

a period of ten years from Nov. 1, 1935, and terminable then or thereafter on two years' notice. Of this 260,000 h.p. held available, 201,000 h.p. is to be taken to the end of April of this year, and after that date a minimum of 100,000 h.p. only, unless otherwise ordered, together with 33,000 h.p. of immediate standby. The balance is to be held for delivery on one week's notice, and is known as a general reserve.

"Under the old agreement, the price to be paid was \$15 per h.p. for the full contract amount, which after Oct. 1, 1931, was 260,000 h.p., and so continued, whether or not required or accepted by the Commission, for the full thirty years to the end of the contract. Under the new agreement, the power actually taken by the Commission, with a minimum of 100,000 h.p. is to be paid for at \$12.50 per h.p., and the price of the 33,000 h.p. of immediate standby is \$10 per h.p. with \$1.75 per h.p. for the general reserve. The purpose of the standby power is to provide immediately available spare capacity in case of temporary stoppage of the Commission's other purchased supply, or from its own generating plants, apparatus, or equipment, the result of accident, wear and tear, need for repair or abnormal ice conditions. It is a term of the contract that what power is ordered in writing by the Commission, shall be paid for to the end of the contract term at \$12.50 per h.p. per year, but should the Commission call upon the immediate standby for the purposes mentioned, the amount taken is not added to the contract demand and the call is terminated so soon as the emergency goes by.

"The clause of the agreement in question is as follows:

The Commission shall be entitled under the provisions of this clause, without increasing thereby the contract demand, to delivery of such immediate stand by power as may be necessary, for use of its own available spare capacity, to replace any contracted supply unavailable for the time being, due to any one or more of the causes below mentioned, or any part of the product of its own plant, apparatus or equipment, temporarily out of service due to accident to equipment, or apparatus, or to wear and tear, or to need for repair, or to abnormal ice conditions, or operating at reduced capacity due to one or more of these causes, but not so as to increase thereby by the addition of immediate standby power, the power and energy available from the Commission's own plants and equipment and contracted supply as it would have been but for such causes; the Commission shall take all reasonable steps to remove or correct such causes as soon as possible; no such delivery of immediate standby power will be used to provide for increased load in the Commission's System by reason of bona fide increases in demand by the Commission's customers; no plant, apparatus, or equipment shall be voluntarily taken out of service for the purpose of repair in the months of November, December and January unless in cases of absolute emergency.

"Additions to the contract demand are to be taken from the general reserve until that is exhausted, then from the immediate standby until 260,000 h.p. has been accepted, and thereafter all power taken is to be paid for to the end of the ten-year term, or until the contract is terminated, at \$12.50 per h.p. This \$12.50 covers not only the 260,000 h.p. which the Commission shall have at the time ordered, but in addition, entitles us to call on the Company's equipment and spare equipment up to the limit of its overload capacity.

"Under the old contract interest on arrears in payments was charged at 7 per cent. Under the new contract it is 5 per cent. Under the old contract, when the export of gold from Canada was under embargo, as has been the case for some years, payments were to be made in New York funds. Under the new agreement payments are in lawful money of Canada, and are to be made in Toronto. How

important is this item in the new contract can best be illustrated by a statement of the amounts expended under the old contract on this item of exchange since 1931. During the five years just passed, the net balance as against the Commission on account of exchange, made necessary by the Commission's obligations under the 25-cycle Gattineau contract to pay in American funds, has cost the sum of \$945,838.82. In other words, this simple little clause in the former Gattineau contract for payment in American funds has cost the Commission in the last five years very nearly \$1,000,000.

"Under the old contract the Commission was obligated to compensate the Company for any Dominion or Provincial taxes, rentals, licenses, fees or charges not then in existence at the time of the contract, and for any increases in such existing charges. That is to say, if the Province of Quebec levied new or increased old taxes upon the Gattineau Company so as to increase the cost to the Company in respect to the power effected by the agreement, the amount of the increased cost was to be added to the price of power, and the power users of Ontario were thus liable to taxation by the Province of Quebec. Under the new agreement no compensation or modification of rates is to be paid to the power company by the Commission on account of taxes, rentals, licenses, fees or charges imposed by any Government outside of the Province of Ontario, including the Dominion Government and the Government of the Province of Quebec. The company pays its own taxes and such charges levied upon the company in respect of its business or property in the Province of Quebec, and all the Commission pays is such taxes as may be levied by the Province of Ontario on account of the company's 10 feet of transmission line within the Province of Ontario.

