing from year to year, expiring only when notice is given by either party, one month prior to the expiration of a yearly term, or for non-payment of bills. All contracts terminate, as far as rates are concerned, upon the order of the Hydro-Electric Power Commission of Ontario.

Domestic Lighting—

(1) The rates for Domestic Lighting shall consist of a service charge of 4 cents per 100 square feet of floor area, and a consumption charge, being a rate in cents per kilowatt hour.

The floor area of a house is obtained by taking its outside dimensions, omitting bay windows and similar projections. The area derived from such dimensions, multiplied by the number of floors and reduced by ten per cent. (10%), gives the net area under the charge. Under this charge are included all parts of the house used for living and sleeping purposes, making verandas, basements, unfinished attics and outbuildings exempt, except where any portion of these is so used, in which case only that portion shall be charged.

(2) The practice of omitting the service charge and giving an optional consumption charge for domestic power service is not permitted; likewise the use of flat rate contracts for house lighting service.

(3) The minimum service charge shall be 25 cents per month.

(4) Power for domestic service shall not be sold at the power rates.

(5) Whenever free lighting service is granted to any municipal employee or official, the Electric Department shall bill the Municipal Department granting such service for the service given at the rates in use in the municipality.

(6) Where small motors, heating or cooking appliances or other electrical devices are used for domestic purposes, there shall be no additional service charge. The power so used shall be billed at the consumption charge only of the domestic lighting rate.

(7) Free porch lights will not be permitted except in municipalities where the Commission's consent is annually obtained.

(8) The practice of giving lamp renewals free of charge is not permitted, except in municipalities where the Commission's permission is annually obtained. Lamps shall be furnished by the corporation to consumers only, at cost, wherever the corporation elects to supply lamps or other electrical devices.

(9) Whenever small stores with dwellings are supplied through the same service, the consumer may be billed on either the domestic or the commercial lighting rate, according to the mutual agreement of the consumer and the corporation.

Commercial Lighting—

(1) The installed capacity of a commercial load is the total of the rated capacities of the lamps in use. In estimating the installed capacity of a commercial consumer, the capacity of single phase motors and heating appliances shall not be included in the total installed capacity used in billing, except where it is necessary to increase the capacity of the service to serve such appliances. Wherever this latter condition obtains, the installed capacity shall be taken as the normal capacity of the service so installed.

(2) If at any time the consumer changes the installed capacity, he shall notify the corporation of his intention, so that contracts and bases of billing may be amended on the day on which such changes are made.

(3) The representative of the corporation shall have the privilege of visiting the consumer's premises during all reasonable hours to check up the installed capacity, and if, on making such an inspection, any increase is found, the contract shall be amended, and the consumer shall be billed for that month and for succeeding months in accordance with the amended contract.

(4) Commercial consumers having not more than 100 watts connected may be given a flat rate of 50c per month net.

(5) The minimum net bill for commercial service shall be 50c per month.

(6) There shall be no optional rate for all consumption to commercial users, nor will an optional flat rate for this class of service be permitted beyond that given in paragraph 4 above.

(7) No users shall be given a power contract to cover commercial lighting service.

(8) Churches shall be billed at half the commercial lighting rate, which rate shall include all charges for power, whether used for lighting purposes or otherwise.

(9) Paragraph 8 under domestic lighting shall also apply to commercial users.

Power—

(1) Users of power shall be given contracts which shall be placed in various classes, dependent on the time during which power is to be used. Corresponding to each class of contract is a discount to which monthly bills for power used under it shall be subjected. The contract classes and their corresponding class discounts are as follows:—

Class "A"—24 hour unrestricted use—no discount.

Class "B"—24 hour restricted use—10% discount.

Class "C"—10 hour unrestricted use—10% discount.

Class "D"—10 hour restricted use—33 1-3% discount.

A consumer taking power under Class "A" may use power 24 hours each day every day in the year.

In taking power under Class "B," the power may be used as under Class "A," except that no power shall be taken during the restricted hours listed in paragraph 2.

A Class "C" user may use power 10 hours a day every day in the year, i.e., between 7 a.m. and 6 p.m.

When power is taken under Class "D," it may be used as in Class "C," except that no power shall be taken during the restricted hours listed in paragraph 2.

(2) Restricted Hours: Subject to revision according to load conditions:—

Oct. 15th-Oct. 31st—5.30 p.m. to 6.30 p.m.
Nov. 1st-Nov. 30th—5.00 p.m. to 6.30 p.m.
Dec. 1st-Jan. 15th—4.30 p.m. to 6.30 p.m.
Jan. 16th-Feb. 15th—5.00 p.m. to 6.30 p.m.
Feb. 16th-Mar. 1st—5.30 p.m. to 6.30 p.m.

(3) Should a consumer take power in a higher class than that under which he is rated, he shall from that time be considered as automatically transferred to the higher class for the balance of the term of contract. If he is taking power under a Class "D" contract, and does not shut down during the restricted hours, he shall be billed as a Class "C" or Class "A" user for the remainder of the term of his contract. Or should he work overtime, observing the restricted hours, he shall then become a Class "B" user.

A Class "C" user may upon giving notice to the corporation to that effect, take power as under a Class "A" contract during months in which he may desire to work overtime. Upon discontinuing such 24 hour

operation he shall again return to his original class. A Class "C" user cannot change to Class "B" temporarily.

(4) Contracts may be made for "Summer Power," which shall be for a period of not less than eight months, and shall be for Class "A" or Class "C" power only.

