

# 111th ANNUAL REPORT



THE

**Consumers' Gas**

COMPANY

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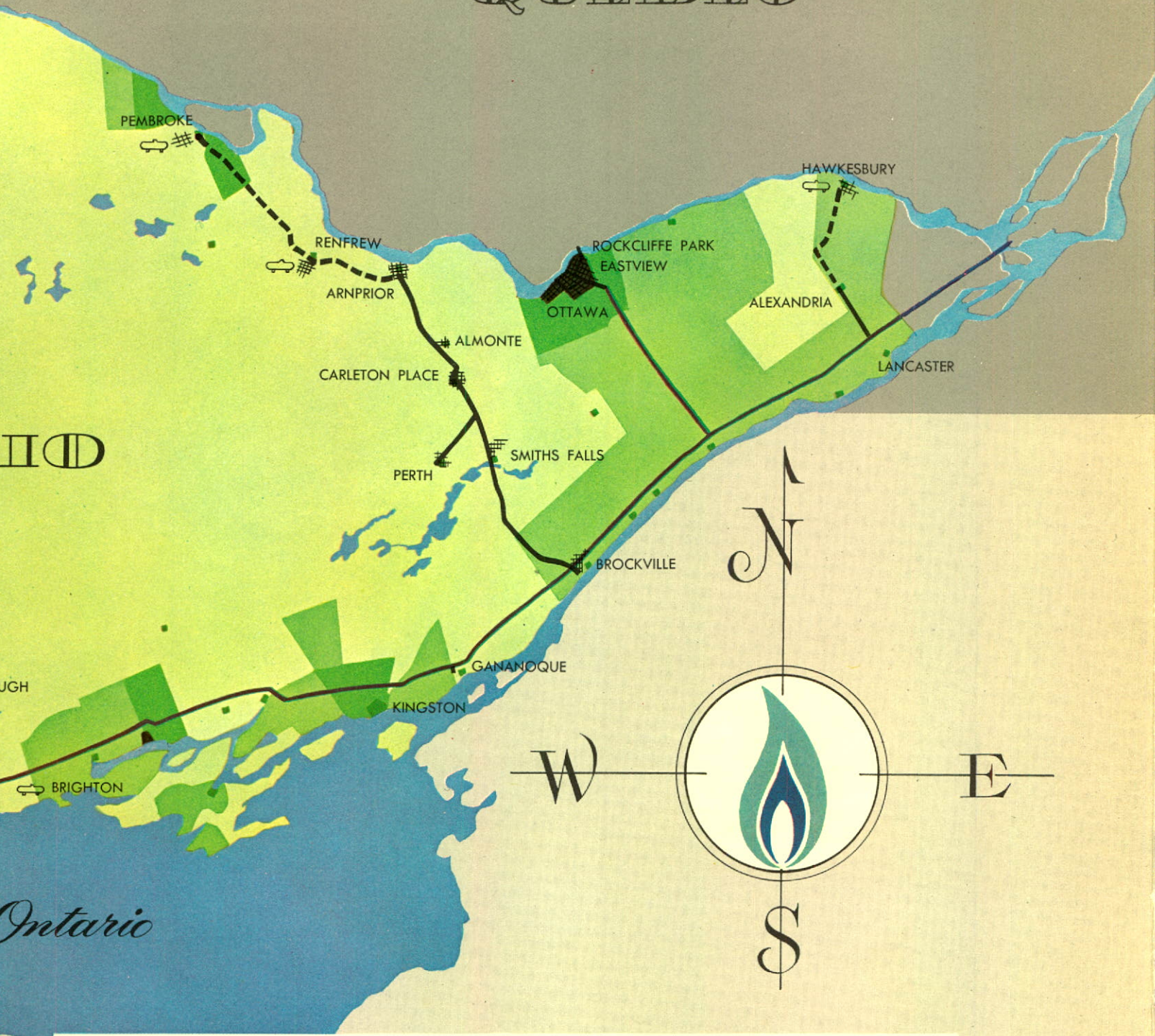


**1959**

MODERN LIVING WITH NATURAL GAS









# QUÉBEC



## LEGEND

### PIPELINES

-  Consumers' and subsidiary companies' transmission lines
-  Consumers' proposed transmission lines
-  Consumers' and Provincial (subsidiary) distribution lines
-  Trans-Canada transmission lines
-  Ontario Natural Gas Storage (Union Gas subsidiary) transmission line
-  Propane facilities

### POPULATION DENSITY

-  1000 and over per 100 acres
-  100 to 999 per 100 acres
-  50 to 99 per 100 acres
-  10 to 49 per 100 acres
-  5 to 9 per 100 acres
-  Under 5 per 100 acres





LAKE NIPISSING

FROM ALBERTA

*Georgian Bay*

ONTARIO

PENETANGUISHENE

MIDLAND

COLLINGWOOD

STAYNER

BARRIE

BEAVERTON

CAMP BORDEN

SUTTON

LINDSAY

PETERBORO

BRADFORD

NEWMARKET

UXBRIDGE

AURORA

STOUFFVILLE

WHITBY

BOWMANVILLE

RICHMOND HILL

MARKHAM

OSHAWA

WOODBIDGE

PICKERING

BRAMPTON

METROPOLITAN TORONTO

STREETSVILLE

PORT CREDIT

*Lake*

UNDERGROUND STORAGE IN DAWN TOWNSHIP

ST. CATHARINES

NIAGARA FALLS

WELLAND

PORT COLBORNE

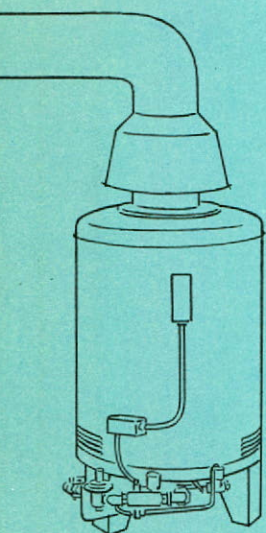
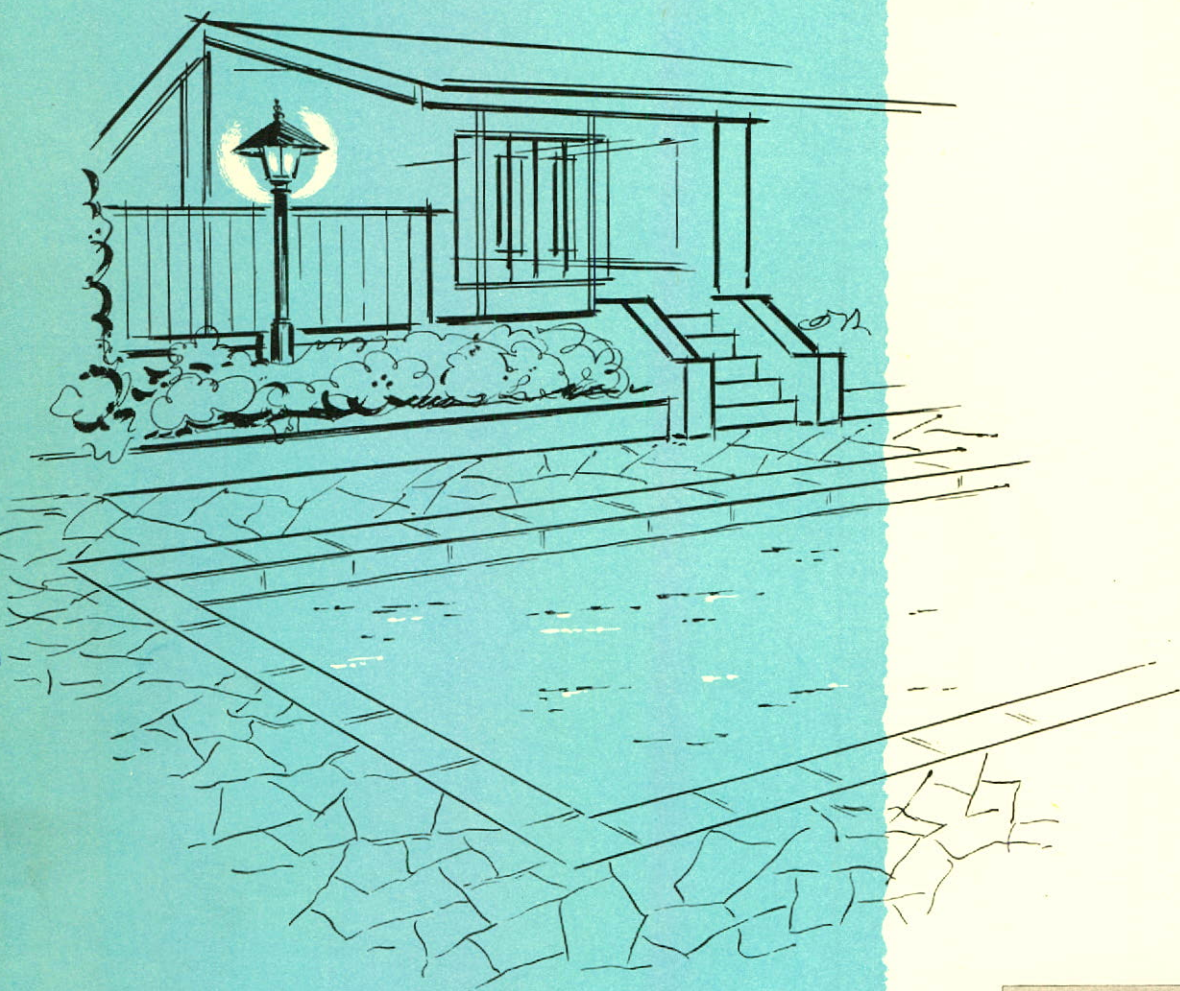
FORT ERIE

