

appointed by the Lieutenant-Governor in Council. Two commissioners may be members of the Executive Council of the province.

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, provision for depreciation, allocations to reserves for contingencies and rate stabilization and provision for retirement of the Commission's capital debt on a sinking-fund basis. While the enterprise has been self-sustaining from the beginning, the province guarantees payment of principal and interest on all bonds issued by the Commission. In addition, the province has materially assisted the development of agriculture by contributing toward the capital cost of extending rural distribution facilities under the Hydro-Electric Distribution Act.

The East and West Systems, formerly separate operating entities, were fully integrated in 1970 and, although the capacity of the interconnection is a limiting factor in the exchange of power, the combined facilities now form a unified provincial network. For general day-to-day operations the province is still divided into seven regions, with regional offices located in major municipalities.

The primary concern of the Commission is the provision of electric power by generation or purchase to more than 350 electrical utilities for resale in municipalities having cost contracts with the Commission. The Commission also supplies power in bulk, although not under cost contract, to direct customers, mostly industrial customers whose requirements are so large or so unusual as to make service by local municipal utilities impracticable. These include mines, industries in unorganized territories, and certain interconnected systems.

In addition to these operations which represent about 90% of its energy sales the Commission delivers electric power to retail customers in rural areas and in a small group of 15 municipalities served by Commission-owned local distribution facilities. However, retail service is generally provided by municipal electrical utilities, owned and operated by local commissions, which supply ultimate customers in most cities and towns, in many villages, and in certain populous township areas. 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 it serves.

During 1971, the Commission's investment in fixed assets at cost increased by \$474 million and mounted to \$5,062 million at the end of the year. Total assets, after deducting accumulated depreciation, were \$5,064 million. In that year, 353 municipal electrical utilities, with net assets amounting to \$1,361 million of which \$553 million was equity acquired in the Commission's assets, purchased power under cost contracts from the Commission for retail distribution. Combined assets of the Commission and the municipal electrical utilities, after deduction of the municipal equity, increased by \$500 million to a total of \$5,872 million.

To meet power demands of the system at primary peak time, resources of the Commission in December 1971 included generating capacity of 6,257,600 kw at hydro-electric stations and 7,308,500 kw at thermal-electric stations. Power available under purchase contracts decreased by 10,900 kw to 375,000 kw. Service was provided directly or indirectly to 2,434,466 ultimate customers, and met a maximum primary demand of 11,534,528 kw. The maximum total of primary and secondary demand in December 1971 was 12,271,127 kw, 661,853 kw higher than that in 1970.

In addition to the province-wide Ontario Hydro system, a few investor-owned utilities provide service to customers in Cornwall, Fort Erie, Gananoque, and Sault Ste. Marie.

The net addition of approximately 1,300,000 kw (292,000 kw hydro and 990,500 kw thermal) to the Ontario Hydro system during 1971 gave the province a total generating capacity of 14,994,000 kw, the highest in Canada.

The only significant hydro-electric addition during 1971 was the commissioning of the 228,000-kw Lower Notch station on the Montreal River. The flooding of the forebay for this station necessitated salvage and demolition operations on two older hydro-electric generating stations located upstream; the 2,000-kw Fountain Falls plant and the 9,600-kw Upper Notch plant were removed from service during the early part of the year. Ontario Hydro announced plans during the latter part of 1971 to construct an 87,000-kw hydro-electric plant in two units