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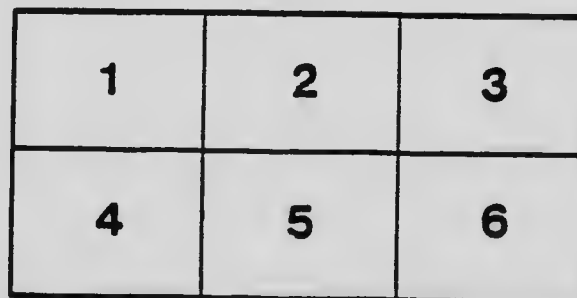
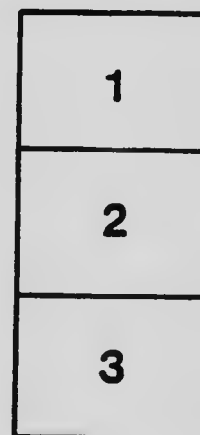
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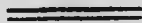


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Compañía Mexicana de Electricidad

**The Mexican Light and Power
Company, Limited.**



**Electric Light and Power
in the City of Mexico.**



**The Mexican Electric Light
Company, Limited.**

The Mexican Light and Power Company, Limited.

Incorporated under "The Companies Act, 1902," Canada.

HEAD OFFICE, - - Street Railway Chambers, Montreal.

GENERAL OFFICE, - San Jose el Real, Esquina Cinco de Mayo,
Mexico City.

ENGINEER'S OFFICE AND POWER-HOUSE, - - Necaxa,
State of Puebla, Mexico.

Capital Authorised (all issued, fully paid) - \$12,000,000

Authorised Bond Issue, - - - - 12,000,000

Bonds Issued, - - - - - 9,500,000

(First Mortgage Sinking Fund 5% Gold Bonds, due 1933.

Coupons payable 1st February and 1st August.)

Board of Directors:

President, JAMES ROSS, - - - - - Montreal.
 President Dominion Coal Company.

Vice-Presidents, { J. H. PLUMMER, - - - Sydney, N.S.,
 President Dominion Iron and Steel Co., Ltd.
 F. S. PEARSON, Dr. Sc., - - - New York
 Vice-President Sao Paulo Tramway, Light
 & Power Co.
 Rio de Janeiro Tramway, Light & Power Co., &c.
 F. L. WANKLYN Memb. Inst. C.E., Montreal.
 Vice-President Dominion Coal Company.

HON. GEORGE DRUMMOND, K.C.M.G., - - - Montreal,
 Vice-President Bank of Montreal, President
 Canada Sugar Refining Company.

E. S. ... MON. - - - - - Montreal,
 General Manager Bank of Montreal.

E. R. WOOD, - - - - - Toronto,
 Vice-President Central Canada Loan and Savings Company.

A. ELLERT, - - - - - London,
 Manager Dresdner Bank.

DR. A. BERLINER, - - - - - Berlin.
 Of Siemens & Halske, A. G.

R. F. HAYWARD, - - - General Manager in Mexico.
 ALBERT CARR, - - - Manager of Construction at Necaxa.
 F. S. PEARSON, Dr. Sc., - - - Consulting Engineer.

A. R. DOBLE, Secretary, W. G. ROSS, Treasurer,
 109 St. James Street, Street Railway Chambers,
 Montreal. Montreal.

General Attorney, resident in Mexico, - - - C. H. CAHAN,
 Of Harris, Henry & Cahan, Halifax, N.S.

Counsel: Z. A. LASH, K.C., - - - Toronto.
 C. S. CAMPBELL, K.C., - - - Montreal.

Bankers, - - - - - BANK OF MONTREAL.

Trustee for Bondholders and Transfer Agents:
 NATIONAL TRUST COMPANY LIMITED.

The Mexican Electric Light Company, Limited.

Incorporated 1905, under "The Companies Act, 1902," Canada

HEAD OFFICE, - - - - - MONTREAL.

Capital, all paid up, - - - - - \$6,000,000
(All held by the Mexican Light and Power Company, Ltd.)

Authorized Bond Issue, - - - - - \$6,000,000

First Mortgage Sinking Fund 5% Gold Bonds, due 1935, Coupons
payable 1st January and 1st July.