U.S.A.

*Lake Erie*



# The Ultimate in Modern Living



Today, the outdoor swimming pool is becoming increasingly popular in fashionable residential neighborhoods. As an expression of the ultimate in modern living and, of course, as a source of family enjoyment, the outdoor pool requires efficient, economical water heating. Here, as throughout the home, natural gas serves in the clean, safe, modern way. For a quick, complete reference to the important role of natural gas in modern living, simply turn to the inside back cover of this report.



Modern Living with Natural Gas, the theme of this year's cover, is increasingly important in the overall successful operation of your company.





# 111<sup>th</sup> ANNUAL REPORT

*for the year ended September 30, 1959*

THE  
**Consumers' Gas**

COMPANY

19 TORONTO STREET, TORONTO



## BOARD OF DIRECTORS

### A. L. BISHOP\*

*President, The Consumers' Gas Company*  
*President and Director,*  
*Provincial Gas Company, Limited*  
*Vice-President, The Toronto General Trusts*  
*Corporation*  
*Director, The Manufacturers Life Insurance*  
*Company*  
*Director, Imperial Bank of Canada*  
*Director, The Consolidated Mining and Smelting*  
*Company of Canada, Limited*

### W. C. LAIDLAW

*President, R. Laidlaw Lumber Company, Ltd.*  
*Director, Canada and Dominion Sugar Company, Ltd.*  
*Director, Imperial Bank of Canada*  
*Director, The Toronto General Trusts Corporation*

### J. A. NORTHEY\*

*Chairman of the Board, Telfer Paper Box Co. Ltd.*  
*Director, Canadian National Railways*  
*Director, Imperial Bank of Canada*

### ROLPH R. CORSON\*

*Chairman of the Board, Chartered Trust Company*  
*President, Boiler Inspection & Insurance Co. of Canada*  
*Vice-President, Laura Secord Candy Shops Limited*  
*Director, The Dominion Stores Limited*

### G. E. CREBER

*Director, York Trading Limited*

*\*Executive Committee*

### OAKAH L. JONES\*

*Vice-President and General Manager,*  
*The Consumers' Gas Company*  
*Vice-President and Director,*  
*Provincial Gas Company, Limited*

### HONOURABLE SENATOR

#### G. P. CAMPBELL, Q.C.

*Vice-President, Canadian Bank of Commerce*  
*Vice-President, Crown Trust Company*  
*Director, Massey-Ferguson Limited*

### J. K. MACDONALD

*President, Confederation Life Association*  
*Director, Dominion Scottish Investments Limited*  
*Director, The Dominion Insurance Corporation*  
*Director, The Toronto General Trusts Corporation*

### A. ROSS POYNTZ

*President, The Imperial Life Assurance Co. of Canada*  
*Director, Stedman Bros. Ltd.*  
*Director, British America Assurance Company*  
*Director, The Western Assurance Company*

### M. GEARY

*Assistant Secretary and Assistant Treasurer,*  
*The Consumers' Gas Company*  
*Assistant Secretary and Assistant Treasurer,*  
*Provincial Gas Company, Limited*

### WM. H. ZIMMERMAN

*Director, Beaver Dredging Co. Limited*  
*Director, Bauer Bros. Company (Canada) Limited*

### HIS WORSHIP THE MAYOR OF TORONTO

NATHAN PHILLIPS, Q.C.

## OFFICERS AND DEPARTMENT HEADS

### A. L. BISHOP, M.E.I.C.

*President*

### OAKAH L. JONES

*Vice-President and General Manager*

### J. C. MCCARTHY

*General Sales Manager*

### F. W. HURST

*Assistant Secretary*  
*and Comptroller*

### M. GEARY

*Assistant Secretary*  
*and Assistant Treasurer*

### W. M. KELLY

*General Superintendent*  
*of Distribution*

### J. E. LEE

*General Superintendent*  
*of Gas Supply*





November 12, 1959

## TO SHAREHOLDERS AND EMPLOYEES:

Your Company has achieved satisfactory progress this year.

Consolidated net income increased to \$4,057,045 this year, an increase of \$1,458,422 over \$2,598,623 last year. Earnings per common share increased to \$1.64 per share from \$1.27 last year. Dividends on common shares were increased April 1, 1959 from an annual rate of 80¢ per common share to \$1.00, reflecting the continued increase in sales volumes and improvement in common share earnings.

Increased revenues from sales of natural gas for heating purposes, resulting from an 8% colder winter than usual, offset this year the effect of a slower development in residential building due to money conditions. As the effects of reduced new starts in residential housing continue, your Company is concentrating its sales efforts more fully on existing housing and new commercial and industrial uses for its fuel.

In February, 1959, your Company successfully issued \$10,000,000 of 5½% Cumulative Preference Shares, Series B. Difficult money market conditions experienced by your Company along with other companies and municipalities have discouraged further long term issues during this year, and to date, your Company has financed its expansion programme principally with short term loans from banks and others.

New pipeline construction has been held to lower levels to reduce as far as possible increased costs of long term debt and preference stock. However, the need for system growth continues and new equity and long term debt issues will be required.

In addition to the Company-wide extension of the existing pipeline system to serve new customers, your Company acquired the gas distribution system of the City of Peterborough in February 1959. A bottled propane gas distribution company, Shorgas Limited, with plants at Whitby and Brighton, Ontario, was also acquired during the year. This sale of propane gas permits the development of gas markets beyond the Company's presently existing pipelines.

The first delivery of Western Canadian natural gas to your Company was on October 27, 1958, replacing interim deliveries from United States sources. Canadian natural gas has proven to be of the same excellent quality at approximately the same average cost to your Company. The availability of unlimited supplies of natural gas has stimulated interest in serving areas nearby but outside the Province of Ontario.

A newly-formed United States subsidiary, St. Lawrence Gas Company Inc. is competing with a United States company for natural gas distribution rights in several communities in northern New York State near the Canadian border.

Your Company is also assisting La Corporation de Gaz Cartier, in which it holds a controlling interest, in its plans to bring natural gas to many communities in eastern Quebec as yet denied the advantages of this modern fuel.

The delivery of natural gas to La Société Gazifère de Hull, Inc., across the river from Ottawa, has recently commenced under agreements providing technical and financial assistance and management services.

The 8th voluntary rate reduction since the arrival of natural gas in 1954 was made effective October 1, 1959, and will result in savings of approximately \$500,000 per year to commercial and industrial customers.