"Under the old agreement, the company was not liable for partial or total failure to deliver power, due to the Act of the Province of Quebec. In other words, the Government of Quebec could at any time interrupt the supply should the power be needed for Quebec industry and for any other reason within its own sweet will. In other words, the energy contracted for was 'at-will' power. Under the new agreement the contract is firm, and there is no provision exempting the company from liability from failure to deliver power under the terms of the agreement, due to any act of the Province of Quebec.

"The development of power on the Gattineau River is dependent upon a continuous flow of water at all times in the Gattineau River. A steady flow can be maintained only by the storing of water in large quantities in the upper reaches of the river. Under the old agreement the company was obligated to provide a storage capacity of 82,000,000,000 cubic feet. Under

the new agreement this is increased to 140,000,000,000 cubic feet. As an assurance against the failure of power following seasons of drought, this added storage is of real value to the Commission.

"Under the old agreement the Gattineau Power Company agreed to deliver its energy to the Commission at a point ten feet within the Province of Ontario. Its contract was, accordingly, an undertaking to construct works to connect one province with another, or to extend beyond the limits of a province. Due to the fact that the Gattineau Company was incorporated under the legislative powers of the Province of Quebec, this was beyond its corporate powers, as the construction of works connecting one province with another, or extending beyond the limits of a province is specially reserved in the British North America Act to the legislative competence of the Dominion Parliament. Under the new agreement, the Gattineau Company delivers its power to the Gattineau Transmission Company, a Dominion incorporation, and this company conveys it across the border for delivery to the Commission, within Ontario, ten feet from the inter-Provincial boundary. In other words,

this is a legal, valid and binding contract which may be enforced against the company, and as well against the Commission, while the old contract was illegal, void and unenforceable; and by way of further assurance, the Gattineau Power Company guarantees delivery by the Transmission Company. Then lastly, the new agreement is to be construed in accordance with the laws of Ontario, while the old agreement was silent on this point.

"The agreement I have just described is for the delivery of 25-cycle power to the Niagara System, and a further agreement has been entered into with the Gattineau Company for the delivery of 60-cycle power to the Eastern District. The general terms of the 60-cycle agreement are similar to those contained in the agreement with respect to the 25-cycle power, and I shall refer to its specific terms when dealing with the finances of the Eastern District.

"In addition to the 100,000-h.p. firm, and 160,000 h.p. of immediate stand by and general reserve ordered from the Gattineau Power Company for the Niagara District, the Commission has entered into a further agreement for the supply of 40,000 h.p. from the MacLaren Quebec Power Company, at a price of \$12.50 per h.p. Deliveries commenced under this contract on the 1st of February, 1936, so that the Commission has now available to carry it through next winter's peak 140,000 h.p. in addition to the generating capacity of its own plants, and a small block of 20,000 h.p. from the Canadian Niagara Power Company at Niagara Falls. Reference to the information I have already supplied as to the peak demand of December just past will indicate that this is an ample supply for all the Commission's needs, and it has besides 160,000 h.p. by way of added assurance, and upon which it can call as circumstances may warrant.

"The objectionable features of the old Gattineau contract to which I have just referred have been similarly eliminated from the MacLaren contract. It will pay its own taxes in the Province of Quebec. Its agreement for delivery is firm and not voidable by the Quebec Legislature, and its term of forty years has been cut down to a moderate and common-sense period of 10 years, or to such time thereafter as it may be terminated on two years' notice by either party. The old contract rate was \$15.00 per h.p. for 125,000 h.p., irrespective of whether the energy was required or accepted. The present agreement is for 40,000 h.p. only, and the charge has been reduced by \$2.50 per h.p. to a price of \$12.50 per h.p.

"It will be observed that in the Gattineau contract the Commission agrees to take from the Gattineau Company such increases as it may require up to 260,000 h.p. but not so as to in any way interfere with its right to construct new plants or to enlarge the capacity of its existing generating system, and it will also be noticed that there is specially reserved the right to contract for 40,000 h.p. from the MacLaren Company, and such power as the Commission may take from the Quebec side of Chats Falls. No contract, has, however, been entered into with the Ottawa Valley Power Company, the owners of the Quebec side of the Ottawa River plant. The Commission was in course of negotiation with the owners. An offer had been made to rent the plant at a figure, however, which was in excess of what the Commission was prepared to pay, and the Commission had requested the company to make it an offer for the sale of its plant and water rights. While the negotiations were in progress, and before naming a figure at which it would sell, the Company, without prior notice, issued a writ and commenced action. There is, accordingly, nothing further to be said in reference to this company, as its rights and those of the Commission are subject to pending litigation.

"Nor has any contract been entered into with the Beauharnois Light, Heat & Power Company. The offer of that Company was not acceptable for a number of reasons. In a letter to the Chairman of the Commission, the Beauharnois Company stated that it