Denominations— \$100; \$500; \$1,000.
£20 10s 11d; £102 14s 10d; £205 9s 6d.
Francs, 518; Frs., 2,590; Frs., 5,180.
Marks, 420; Mks., 2,100; Mks., 4,200.

Trustee for Bondholders:
THE NATIONAL TRUST COMPANY, LIMITED.

Companies Owned and Operated

The Mexican Electric Works.

La Compañía Explotadora de las Fuerzas Hidro-
Eléctricas de San Ildefonso, S.A.

La Compañía Gaz y Luz Eléctrica.

MEMORANDUM

IN REGARD TO THE ELECTRIC LIGHT AND POWER SITUATION IN THE CITY OF MEXICO.

In the City of Mexico and the surrounding Federal District the electric light and power service has heretofore been performed by three independent companies, serving a population of some 600,000, viz.:

The Mexican Electric Works, originally constructed by the Siemens Halske Company, of Berlin, and acquired at a later date by The Mexican Light and Power Company, Limited.

La Compania Explotadora de las Fuerzas Hidro-Electricas de San Ildefonso, S.A., owned by Mexican and French capitalists.

La Compania Gaz y Luz Electrica, owned by English capitalists.

These three companies possess a practical monopoly of the light and power business in the city, as each of them has installed a very complete and expensive system of underground conductors in a large central zone, and overhead lines in the outlying districts. The municipality has established a so-called underground zone which covers the larger portion of the settled sections of the city, and in several of the outlying residential districts in this zone no overhead wires are allowed. In consequence of this the companies have been obliged to install a most expensive underground canalization, and as the streets are now largely paved with asphalt, there is very little chance of any other company being granted the right to install a fourth system of canalization, so long as the present companies serve the public well, and maintain reasonable rates.

The expense of installing another underground canalization would be very much in excess of the cost of the other systems on account of the expensive pavement which would have to be removed. Furthermore, the city authorities view with great disfavor any injury to the pavement, which has been laid down in the most expensive and thorough manner.

The Mexican Electric Works is the largest of the three companies, and for the last three years has been owned by The Mexican Light and Power Company, Limited.

The business of the city has been carried on with an understanding between the companies which prevented disastrous competition, but naturally it has been impossible to prevent a great deal of injurious competition between the agents of the three companies.

The Mexican Electric Light Company has been organized for the purpose of acquiring the Ildefonso, the Gas y Luz Companies, and in the future the relations of the three companies will be very harmonious.

The Mexican Electric Works has now been merged into the Mexican Light and Power Company, and as the Mexican Electric Light Company will be controlled and operated by the same company, it will be possible to manage the business in a much more economical way than could be done with three independent organizations, and at the same time offer the public cheaper and more satisfactory service.

All of the electric light and power business, with the exception of a portion of that supplied by the Ildefonso, has been supplied from steam power stations, and with the completion of the Necaxa installation of the Mexican Light and Power Company, the entire business of the city will be supplied by water power. On account of the economy which will be effected by use of water power the Mexican Light and Power Company agreed with the Federal Government that the price of electric light should be reduced 25 per cent. when its hydraulic plant was available. This time has been anticipated by making this reduction on the 1st of May, consequently the gross and net incomes of the companies at the present time are based upon the reduced rates, although the water power is not available for use.

The San Ildefonso Company was organized in 1900, under the laws of the United States of Mexico, for the purpose of utilizing the water powers of the Monte Alto and Tlalnepantla Rivers, situated about 20 miles from the City of Mexico. These water powers have been developed, and power stations and transmission lines constructed, with a capacity of about 6,000 h.p.

The power is now being delivered in the City of Mexico. The Company also owns a steam plant of about 2,500 h.p., which is used during the dry season, to supplement the hydraulic plant, as the water is insufficient for the purpose of the Company at this season. This Company is operating under a perpetual concession granted by the Federal Government of Mexico for the utilization of the waters of these rivers. Business in the city is performed under a concession without time limit, granted by the Municipal Council of the City of Mexico, authorizing the Company to maintain transmission and distributing lines in the streets of the city for the purpose of the sale of electric light and power. A comprehensive system of underground and overhead conductors has been installed by the Company. Its business has rapidly increased, as shown by the following returns:

	H. P. Motors.	16 C. P. Lamps.
January 1st, 1902.....	1,380	22,829
" " 1903.....	1,900	59,153
" " 1904.....	2,495	52,154
" " 1905.....	3,153	62,206
April " 1905.....	3,230	64,472

The earnings of the various companies will be stated in Mexican currency unless otherwise noted.