Much has been said recently regarding regulation of the gas industry and possibly of other sections of the fuel industry. Company earnings since conversion from manufactured gas and during the recent heavy expansion programme period are improving but are still well below generally accepted regulatory limits that may apply in Ontario. It is your Company's belief that there is no objection to regulation in the interests of the public, the gas customer, and your Company's investors, which gives consideration to the important fact that your Company, as a regulated utility, must compete with the non-government regulated coal, oil and electric industries.

With complete confidence in the future of natural gas, your Company continues to strive to increase its natural gas sales and maintain a well balanced customer load knowing that this increases the efficiency of the entire pipeline system from the gas fields to the customer.

President.





## 1959 HIGHLIGHTS

**Earnings per  
Common Share**  
**\$1.64**

\$

**Annual Dividend Rate  
per Common Share**  
**\$1.00**

\$

**Total Operating  
Revenue**  
**\$37,158,647**

\$ MILLION

**Total Volume  
of Gas Sales (MCF)**  
**29,290,240**

MILLION  
MCF

**Total House  
Heating Installations**  
**99,308**

THOUSANDS

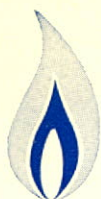
**Industrial Gas  
Sales (MCF)**  
**9,702,777**

MILLION  
MCF



*Progress  
under  
Natural Gas*





## REVIEW OF OPERATIONS

Almost five full years have passed since natural gas replaced manufactured gas in your Company's pipeline system. During these five years, your Company has followed its stated purpose of doing whatever is necessary to be of maximum and equal service to shareholders, customers and employees. For example, your Company has—

- Utilized natural gas from United States sources for several years (1955-1958) to permit market build-up in advance of the construction of the all-Canadian natural gas pipeline from Alberta in 1958.
- Voluntarily lowered natural gas rates to customers substantially and frequently to compete effectively for fuel business with other types of non-government regulated fuels, such as, oil, coal, electricity, propane and wood.
- Expanded service areas substantially at a cost of over \$90,000,000 to provide natural gas wherever groups of customers can economically be served and to balance residential and industrial gas loads.
- Assisted municipalities in franchise areas served and other local groups interested in industrial development by active promotional work as well as through municipal taxation contributions.
- Voluntarily introduced modern employee pension and welfare programmes and wage evaluation plans, all of which resulted in greatly increased benefits to the employees.
- Expanded earnings for shareholders beyond those levels per share attained with manufactured gas.

The same purpose of being of maximum and equal service and value to shareholders, customers and employees continues into the future and will be constantly in mind in the formation of Company policies.

Consolidated gas sales revenues have risen from \$28,527,121 in 1958 to \$36,323,105 in 1959 and net earnings available for common shares has risen from \$1.27 per share last year to \$1.64 per share this year. This increase may be attributed in part to an abnormally cold winter which increased revenues from space heating sales of natural gas considerably. Winters of the severity of this last one occur only about once in four or five years on average so that similar increases for this reason should not be expected frequently in future. Emphasis on improved cost control and efficiency remains an important element in increasing earnings.

### AREA SERVED

Your Company and its subsidiaries continue to make natural gas available to all potential customers where economically feasible.

Capital expenditures on construction of transmission lines and distribution lines, measuring and regulating stations, customer service lines, meters and other distribution equipment amounted to \$23,650,000 this year. This includes construction of 36 miles of transmission lines to serve newly constructed gas distribution systems in Bradford, Stouffville, Uxbridge, Camp Borden and Port Dalhousie, Ontario.

The transmission line extensions proposed for supplying Renfrew, Pembroke and Hawkesbury have been deferred for the present al-



Pen Centre Shopping Plaza, Merrittton, Ontario and the extensive housing development surrounding it, feature the use of natural gas. The Blue Flame Auditorium located in the Plaza is used for demonstrating modern natural gas in varying uses and is also available for use free of charge by local groups.



though the distribution systems contemplated have been built. Automatic propane vapour producing equipment has been installed in each of these communities to utilize the pipeline systems for distributing propane vapour to customers at Company system-wide gas rates.

In December, 1958, the natural gas transmission and distribution facilities recently constructed to supply the City of Owen Sound and the Towns of Meaford and Thornbury were sold at cost to Union Gas Company of Canada Limited. This transfer of property, conducted with municipal approval, will promote a more orderly development of natural gas service towards this area from the south as well as the development now existing from the east.

The propane-air gas distribution system in the City of Peterborough was acquired for \$1,302,000 in February, 1959, following approval by vote of the taxpayers. Construction of a 19 mile transmission line from a point near Lindsay was commenced at once, providing winter employment for about 300 people. A thorough inspection was made of the entire distribution system and conversion to natural gas was smoothly carried out by Company employees in April, 1959.

The capital stock of Shorgas Limited, a bottled propane gas distribution company, was acquired in December, 1958. On acquisition, Shorgas had bottle filling plants at Whitby and Brighton, Ontario and sold bottled propane gas in an area roughly bounded by Toronto, Orillia, Haliburton, Bancroft and Belleville. Presently, it also operates the propane plants recently built in Pembroke, Renfrew and Hawkesbury, sup-

plying propane vapour to distribution systems newly constructed in these communities as well as supplying bottled gas to customers in these areas.

Almost all the propane gas used in Eastern Canada is supplied by oil refineries as a by-product of oil refining. Propane, held in liquid state in cylinders and tanks under relatively low pressures and normal temperatures, is readily delivered by rail and truck beyond the reach of pipelines or electric power lines. It vaporizes unassisted at normal temperatures and atmospheric pressures, providing a clean, odourless, easily controlled fuel with a heating content per cubic foot even higher than natural gas.

Temporary propane installations by its subsidiary, Shorgas Limited, enable your Company to provide quality gas service to customers before the arrival of natural gas by pipeline and permit systematic and economical pipeline construction programmes. Propane proves an excellent stand-by fuel in peak demand periods. As markets develop, natural gas becomes available as a cheaper fuel but demand still continues for propane as a competitive rural fuel and for many special applications. Also, arrival of natural gas stimulates the market for propane beyond the mains by making people aware of the many advantages of natural gas over competitive fuels.

St. Lawrence Gas Company, Inc., a wholly-owned subsidiary of your Company, has received franchises from 17 municipalities in northern New York State including Massena, Potsdam, Canton and Ogdensburg. The export



Presentation of cheque to the City of Peterborough, February 4, 1959, following sale of the distribution system to the Company. L to R—F. W. Hurst, Consumers' Gas; E. A. Outram, City Clerk; O. L. Jones, Consumers' Gas; Mayor D. A. Loucks; R. H. Carley, Solicitor for the Company; C. H. World, Consumers' Gas Regional Manager; D. W. Hill, City Treasurer.



of natural gas to these areas of the United States lying close to the transmission pipeline of Trans-Canada Pipe Lines Limited, already in operation across the border in Canada, represents a logical and economic possibility for the benefit of customers on both sides of the border. After your Company showed an interest in bringing competitive natural gas service to the area, the company which is presently supplying electric service to the area began to compete with your Company for the gas distribution rights. This matter is now before the Federal Power Commission, Washington, D.C. and the State of New York Public Service Commission.

In order to assist in the development of gas load in the eastern zone of Trans-Canada Pipe Lines Limited, your Company has undertaken to supply natural gas, interim financing and management services to La Société Gazifère de Hull, Inc., a company formed by prominent local businessmen. Distribution systems have been constructed for this Company in Hull, Pointe Gatineau and Gatineau, Quebec as well as the construction by your Company and its subsidiary, Niagara Gas Transmission Limited, of transmission pipeline facilities across the Ottawa River to connect with the distribution system near Hull.

Further to the east in Quebec province, your Company is assisting La Corporation de Gaz Cartier in technical capacities and in obtaining franchises and permits for construction of a 437 mile transmission system for supplying natural gas distribution systems proposed for communities south and east of the Montreal area. Prominent local businessmen are serving on the board of directors of this Company, providing guidance in serving these communities. St. Maurice Gas Corporation Inc., which already operates a propane-air gas distribution system through a subsidiary in Three Rivers, Quebec, will hold by agreement, a minority interest in this new company presently financed by your Company. Should La Corporation de Gaz Cartier obtain the necessary permission to construct and operate its system, it is contemplated that the majority of the funds required would be raised from public offerings.

