

four systems created the Eastern Ontario System. In 1944 the Southern Ontario System came into being through the consolidation of the Niagara, Georgian Bay, and Eastern Ontario Systems.

The Commission continued to operate the Thunder Bay System in the northern part of the Province and in addition it undertook during the 1930's to operate, in trust for the Provincial Government, a group of unconnected systems serving mainly mining and pulp and paper industries, and known as the Northern Ontario Properties. In 1945 its services in northern Ontario were further extended by the purchase of the power system of the Northern Ontario Power Company Limited. On Jan. 1, 1952, the Northern Ontario Properties and the Thunder Bay System were merged for financial and administrative purposes and the consolidation continues to be known as the Northern Ontario Properties.

For the financial and administrative purposes of the Commission, the Province is divided into two parts: that part lying south of a line drawn approximately west from Mattawa on the Upper Ottawa River to Georgian Bay is served by the Southern Ontario System; the part lying to the north is served by the Northern Ontario Properties. The total area is in turn subdivided into nine regions, seven in the south and two in the north, with regional offices located strategically in nine major municipalities. The Southern Ontario System is a fully integrated co-operative power system. Primarily it serves a group of 324 municipalities receiving power at cost under contracts established according to the provisions of The Power Commission Act. In the Northern Ontario Properties, each of the two regions, which at present correspond with the Northeastern and Northwestern Divisions, is an integrated power system as the result of the gradual consolidation of several formerly isolated systems. There is no interconnection between the Northeastern and Northwestern Divisions but there are facilities for the interchange of power between the Northeastern Division and the Southern Ontario System. The Northern Ontario Properties is not a co-operative system although it does serve a group of eight municipalities in its Northwestern Region on a cost-contract basis. Apart from the supply of power to these cost-contract customers, the Northern Ontario Properties are held and operated in trust for the Province of Ontario. The basic principle governing the financial operations of the undertaking is that electrical service is provided by the Commission to the municipal electrical utilities, and by them to their customers at cost.

The Commission's total cost of operation includes the power it purchases, all charges for operation and maintenance of the power systems, interest, and reserve provisions for depreciation, contingencies and stabilization of rates. A sinking-fund reserve is also included for the retirement of the Commission's capital debt. The enterprise from its inception has been self-supporting, except for the Provincial Government assistance of 50 p.c. of the capital cost of rural distribution facilities, undertaken in pursuance of the Province's 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 operation: (1) Provision of 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 operation is performed by The Hydro-Electric Power Commission of Ontario. (2) The *retail* distribution of electric energy. In most cities and towns, and in many villages and certain township areas, 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. In a small group of municipalities Ontario Hydro owns the distribution facilities and conducts retail distribution 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 customers in the rural operating areas. Since 1944 the rate structure applying to rural customers designated as farm, hamlet, commercial, and summer service has been uniform throughout the Province.