The gross income of this Company for the year 1904 was \$922,418.15, with an operating expense of \$372,758.21, leaving a net earning for the year of \$549,659.94. The gross income of the Company for the first five months of 1905 is \$398,000.00, equivalent to \$955,500 for twelve months. This gross income is based upon the present rates for light and power which have been very materially reduced, as stated above. With a large amount of business to be expected from the reduction in rates, the gross income for the next year should show a large increase over that of the previous year.

The Compania Gas y Luz Electrica is operating under a concession granted by the municipality of the City of Mexico. This concession is granted for a term of 99 years. A modern steam plant, completed about January 1st last, capable of developing 3,700 h.p., together with an extensive underground conduit and cable system, has been installed throughout the city. Notwithstanding the large growth of business of the other two companies, this Company has secured, up to April 1st, 1905, a load of 1,072 h.p. in motors and 45,217 16 c.p. incandescent lamps.

The gross income of this Company for the first five months of this year was \$232,500, equivalent to \$588,000 for twelve months, the net income for the same period being \$80,000.

The electric light business of the city is increasing at a very rapid rate, and with the reduced rates which are now in effect a much more rapid increase can be expected in the future. The annual gross income of the two companies combined, based upon the earnings as stated above, will be \$1,513,500, while the net income under the same conditions is \$715,200.

With the natural growth of the business as well as on account of the lower rates it is safe to estimate that the annual gross income of these two companies will exceed \$1,500,000.

The cost of operating these companies when combined will be much reduced, as each company has its separate general staff, consisting of a manager, engineers, accountants, etc. By the amalgamation of the two companies, and the operation of their business in connection with that of the Light and Power Company, these general expenses should be greatly reduced. Also it will be unnecessary to operate all of the steam stations, and, except on peak loads, one station alone will be able to carry the load, thus reducing the operating cost to a very great extent. With the economies that can be effected, the net income of the

two combined companies should be in excess of \$800,000 per year, and at the same time the net income of the Mexican Electric Works will be much increased. This estimate does not take into account any economies which will be effected by the use of the power from the hydraulic plant of the Mexican Light and Power Company.

When the power is supplied from Necaxa, the cost of operating the steam plants, both for coal and labor, will be saved. The annual cost of coal consumed by these companies is about \$300,000, and therefore the income of the companies will be increased by the above amount when water power is substituted for steam.

The Mexican Electric Light Company will issue \$6,000,000 First Mortgage 5 per cent. Thirty Year Gold Bonds, the proceeds of the sale of which will be used in the acquisition of the two companies above named.

The stock of the Mexican Electric Light Company is owned by the Mexican Light and Power Company, and the above bonds will be guaranteed, principal and interest, by the latter Company.

It will be observed that the combined income of the Mexican Electric Light Company will be sufficient to pay the interest on its bonds without the aid of the Mexican Light and Power Company, and leave a substantial surplus for dividends on its stock, which will accrue to the benefit of the Mexican Light and Power Company.

The Mexican Light and Power Company, the guarantor of the Mexican Electric Light Company, was formed for the purpose of developing a large water power, situated near the town of Necaxa, in the State of Puebla, Mexico. The hydraulic development consists of two parts, from the first of which 40,000 h.p. can be obtained as a maximum for peak load. The second installation will provide a further capacity of 30,000 h.p., effective for transmission. Assuming a loss of 20 per cent. in the generators, transformers, transmission lines, and distributing systems, 26,400 h.p. will be available for sale in Mexico and elsewhere. The Company propose to distribute this power in the city of Mexico, Tulancingo, and also in the mining district of El Oro, and at such other points where the demands for power will warrant the construction of transmission lines.

The concession of the Company, granted by the Federal Government of Mexico, grants the right to construct transmission lines to any point in the Republic of Mexico, with the right of expropriation of the land required for such transmission lines. The concession also grants the exclusive use of the water in three rivers which it is proposed to utilize, with the right of expropriation of all lands required for reservoirs and other purposes in connection with the hydraulic development and otherwise.