The gas systems acquired in recent years by your Company in the Niagara peninsula, central and eastern Ontario are proving to be important and worthwhile additions, integrating well into overall Company operations.

### NATURAL GAS SALES

The 8th voluntary rate reduction since the arrival of natural gas was made effective October 1, 1959, and will result in savings of approximately \$500,000 per year chiefly to commercial and industrial customers. Earlier in the year the 7th voluntary rate reduction permitted the Company to compete more effectively for



W. A. Landon, Consumers' Gas Company and J. B. Petty, contractor Pipeline Spread Superintendent, looking over the Ottawa River Crossing Project nearing completion.

apartment, motel and hotel business without substantial net losses in revenue. Rates continue to be designed to attract all possible new customers and gain maximum increase in use of gas while maintaining a balanced gas requirements demand. Increasing sales and improved customer saturation of the pipeline system is the key factor in keeping natural gas rates competitive over the long term while providing a fair return to the shareholders.

A policy of aggressive sales promotion continues. Advertising through newspapers, magazines, radio and TV, as well as other promotion material is increasing public consciousness of the many beneficial uses of natural gas.



Sales Promotion and Public Relations activity was highlighted by exhibits at the Natural Gas Centre at the Canadian National Exhibition and co-operation with the Canadian Gas Association on a "Home Safe Home" educational promotion which is achieving wide appeal and endorsement.

### RESIDENTIAL SALES

The general acceptance of natural gas as a multi-use fuel is evidenced by increased sales of gas ranges, gas dryers and ornamental gas lights. An increasing number of private and public swimming pools being constructed are also using natural gas for water heating to lengthen the season during which the pool may be used.



For a period last year, natural gas sales in the Ottawa area were slowed down by public unrest following an explosion in Ottawa and following wide but generally uninformed publicity. Investigation of the Company's pipeline system has already proven its soundness and good condition. However, investigation continues to establish the cause of the explosion. In recent months public confidence has been restored and sales volumes are reflecting this encouraging change.

The appliance dealer organization in 1959 sold through our merchandise finance plan over \$4,000,000 of gas appliances and house heating units. 12,800 rental water heaters were installed this year. Over 85% of new housing this year in the Toronto area features natural gas principally for space and water heating.

Our "Betty Bright" home service girls have been active this year demonstrating the use of natural gas appliances to many associations throughout our service area.

### COMMERCIAL SALES

Commercial gas sales volumes increased 45% this year or an increase of 906,500 MCF reflecting a continued higher degree of acceptance.

A new programme of gas rental conversion burners for commercial heating use was introduced in September which should result in substantially increased gas usage for this purpose.

Use of natural gas for heating apartment houses, hotels and motels has increased substantially with the introduction during the year of additional economies in natural gas costs mentioned earlier. Many new shopping centres are using natural gas for heating and cooking.

Gas fired incinerators featuring complete combustion are gaining preference for garbage and refuse disposal and contribute toward combatting air pollution. Giant strides are being made at provincial and municipal levels to counter the increasing problem of smog and air pollution. Increased use of natural gas, with complete combustion and freedom from ash and soot, remains one of the best ways of eliminating air pollution.

### INDUSTRIAL SALES

Our industrial development programme based on continuing personal contact features a new international advertising campaign designed to draw attention of world markets to the advantages of industry locating in the communities served with natural gas by your Company. Assistance to communities in franchise areas from Fantus Factory Locating Service of Chicago, retained by your Company, has met with a good degree of success. Two recent plant locations with direct Company assistance attest to the success of this endeavour.

Many other industrial customers have been added this year and existing ones have increased their use of natural gas substantially. Several new industrial sales are of particular interest:

- Canada and Dominion Sugar Company Limited, the first major industry to locate in Toronto as a result of the St. Lawrence Seaway development, is using natural gas for the heat processes required for sugar refining, with the steam subsequently being used for direct generation by turbine of electric power.

- The Gananoque Electric Light and Water Supply Company, Limited has commenced production of electricity directly from natural gas in a new plant near Gananoque. This represents the first use of natural gas in eastern Canada for commercial production of electricity.

- Cyanamid of Canada Limited in its plant near Welland, anticipates using a gas supply of 6.5 million cubic feet per day starting next spring. This is an unusual application in that natural gas, rather than serving as a fuel, will be used as a raw material in the production of ammonia.

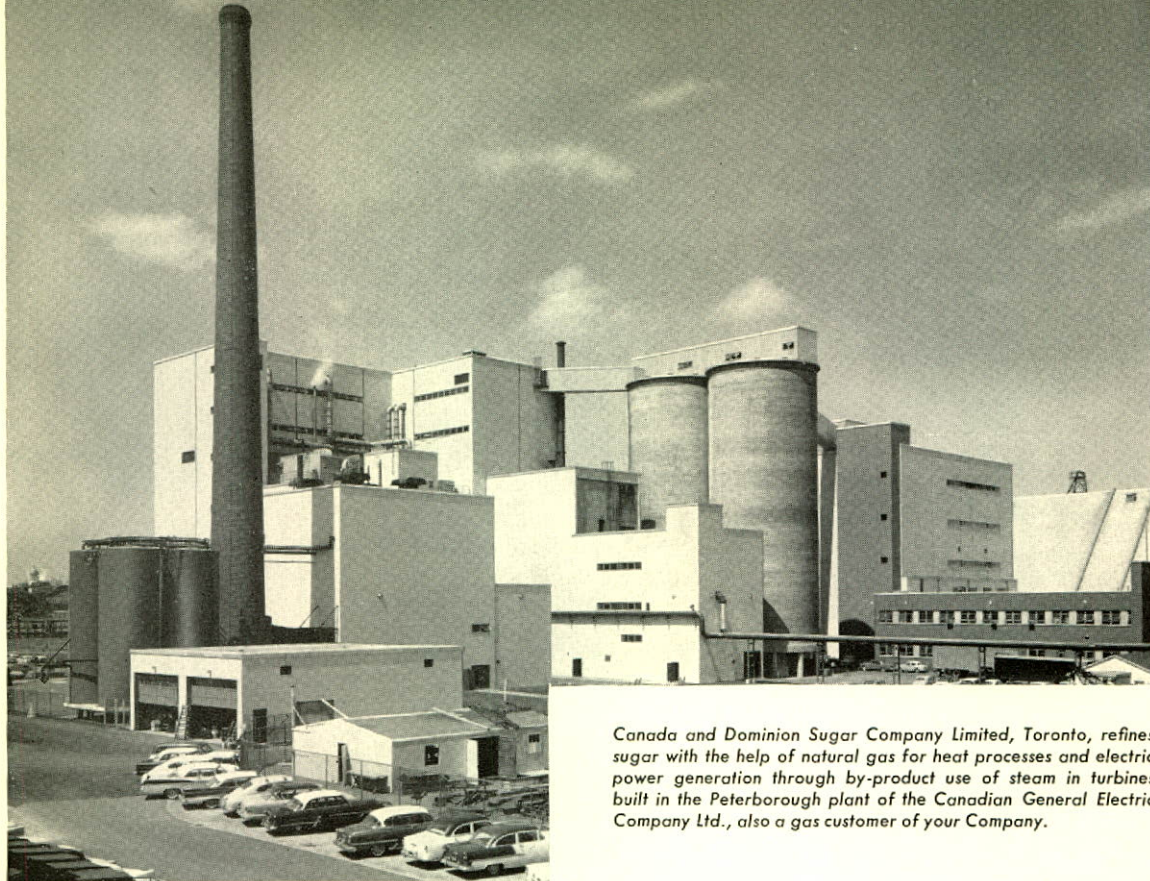
- A new airport at Goodwood, near Richmond Hill, will use natural gas for heating the hangars, office building and restaurant. Natural gas featuring economy and uninterrupted service through bad weather is being considered for runway lighting of the airport, a new and interesting use for natural gas in Canada.

