

for the benefit of the people of the province. It now operates under the Power Commission Act (SO 1907, c. 19) passed in 1907 as an amplification of the Act of 1906 and subsequently modified from time to time (RSO 1960, c. 300, as amended). The Commission may have from three to six members, all of whom are appointed by the Lieutenant-Governor in Council. Two commissioners may be members of the Executive Council of the Province of Ontario.

The basic principle governing the financial operations of the Commission and its associated municipal utilities is that electrical service is provided at cost. The Commission interprets cost as including payments for power purchased, charges for operating and maintaining the power supply facilities, and related fixed charges. The fixed charges represent interest on debt, provisions for depreciation, allocations to reserves for contingencies and rate stabilization, and the further provision of a sinking fund reserve for retiring the Commission's capital debt. While the enterprise from its inception has been self-sustaining, the province guarantees the payment of principal and interest on all bonds issued by the Commission and held by the public. In addition, the province has materially assisted the development of agriculture by contributing under the Hydro-Electric Distribution Act toward the capital cost of extending rural distribution facilities.

With the enactment of legislation effective Jan. 1, 1962, the Commission achieved the ultimate in what has been over a period of several decades a series of system amalgamations that has brought the entire provincial area served into a financial and administrative unit. Service is provided for the most part on a co-operative basis, and predominantly for the benefit of more than 350 municipalities supplied by the Commission with power at cost. Since there is no electrical connection between the Commission's facilities in northwestern Ontario and those serving customers in the remainder of the province, statistics are presented for two operating systems called the East System and the West System. The first includes the former Southern Ontario System and the former North-eastern Division, and the second coincides with the former Northwestern Division.

In addition to administering the enterprise over which it has direct control, the Commission, under the Power Commission Act and the Public Utilities Act, exercises certain regulatory functions, particularly with respect to the group of municipal electrical utilities which it serves. In order to provide convenient and expeditious service in this dual function of regulation and supply, the Commission subdivides its province-wide operations into eight regions with regional offices located in eight major municipalities.

The Commission is primarily concerned with the provision of electric power by generation or purchase, and its delivery to the electrical utilities for resale in the more than 350 municipalities having cost contracts with the Commission. The Commission supplies power in bulk, though not under cost contract, to approximately 200 direct customers, some located within the areas of the municipalities already referred to and some outside these areas. These direct customers include industrial customers whose requirements are so large or so unusual as to make service by the local municipal utilities impracticable. They also include mines, industries in unorganized territories, and certain interconnected systems, including a number of independent municipal utilities. These interconnected systems purchase power for resale either within or beyond the boundaries of the province.

In addition to these operations, which represent about 90 p.c. of its energy sales, the Commission delivers electric power to retail customers in rural areas and in a small group of about 30 municipalities served by Commission-owned local distribution facilities. A much larger part of retail service throughout the province is provided, however, by the municipal electrical utilities, who supply ultimate customers in most cities and towns, in many villages, and in certain populous township areas. The municipal electrical utilities are owned and operated by local commissions.

During 1962, the Commission's investment in fixed assets at cost increased by \$105,405,379 and at the end of the year amounted to \$2,567,014,636. Total assets after deducting accumulated depreciation were \$2,702,226,836 (exclusive of pension and insurance funds amounting to \$141,643,845).