(5) All motors supplied over the same service shall be included under the same contract, whether in the same or separate buildings.

(6) Power required for factory lighting may be included on the power contract where such exists, provided such service can be given over the same service connections, and measured on the same meters as are required to take care of the power load. In fixing the service charge, the capacity of the lighting transformers installed by the consumer shall be added to the total of the capacities of the motors and other equipment, except where the maximum demand is measured. Wherever factory lighting service is given over service connections and through meters not measuring energy for power purposes, commercial lighting rates shall be used.

(7) Whenever a consumer installs power equipment in addition to that already covered by his contract, he shall notify the corporation of such addition, and his contract shall be amended to cover the whole equipment installed.

(8) The representative of the corporation shall have the privilege of visiting the consumer's premises during all reasonable hours to check up the power installation, and, if on making such an inspection any increase is found, his contract shall be amended and the consumer shall be billed for that month and for succeeding months in accordance with the amended contract.

(9) If power is to be sold on maximum demand, the consumer must furnish a satisfactory maximum demand meter, or the municipality may furnish it, billing the consumer monthly for the use of this meter at a rate of 15 per cent. per annum of the cost of the meter, plus the cost of the installation and chart paper.

(10) The local Superintendent shall have these meters checked at proper intervals, and collect the charts each month when reading the watt hour meter, so that the determination of the maximum demand will be in the hands of the Superintendent, or other properly delegated authority. Should the maximum demand meter used be a dial type designed to indicate the maximum demand, its reading shall be taken each month at the same time as the watt hour meter is read.

(11) Wherever the load conditions are such that a definite established maximum demand may be determined, it will not be necessary to instal a maximum demand meter.

(12) A consumer shall be billed on the maximum demand previously established until this demand shall have become increased, after which the increased demand shall be used as the basis of billing.

(13) Where the installed capacity is 100 h.p. or less, the sustained peak of one minute duration shall be used as a basis of billing. For installations having over 100 h.p. connected, one additional minute shall be allowed for every additional 100 h.p. or part thereof up to and including 500 h.p. When the installed capacity exceeds 500 h.p., a 5 minute sustained peak shall be used.

(14) When no maximum demand meter is installed, the service charge shall be based on the total horsepower connected, except as is provided in paragraph 11.

(15) A flat rate for power service is not permitted except in cases where the permission of the Commission is annually obtained.

(16) Where power is taken at 2,200 v., an extra discount of 5 per cent. is to be given; where power is taken at 13,000 v., this extra discount shall be 10 per cent.

(17) Whenever a consumer installs a synchronous motor or other condenser equipment, and the munici-

pality is given the use of such equipment for power factor correction purposes, an extra discount may be given from the monthly bills, subject to the aproval of the Commission being annually obtained.

(18) Whenever the total installation of one consumer is 5 h.p. or less, single phase current shall be supplied except where service can be given without the installation of secondary street mains. That is, should there be a three-phase feeder at motor voltage passing the premises, three-phase power may be given, but whenever it is necessary to install a feeder or transformers to serve one customer, single phase power shall be supplied.

(19) The rate for welders, air compressor motors, elevators, and similar loads, shall be a service charge based on the rated capacity plus the standard consumption charges. Where graphic recording maximum demand meters are used to indicate the maximum demand of users having intermittent load of this class, the service charge shall be based on the maximum demand without the fluctuations created by these intermittent loads, plus the demand of the welders, compressor, or similar load as shown by the chart.

Prompt and Payment Discounts—

A municipality granting a discount for prompt payment of the accounts rendered the consumers will strictly enforce the conditions upon which it is to be granted. It is never to be granted when payment is made after the last discount day.

When the consumer is 60 days in arrears the service shall be discontinued without notice, and service shall not be given again until payment is made in full, including a charge of $1 for the cost of reconnecting.

(COPY)

May 16th, 1914.

The Hydro-Electric Power Commission of Ontario, Continental Life Building, Toronto:

RE RATE REDUCTION.

Gentlemen,—In accordance with the instructions of the Commissioners I beg to advise that a request has been received from the City Council for information relating to the above. As the request covers the report from your officials forwarded by you to us, we shall be glad to know if you have any objection to raise to our forwarding the same to the Council.

I am, gentlemen,

Yours faithfully,

(Signed) E. M. ASHWORTH,

Secretary and Assistant General Manager.

10/13/11.

(COPY)

May 19th, 1914.

E. M. Ashworth, Esq., Secretary and Asst. General Manager, Toronto Hydro-Electric System, Toronto:

Dear Sir,—Yours of May 16th, re rate reduction is to hand. The material to which you refer was prepared by the officials of the Hydro-Electric Power Commission for their own use, but as a matter of courtesy was sent to your Commission for their own information, and before it is further dealt with or in any way made public, it would be necessary that I should lay the matter before the Commission and have their direction respecting it, which will be done at the next meeting, when you may expect to hear further.

Yours truly,

(Signed) W. W. POPE, Secretary.

May 19, 1914.

Hydro-Electric Power Commission of Ontario, Continental Life Building, Toronto:

RATE REDUCTION.

Gentlemen,—With further reference to my letter of the 16th inst. re the above, the Commissioners will be glad of your reply by to-morrow if possible.

Apologizing for troubling you, I am, gentlemen,

Yours faithfully,

E. M. ASHWORTH,

Secretary and Assistant General Manager.