On October 16, 1959, natural gas was turned on at Camp Borden following construction of a 13 mile transmission line and distribution facilities.

Brigadier R. L. Purves,  
Camp Commander  
of Camp Borden, Ontario,  
lights the purge burner  
signifying the arrival of  
natural gas at  
the "turn on" ceremony,  
October 16, 1959.







*Canada and Dominion Sugar Company Limited, Toronto, refines sugar with the help of natural gas for heat processes and electric power generation through by-product use of steam in turbines built in the Peterborough plant of the Canadian General Electric Company Ltd., also a gas customer of your Company.*

Camp Borden is a complete unit 13 miles west of Barrie and is roughly comparable to a town of 10,000 population with a group of army training schools of various kinds, civilian schools, shopping and entertainment.

Two hundred and sixty family dwelling units at the military camp were converted from coal to natural gas central heating. Six hundred installations including appliances of various kinds in drill halls, barracks, messes, work shops and other buildings were also converted.

#### **GAS SUPPLY**

Natural gas delivered from Western Canada to points on our system via the Trans-Canada pipeline system has proven to be of the same excellent quality as former supplies from United States sources.

Use of underground storage facilities in Lambton County as arranged with Ontario Natural Gas Storage and Pipelines Limited enabled us to take 56 million cubic feet from storage on the coldest day last winter. In addition, use of underground storage facilities in the Provincial Gas area, surface storage holders and other peak shaving devices allowed the Company to meet a system peak demand of 177 million cubic feet while taking 107 million cubic feet from Trans-Canada Pipe Lines Limited. Use of these peak shaving devices has resulted in considerable savings in gas purchase costs. The Company now has nearly 5 billion cubic feet of natural gas in underground storage

in Ontario which will be available in the coming winter for peak shaving.

Your Company considers that supplies of natural gas are adequate to meet present foreseeable requirements. It is gratifying that development of a well balanced gas load and use of peak shaving devices has resulted in approximately the same average cost per cubic foot of Canadian natural gas as compared with present tariffs on former United States supplies.

As mentioned in earlier reports, stand-by gas production facilities for peak shaving become less important with increasing underground storage and industrial interruptible sales. Additional units of the former manufacturing plant have, therefore, been retired or sold.

#### **OPERATING PRACTICES**

The gas distribution systems being installed by your Company throughout Ontario are designed to the best standards and codes to carry safely, considerably more than the maximum pressure of gas which it is estimated will be required at any future time. The pipe used in our new systems is electric resistance weld steel pipe, the best obtainable for the purpose. Valves are lubricated plug cocks. Both pipe and valves are pressure tested to American Petroleum Institute specifications at the factory and are considered to be the safest available.

Pipelines constructed by contract are done by competent pipe laying companies constantly



under the surveillance of well trained Company inspectors. Work on existing mains and handling of gas is done by our own experienced employees. Experience has shown that about 4 out of 100 applicants can meet our high welding standards. The unerring eye of the x-ray camera detects any welding defects. Pipeline coatings have excellent protective qualities against adverse soil conditions. In addition, cathodic equipment is installed on all lines to protect against electrolytic corrosion which might otherwise damage the pipe. Protection from frost is provided by back-filling around the valves and each side of valve assemblies with sand or granular material. All new lines are pressure tested to at least 125% of operating pressure for not less than 24 hours and gas will not be turned in until a perfect chart has been removed from the pressure recording gauge. In short, every known construction precaution and improved practice is utilized to assure the utmost in dependability and safety.

Natural gas as received is dry and odourless. All gas is odourized immediately on receipt from the transmission company so that no gas enters the distribution system that does not have a distinctive odour. Water vapour and oil fog are also added to all gas distributed in a system which previously supplied manufactured gas. This is done in order to maintain similar moist conditions to those previously experienced.

Your Company follows a rigid code to ensure safety and is proud of a safety record even better than that of competitive fuels. It is deeply concerned about safe operation and for years has voluntarily adopted practices in excess of industry requirements and is pleased to work with new regulatory authorities to make further improvements where possible.

New operating practices are constantly developed and tested. A recent innovation for use



Infra-red mobile gas detection unit which provides a highly sensitive new method of surveying a distribution system rapidly and economically.

with new housing is the use of a meter box built into the basement wall, permitting shorter service lines and outside meter reading.

On July 6, 1959, with the clatter of the first pneumatic drill, a decade of intensive work began on the new \$200 million Bloor-Danforth-University Subway in Toronto. The crew which began this important work consisted of Consumers' Gas employees whose job was to relocate a 20" gas main to provide room for the southern terminus of the University Avenue section. It was a formidable task with the service lines of many other public utilities close by, but it was accomplished without a hitch. Planning which was commenced over 3 years ago continues, and several other relocations will be required during the estimated 10 year subway construction period. Uninterrupted service to gas customers is provided during relocation and efforts are made to minimize inconvenience to all concerned.

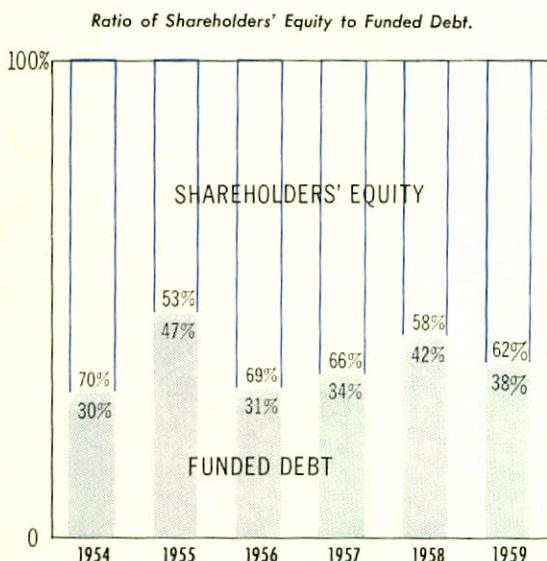
## FINANCING

In February 1959, a \$10,000,000 issue of 5½% Preference Shares Series B was completed successfully. This issue forms part of the long term Company policy of financing expansion initially by short term notes and bank borrowings, then re-financing by a balanced programme of equity and debt issues. Expansion of the system continues where justified economically and new equity and long term debt issues will be needed.

The number of common shareholders at the end of this year stands at 8,532 with average holdings of 217 common shares per shareholder. Over 96% of the common shares are owned by residents of Canada.

## REGULATION

Since 1954, your Company has been under the jurisdiction of the Ontario Fuel Board for regulation principally relating to franchises,





construction, safety, sales, rates and earnings. During 1959, legislation was passed creating an Energy Board in Ontario with duties concerning all energy producing fuels used in Ontario. The Ontario Fuel Board remains as a department of this new Board.

Also, during 1959, a National Energy Board was created by legislation of the Federal Government following considerable study. Niagara Gas Transmission Limited, a wholly-owned subsidiary which is expected to operate crossings on inter-provincial or international pipelines for your Company may come directly under the jurisdiction of this National Energy Board.

Your Company favours efficient regulation and hopes that duplication of efforts and unnecessary delay will be avoided. Good regulation should always be remembered as in the interest of the investor as well as of the customer, both of which groups form part of our society.

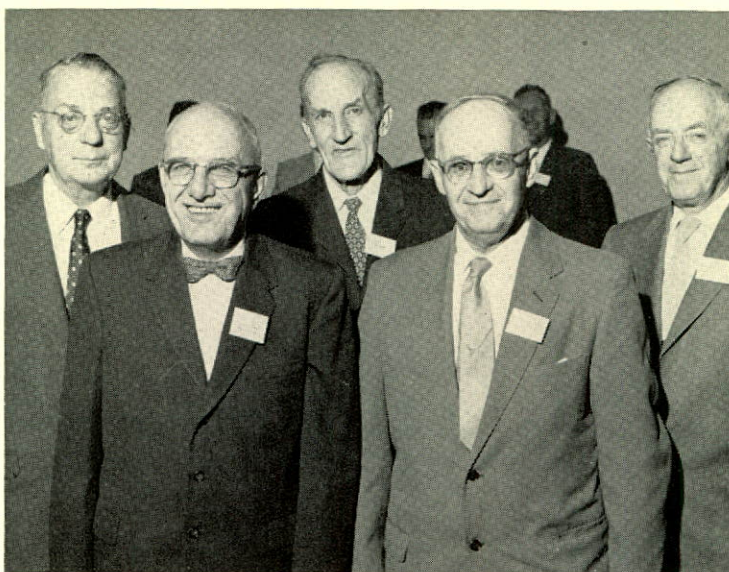
#### ADVISORY SERVICES

Subject to the direction and control of the Board of Directors, Stone & Webster Canada Limited, with 70 years of successful experience in all phases of public utility operation, continues to furnish consulting and advisory services to the Company.

