

The basic principle governing the financial operations of the Commission is that electrical service is provided by the Commission to the municipalities, and by the municipalities to their customers, at cost. Cost includes all charges for operating and maintenance, for interest on capital investment, and reserves covering depreciation, contingencies and obsolescence, and for the stabilization of rates. It also includes a reserve for a sinking fund to retire the Commission's capital debt.

The undertaking from its inception has been self-supporting, apart from the assistance given by the provincial government which provides 50 p.c. of the capital cost of rural distribution facilities in pursuance of its long-established policy of assisting agriculture. The Province also guarantees the payment of principal and interest of all bonds issued by the Commission and held by the public.

The undertaking as a whole involves two distinct phases of operations as follows: The *first* phase of operations is the provision of the power supply—either by generation or purchase—and its transformation, transmission and delivery in *wholesale* quantities to municipal electrical utilities, certain large industrial customers, and rural operating areas. This phase of operations is performed by The Hydro-Electric Power Commission of Ontario. The *second* phase of operations is the *retail* distribution of electric energy. In most cities and towns, in many villages, and in certain thickly populated areas of townships, retail distribution of electric energy is conducted by municipal commissions under the general supervision of The Hydro-Electric Power Commission of Ontario as provided for in The Power Commission Act and the Public Utilities Act. These local commissions own and operate their own distribution facilities. The Hydro-Electric Power Commission of Ontario owns the distribution facilities and conducts retail distribution in a small number of municipalities through what are called local systems. Throughout most of rural Ontario, the Commission, on behalf of the respective townships, operates the distribution facilities and attends to all physical and financial operations connected with the retail distribution of energy to the customers in the rural operating areas. Since 1944, the rate structure applying to the Commission's farm, hamlet, commercial and summer service customers has been uniform throughout the Province.

The balance sheet of the Commission shows that gross investment in fixed assets at Dec. 31, 1953, amounted to \$1,354,642,244, against which there was an accumulated reserve for depreciation of \$151,285,057. Included in the gross investment is an amount representing rural assets under administration totalling \$167,009,485. Of this amount, \$83,222,684 represents the assistance given by the Province of Ontario for rural construction. The Commission's assets, allowing for the deduction of accumulated depreciation, stood at \$1,491,302,267.

The 332 municipal electrical utilities, which operate under cost or fixed-rate contracts with the Commission and distribute power in 337 municipalities in the Province, had a gross investment in fixed assets amounting to \$214,595,383. The provision for depreciation amounted to \$54,282,571. Municipal assets, after deduction of this depreciation reserve, were \$336,613,672, of which \$140,068,857 represented the equity of the municipalities in the Commission's Systems.