The construction work at Necaxa is approaching completion; the transmission lines to Mexico and El Oro are practically completed, and with the exception of the dams required for the storage reservoirs, all of the work of the first installation should be completed by April 1st, 1906. The Company, as owner of the Mexican Electric Works of Mexico City, is engaged in the business of electric light and power in the city of Mexico, and

also has a contract with the Federal Government for the lighting of the streets of the city. This contract expires in 1917 and covers the lighting of the entire city and suburbs, to an aggregate of over 1,200 arc lights, yielding a very substantial profit. The gross earnings of this Company were \$1,463,000 in the year 1904. The net earnings for the same period were \$679,000. The business of the Company is rapidly increasing, the gross earnings for the first five months of the present year amounting to \$637,000, equivalent to an annual income of \$1,528,800. Notwithstanding the great reduction in the rates which has been made, the net income for the first five months was \$254,000, equivalent to \$609,600 for twelve months.

The gross and net income of the three companies for the year 1904, and for the first five months of the year 1905, as well as the estimated gross and net earnings for the next year, are shown in the annexed table. The estimated net income after consolidation is also shown. From this it will appear that the net earnings of the three companies under consolidation, and without the use of the hydraulic power which is being developed, would amount to \$1,700,000, or at the rate of exchange of 200 to \$850,000 gold. Adding the annual cost of coal to this amount would raise the net to \$1,150,000 gold, when the power is available from Necaxa.

In addition to this income the Company will have the revenue from the sale of power for manufacturing and mining. The Company has contracts for about 6,000 h.p. at El Oro, and the demands in this section should bring the aggregate power under contract up to 10,000 h.p., yielding an annual gross income of over \$500,000 gold. There are various small contracts now closed which will aggregate \$100,000 gold per annum, and in addition to these contracts a contract is pending with the Federal Government of twenty years' duration for pumping the water required for the use of the city of Mexico, also a contract has been agreed upon with the Tramway Company, which, with the Federal contract above mentioned, and others now pending, should yield over \$300,000 gold.

The total annual income should amount to at least \$900,000 gold for power. The operating expenses of the hydraulic installation and transmission lines should not amount to over

\$150,000 per year gold, including maintenance, leaving a net income of \$750,000 gold from the power business, in addition to that from lighting in the city of Mexico.

The above estimates of business are largely based upon contracts actually secured, and it is confidently believed that the other contracts under negotiation will be closed within a short time, so that the total net income of the Company for both power and lighting, as above stated, should be at least \$1,900,000 gold. It will be observed that these estimates do not take into account earnings which may be derived from the second installation, which at a later date will be developed, and should yield at least \$500,000 gold net income per annum, in addition to that derived from the first installation, as above stated.

	1904		5 months of 1905	
	Gross.	Net.	Gross.	Net.
Mexican Electric Works.	\$1,463,000	\$ 679,000	\$ 637,000	\$254,000
Idefonso Company.....	922,000	534,000	398,000	218,000
Gaz y Luz Company.....	358,000	88,000	232,500	80,000
Mexican Currency.....	\$2,743,000	\$1,301,000	\$1,267,500	\$552,000
Gold.....	1,371,500	650,500	633,750	276,000

ESTIMATED ANNUAL EARNINGS.

	Gross.	Net.
Mexican Electric Works.....	\$1,600,000	\$ 700,000
Idefonso Company.....	1,000,000	600,000
Gas y Luz Company.....	500,000	200,000
Mexican Currency.....	\$3,160,000	\$1,500,000
Gold.....	1,580,000	750,000

ESTIMATED EARNINGS OF CONSOLIDATED COMPANY FROM
LIGHTING AND SMALL POWER ALONE.

Estimated gross revenue as above.....	\$3,160,000
Estimated net revenue as above.....	\$1,500,000
Estimated saving in operation from consolidation.....	200,000
Mexican currency.....	\$1,700,000
Gold.....	\$ 850,000
Estimated saving in coal effected by use of water-power..	300,000
Estimated net earnings when water-power is available from lighting and small motors.....gold	\$1,150,000
Net income from power alone, in addition to above..gold	750,000
Estimated total net income.....gold	\$1,900,000