#### MANAGEMENT AND STAFF

Mr. Alex Betcherman was appointed to the Ottawa Executive Board in January, 1959. Mr. Gaston Vincent, a valued member of the Ottawa Executive Board since its origin in 1957, passed away suddenly on October 12, 1959. The advice and support of members of the Ottawa Executive Board continues to play an important part in our operations in eastern Ontario.

During the year Mr. W. H. Zimmerman, Sr., Q.C., senior partner of Zimmerman, Haywood & Turville, Solicitors, and Mr. G. W. Smith, senior partner of Gunn, Roberts and Co., Chartered Accountants, passed away. The interest of these two men in your Company and its success was always clearly apparent, particularly



*On Service Award night, 12 employees, each having over 45 years of continuous service, received their long service awards. The above 5 represent a total of 230 years of continuous service with your Company. L to R — R. Drake, G. Allman, D. Hand, W. Morgan, F. Tilley.*

in those important years immediately following conversion to natural gas.

We are proud of our staff which has worked hard and capably during the past year under the direction of well trained supervisors. Our aggressive management continues to provide guidance and leadership.

Training programmes for operating personnel continue and ensure that service to customers meets high standards using modern practices. The new management training courses introduced during the year are aimed at developing staff for supervisory capacities and furthering knowledge of the Company and are proving very successful.

During the year, long service awards were initiated and the importance to the Company of each employee has been stressed.

The hard work and loyalty of our management and staff continues to play an important part in the progress of our Company and of the natural gas industry in Canada.

*Vice-President and General Manager.*





## FINANCIAL STATEMENTS

THE CONSUMERS'  
and subsidiary

### CONSOLIDATED

#### ASSETS

	September 30	
	1959	1958
PROPERTY, PLANT AND EQUIPMENT at cost or redetermined value (note 1) . . . . .	\$169,946,550	\$147,024,976
Lands, structures, gas transmission and distribution systems, equip- ment, motor vehicles, unamortized franchise and license costs, etc.		
Less depreciation . . . . .	25,095,512	25,804,576
	<u>144,851,038</u>	<u>121,220,400</u>
 CURRENT ASSETS		
Cash . . . . .	456,416	799,816
Marketable securities at cost . . . . .	30,253	30,995
Accounts receivable (including accounts receivable on mer- chandise finance plan, 1959 \$7,852,000, 1958 \$7,662,000) . .	11,893,506	11,692,504
Materials and supplies at the lower of cost and market . . .	3,357,491	4,222,733
Gas in underground storage at cost . . . . .	2,205,937	1,725,628
Prepaid expenses . . . . .	315,229	361,595
	<u>18,258,832</u>	<u>18,833,271</u>
 DEFERRED CHARGES AND OTHER ASSETS		
Mortgages receivable . . . . .	147,988	123,000
Unamortized debt discount and expense . . . . .	1,404,530	1,532,743
Unamortized natural gas conversion expense . . . . .	1,387,512	1,566,539
	<u>2,940,030</u>	<u>3,222,282</u>
 Approved on behalf of the Board:		
A. L. BISHOP, Director		
R. R. CORSON, Director		
	<u>\$166,049,900</u>	<u>\$143,275,953</u>

*See accompanying notes to financial statements.*



# GAS COMPANY

companies

## BALANCE SHEET

### LIABILITIES

	September 30	
	1959	1958
SHAREHOLDERS' EQUITY		
Capital stock		
Preference shares (note 2)		
Authorized—250,000 shares of \$100 each issuable in series		
Issued — 50,000 shares 5½% cumulative Series A	\$ 5,000,000	\$ 5,000,000
—100,000 shares 5½% cumulative Series B in 1959 for cash.....	10,000,000	—
Common shares (note 3)		
Authorized —2,500,000 shares of no par value		
Issued —1,855,894 shares (1958—1,821,025 shares)	24,467,088	23,359,227
To be issued— 4,450 shares.....	173,550	—
Contributed surplus.....	2,977,097	2,977,097
Excess of net redetermined value of property, plant and equipment over depreciated book cost (note 1).....	35,697,407	36,345,680
Retained earnings (note 4).....	6,759,235	4,828,312
	<u>85,074,377</u>	<u>72,510,316</u>
FUNDED DEBT (see statement).....	51,700,000	52,100,000
CURRENT LIABILITIES		
Bank advances.....	13,002,325	7,853,394
Notes payable.....	5,500,000	900,000
Accounts payable.....	6,640,454	6,576,109
Accrued interest on funded debt.....	617,458	623,512
Estimated income taxes.....	1,759,089	960,210
Dividends payable October 1st.....	670,165	432,755
Deferred income from merchandise finance plan.....	1,086,032	1,319,657
	<u>29,275,523</u>	<u>18,665,637</u>
	<u>\$166,049,900</u>	<u>\$143,275,953</u>

See accompanying notes to financial statements.





# FINANCIAL STATEMENTS

**THE CONSUMERS'**  
and subsidiary

## CONSOLIDATED STATEMENT OF INCOME

	Year ended September 30	
	1959	1958
<b>OPERATING REVENUES</b>		
Gas sales.....	\$36,323,105	\$28,527,121
Other operating revenues.....	835,542	344,779
	<u>37,158,647</u>	<u>28,871,900</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance costs (including directors' fees 1959—\$23,000; 1958—\$22,625).....	25,989,224	21,120,229
Amortization of natural gas conversion expense.....	242,381	229,369
Depreciation.....	2,318,595	1,832,147
Taxes other than income taxes.....	1,136,251	1,071,284
Provision for income taxes (note 5).....	1,600,000	587,650
	<u>31,286,451</u>	<u>24,840,679</u>
<b>OPERATING INCOME AFTER INCOME TAXES.....</b>	<u>5,872,196</u>	<u>4,031,221</u>
<b>OTHER INCOME</b>		
Interest (including merchandise finance plan) and property rentals.....	1,251,492	981,046
Profit on sale of property.....	103,406	83,766
	<u>1,354,898</u>	<u>1,064,812</u>
<b>TOTAL OPERATING AND OTHER INCOME.....</b>	<u>7,227,094</u>	<u>5,096,033</u>
<b>INTEREST AND OTHER DEDUCTIONS</b>		
Interest on funded debt.....	2,452,406	2,122,636
Amortization of debt discount and expense.....	89,648	77,658
Other interest and sundry deductions.....	627,995	297,116
	<u>3,170,049</u>	<u>2,497,410</u>
<b>NET INCOME.....</b>	<u>\$ 4,057,045</u>	<u>\$ 2,598,623</u>
Dividends on preference shares.....	\$ 615,000	\$ 275,000
Expenses of issue of preference shares.....	406,452	—
	<u>1,021,452</u>	<u>275,000</u>
<b>EARNINGS ON COMMON SHARES.....</b>	<u>\$ 3,035,593</u>	<u>\$ 2,323,623</u>
Dividends on common shares..... (1959—95 cents; 1958—80 cents per share)	\$ 1,752,942	\$ 1,237,617
Expenses of issue of common shares.....	—	240,669
	<u>1,752,942</u>	<u>1,478,286</u>
<b>EARNINGS RETAINED FOR THE YEAR.....</b>	<u>\$ 1,282,651</u>	<u>\$ 845,337</u>

