

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.

The entire provincial area served is regarded for financial and administrative purposes as a unit, but there is no electrical connection between the Commission's facilities in north-western Ontario and those serving customers in the remainder of the province. Statistics are therefore presented for two operating systems, the East System and the West System; the systems respectively serve the areas east and west of a line extending north from Lake Superior to the Albany River, a line that roughly conforms with the boundary dividing Thunder Bay District from the Districts of Algoma and Cochrane.

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 seven regions with regional offices located in seven major municipalities.

The Commission is concerned primarily with the provision of electric power by generation or purchase and its delivery to the electrical utilities for resale in municipalities having cost contracts with the Commission. The Commission supplies power in bulk, though not under cost contract, to direct customers, including industrial customers whose requirements are so large or so unusual as to make service by the local municipal utilities impracticable, mines, industries in unorganized territories, and certain interconnected systems.

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. Retail service throughout the province is provided for the most part, 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 1965, the Commission's investment in fixed assets at cost increased by \$131,588,092 and at the end of the year amounted to \$2,893,822,848. Total assets after deducting accumulated depreciation were \$2,987,297,556.

In 1965 a total of 360 associated municipal electrical utilities engaged in the retail distribution of electricity purchased power from the Commission. The total assets of these utilities, after deducting accumulated depreciation, amounted to \$924,647,558, of which \$378,707,011 represented the equity acquired in the Commission's systems by the municipal utilities operating under cost contracts.

The Commission's power development program as at Dec. 31, 1965 is given in Table 13 and is also outlined at pp. 646-647.