*See accompanying notes to financial statements.*



**GAS COMPANY**

companies

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

	Year ended September 30 <b>1959</b>
Balance October 1, 1958.....	\$4,828,312
Earnings retained for the year.....	1,282,651
Amounts realized through 1959 depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost.....	648,272
Balance September 30, 1959 (note 4).....	<u>\$ 6,759,235</u>

**FUNDED DEBT**

	<u>Maturity</u>	<u>Next Sinking Fund Payment Date</u>	<u>Amount</u>	<u>Outstanding at Sept. 30 1959</u>	<u>1958</u>
<b>FIRST MORTGAGE</b>					
<b>SINKING FUND BONDS</b>					
3¾% Series A.....	Nov. 1, 1974	Oct. 15, 1960*	\$200,000	\$ 8,600,000	\$ 8,800,000
5% Series B.....	Feb. 1, 1978	Mar. 15, 1962	500,000	20,000,000	20,000,000
 <b>SINKING FUND</b>					
<b>DEBENTURES</b>					
4¼%.....	Dec. 1, 1974	Dec. 15, 1960*	200,000	7,100,000	7,300,000
4¾%.....	June 1, 1976	June 15, 1960	260,000	10,000,000	10,000,000
5¾%.....	Feb. 1, 1977	Feb. 15, 1961	143,000	6,000,000	6,000,000
				<u>\$51,700,000</u>	<u>\$52,100,000</u>

\*Sinking fund requirements for 1959 were met prior to September 30, 1959.

See accompanying notes to financial statements.





## NOTES TO FINANCIAL STATEMENTS

### NOTE 1

#### PROPERTY, PLANT AND EQUIPMENT

Plant and equipment acquired subsequent to the companies' 1955 fiscal years and plant and equipment of Niagara Gas Transmission Limited are stated at cost. The remaining plant and equipment is stated at redetermined value based on reproduction cost, according to appraisals made by Stone & Webster Canada Limited at the end of the companies' 1955 fiscal years assuming construction as a whole in one continuous effort. Land is stated at cost.

The balance sheet deduction for depreciation is the observed depreciation reported in the appraisals at the end of the companies' 1955 fiscal years plus subsequent depreciation provisions and less adjustments for disposals.

The increase in depreciated property, plant and equipment, resulting from the 1955 redetermination (less portions of such increase realized through disposals and depreciation provisions and adjustments for the years 1956 to 1959) has been included in shareholders' equity as Excess of Net Redetermined Value of Property, Plant and Equipment over Depreciated Book Cost.

### NOTE 2

#### PROVISIONS RELATING TO PREFERENCE SHARES

Series A shares are redeemable at any time at a premium ranging from 5% if redeemed on or before July 1, 1962, to 1% if redeemed after July 1, 1977. Series B shares are redeemable at any time at a premium ranging from 5% if redeemed on or before February 15, 1964 to 1% if redeemed after February 15, 1979.

### NOTE 3

#### COMMON SHARES

116,400 common shares have been set aside for purchase by certain key employees under the terms of the Restricted Stock Option Plan. At September 30, 1959, 12,647 shares have been issued under this plan and employees hold options on a further 35,325 shares at \$20.925 per share, 19,000 shares at \$27.675 per share, 14,403 shares at \$24.00 per share and 4,000 shares at \$33.8625 per share, expiring on various dates the last of which is April 15, 1965.

During the 1959 fiscal year, 11,147 common shares were issued for \$240,050 cash, 172 common shares were issued for \$5,611 in services, and 23,550 common shares were issued for \$862,200 in part payment for shares and notes of subsidiary companies.

The Company is committed to issue common shares in partial consideration for the shares of a subsidiary company, in five instalments of 890 shares each upon the subsidiary company obtaining specified numbers of customers.

### NOTE 4

#### RETAINED EARNINGS

Retained earnings includes a special account in which has been set aside, in accordance with supplementary letters patent creating the preference shares, an amount of \$100,000 for the purchase of preference shares Series A for cancellation.

### NOTE 5

#### INCOME TAXES

Because of the companies' practice of claiming for tax purposes capital cost allowances exceeding the amount of depreciation recorded in the accounts, the provision for income taxes for the year ended September 30, 1959 is reduced by \$1,580,000. As there were similar reductions in prior years the accumulated amount of such reductions which may affect income of the Company and its subsidiaries in future years is \$3,290,000.

### NOTE 6

#### CONTINGENT LIABILITIES

Damage suits in respect of an explosion have been filed against the Company and other defendants. It is the opinion of Counsel engaged in the defence of these claims that, if the Company should be unsuccessful in its defence, the insurance carried by the Company will be adequate to cover the damages over and above \$100,000.





# AUDITORS' REPORT

## GUNN, ROBERTS AND Co.

CHARTERED ACCOUNTANTS

TORONTO, CANADA

TO THE SHAREHOLDERS OF  
THE CONSUMERS' GAS COMPANY:

We have examined the consolidated balance sheet of The Consumers' Gas Company and subsidiary companies as at September 30, 1959 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, supplemented by the notes appended thereto, present fairly the combined financial position of the companies as at September 30, 1959 and the results of their operations on a consolidated basis for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, CANADA,  
NOVEMBER 3, 1959.

*Gunn, Roberts and Co.*

Chartered Accountants.

## SOURCE AND USE OF FUNDS

	Year ended September 30	Five year period since conversion
	1959	1955 to 1959
SOURCE OF FUNDS:		
Addition to working capital from operations . . . . .	\$ 6,774,592	\$21,174,952
Proceeds from sale of securities and property . . . . .	244,105	753,417
Proceeds from bond and debenture issues . . . . .	—	51,117,250
Proceeds from preference and common stock issues . . . . .	11,281,411	25,090,900
	<u>18,300,108</u>	<u>98,136,519</u>
USE OF FUNDS:		
Extension and improvement of system including acquisition of subsidiaries . . . . .	26,198,919	90,056,373
Outlay on conversion to natural gas . . . . .	123,954	3,596,704
Outlay on redemption of bonds and debentures . . . . .	361,435	9,170,550
Expenses of stock and security issues . . . . .	406,452	1,009,913
Dividends on preference and common stock . . . . .	2,367,942	7,436,607
	<u>29,458,702</u>	<u>111,270,147</u>
REDUCTION IN WORKING CAPITAL POSITION	<u>\$11,158,594</u>	<u>\$13,133,628</u>





# STATISTICAL INFORMATION

(Notes 1 and 2)

	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>
<b>OPERATING REVENUES</b>					
Gas sales:					
Residential.....	\$24,012,050	\$17,813,574	\$13,329,789	\$10,109,303	\$ 8,474,659
Commercial.....	4,304,337	3,388,918	2,649,462	2,147,166	1,929,168
Industrial.....	7,914,562	6,254,566	4,414,030	2,663,282	2,008,025
Other utilities.....	92,156	1,070,063	514,890	616,976	376,725
TOTAL GAS SALES.....	36,323,105	28,527,121	20,908,171	15,536,727	12,788,577
Other Revenue.....	835,542	344,779	161,269	155,182	127,804
TOTAL OPERATING REVENUES.....	<u>37,158,647</u>	<u>28,871,900</u>	<u>21,069,440</u>	<u>15,691,909</u>	<u>12,916,381</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance.....	25,989,224	21,120,229	14,432,188	11,038,850	8,883,761
Amortization of natural gas conversion expense.....	242,381	229,369	215,555	210,984	87,951
Provision for depreciation.....	2,318,595	1,832,147	1,510,067	1,298,166	766,662
Taxes other than income taxes.....	1,136,251	1,071,284	895,955	797,476	748,126
Income tax provision.....	1,600,000	587,650	943,157	820,739	900,000
TOTAL OPERATING EXPENSES.....	<u>31,286,451</u>	<u>24,840,679</u>	<u>17,996,922</u>	<u>14,166,215</u>	<u>11,386,500</u>
OPERATING INCOME.....	5,872,196	4,031,221	3,072,518	1,525,694	1,529,881
ADD: OTHER INCOME.....	1,354,898	1,064,812	550,469	324,394	213,696
LESS: INTEREST AND OTHER DEDUCTIONS.....	3,170,049	2,497,410	1,644,046	1,018,783	629,120
NET INCOME.....	<u>\$ 4,057,045</u>	<u>\$ 2,598,623</u>	<u>\$ 1,978,941</u>	<u>\$ 831,305</u>	<u>\$ 1,114,457</u>
<b>NUMBER OF ACTIVE CUSTOMERS (year-end):</b>					
Residential.....	221,535	211,773	182,910	170,946	148,200
Commercial.....	10,770	9,646	7,311	6,240	5,314
Industrial.....	2,611	2,507	2,079	1,947	1,864
TOTAL.....	<u>234,916</u>	<u>223,926</u>	<u>192,300</u>	<u>179,133</u>	<u>155,378</u>
<b>NUMBER OF SHAREHOLDERS—Common.....</b>					
—Preferred.....	8,532	9,031	7,896	7,433	7,025
	2,587	851	884	—	—
NUMBER OF EMPLOYEES.....	2,151	1,987	1,698	1,510	1,219

Notes (1) Figures shown are on a consolidated basis unless otherwise indicated.

(2) The tabulations of manufactured gas volumes and related figures for 1955 have been converted for ease of comparison to approximate natural gas equivalents.

(3) Natural gas purchased from Trans-Canada Pipe Lines Limited in 1959 is on a pressure base of 14.73 p.s.i.a. Prior year purchases of natural gas and sales to other utilities have accordingly been adjusted to this same base.

(4) Degree day deficiency figures given are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees by which the daily mean fell below 65° on those days when it did so.



	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>
<b>GAS SUPPLY—MCF</b>					
Coal and water gas produced.....	—	59,139	45,218	—	762,545
Propane air gas produced.....	30,067	43,145	25,224	638	27,321
Natural gas purchased (note 3).....	31,369,280	26,030,826	15,333,384	9,431,736	4,327,340
Natural gas produced.....	151,805	99,781	84,500	39,677	—
TOTAL GAS SUPPLY.....	<u>31,551,152</u>	<u>26,232,891</u>	<u>15,488,326</u>	<u>9,472,051</u>	<u>5,117,206</u>
<b>GAS DELIVERIES—MCF</b>					
Sales to Customers:					
Residential.....	16,500,480	11,433,033	7,767,120	4,745,652	2,497,956
Commercial.....	2,899,394	1,992,883	1,421,208	948,584	628,866
Industrial.....	9,702,777	7,234,588	4,735,888	2,010,429	810,320
Other utilities (note 3).....	187,589	2,020,831	978,748	1,249,953	714,961
TOTAL SALES.....	<u>29,290,240</u>	<u>22,681,335</u>	<u>14,902,964</u>	<u>8,954,618</u>	<u>4,652,103</u>
Gas into storage.....	5,072,859	3,705,861	153,518	190,053	—
Gas out of storage.....	(3,410,423)	(965,578)	(112,002)	(20,794)	—
Used by company.....	85,202	70,242	48,554	33,909	5,375
Unaccounted for.....	513,274	741,031	495,292	314,265	459,728
TOTAL GAS DELIVERIES.....	<u>31,551,152</u>	<u>26,232,891</u>	<u>15,488,326</u>	<u>9,472,051</u>	<u>5,117,206</u>
<b>MAXIMUM DAILY SENDOUT—MCF</b>					
(Consumers' Gas only).....	138,552	102,577	60,453	32,268	20,109
<b>MAXIMUM DAILY SENDOUT—MCF</b>					
(Consolidated).....	177,677	136,552	84,033	39,039	26,992
<b>MINIMUM DAILY SENDOUT—MCF</b>					
(Consolidated).....	25,292	25,468	18,391	12,367	6,477
DEGREE DAY DEFICIENCY—(note 4).....	7,091	6,639	6,464	7,295	6,349
AVERAGE USE PER RESIDENTIAL CUSTOMER —MCF (Consumers' Gas only).....	73.4	55.08	39.88	28.24	16.86
<b>AVERAGE REVENUE PER MCF</b>					
(Consumers' Gas only)					
Residential.....	\$1.56	\$1.69	\$1.91	\$2.30	\$3.39
Commercial.....	\$1.62	\$1.82	\$1.97	\$2.37	\$3.07
Industrial.....	\$ .88	\$ .94	\$1.03	\$1.34	\$2.48
MILES OF MAINS IN USE (equivalent 3").....	7,252	6,678	5,073	4,082	2,760
AREA SERVED (Square miles).....	1,019	790	460	378	179





## **CORPORATE INFORMATION**

### **GENERAL OFFICE**

19 Toronto Street, Toronto, Ontario

### **REGISTRAR, TRANSFER AND DIVIDEND DISBURSING AGENT**

Chartered Trust Company, 34 King Street West, Toronto

### **REGISTRAR AND TRANSFER AGENTS**

Chartered Trust Company, 388 St. James St. W., Montreal

The Toronto General Trusts Corporation, Pender & Seymour Sts., Vancouver

The Bankers Trust Company, 485 Lexington Avenue, New York

TRUSTEE— $3\frac{3}{4}\%$  FIRST MORTGAGE SINKING FUND BONDS, SERIES A

—  $5\%$  FIRST MORTGAGE SINKING FUND BONDS, SERIES B

The Toronto General Trusts Corporation, 253 Bay Street, Toronto

TRUSTEE— $4\frac{1}{4}\%$ ,  $4\frac{3}{4}\%$  AND  $5\frac{3}{4}\%$  SINKING FUND DEBENTURES

Crown Trust Company, 302 Bay Street, Toronto

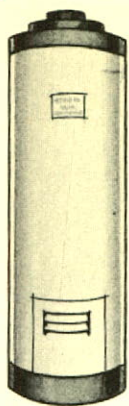




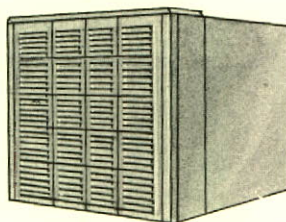
THE **Consumers' Gas**  
COMPANY



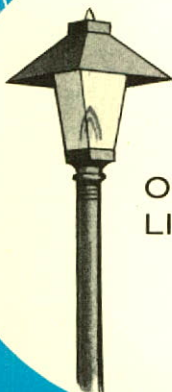
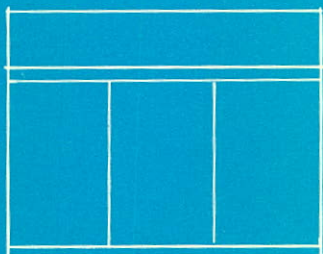
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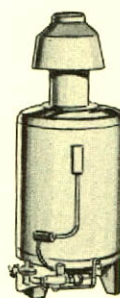
DOMESTIC  
HOT  
WATER



COOLING



OUTDOOR  
LIGHTING

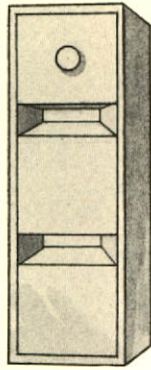


POOL  
WATER  
HEATER

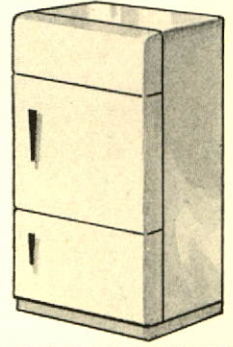
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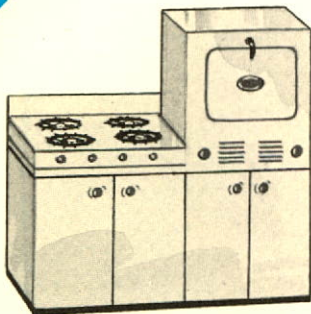
# Modern Living with Natural Gas throughout the home



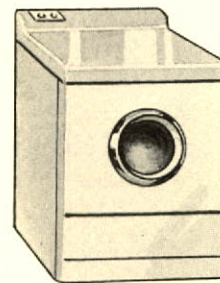
HEATING



REFRIGERATION



COOKING



DRYING

