

Montreal Group Wins West Quebec Drama Festival

MONTREAL, March 4 (CP)—Les Compagnons de St. Laurent, French-speaking theatrical group...

Tin Output Up

THE HAGUE, March 4 (AP)—The international tin study group Saturday announced world tinplate production in 1950 reached a record high of 3,700,000 tons...

NORTH BEDEQUE SCHOOL

Report for January. Grade X-1. Ella Cahill. Grade IX-1. Marguerite MacCaull...

BIRTHS, MARRIAGES DEATHS

50c per insertion. BIRTHS: MacDONALD—At South Melville, March 3, Robert MacDonalid in his 96th year...

DEATHS

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CENTRAL GUARDIAN

This column is reserved for news of local interest, but advertising of a newsy nature may be inserted at five cents a word, strictly payable in advance.

CRASWELL for Photos.

FARLEDALE concert continues Monday, Tuesday, Wednesday of this week. Tickets at Hughes Drug Co.

CITY POLICE COURT—At the Slipey Magistrate's Court Saturday, the only case to appear was that of a man charged with assault which was dismissed.

FUNERAL SUNDAY—The funeral of the late Mrs. C. Wright was held yesterday afternoon from the MacLean Funeral Home...

FUNERAL OF MRS. SHAMA—The funeral of the late Mrs. Joseph Shama was held yesterday afternoon from her residence 237 King St., to St. Peter's Cathedral...

FUNERAL SATURDAY—The funeral of the late Augustine Mayhew was held from the MacLean Funeral Home on Saturday afternoon...

GUEST AT SONG SERVICE—Mr. George Wood, provincial secretary of the National Institute for Blind, was the guest of Trinity United Church Y.P.U. last night...

THE ANNUAL IRISH PLAY—The theme of the recent meeting of the Benevolent Irish Society's play committee was that the three-act comedy, "The Irish Professor", is most ready to go to the Prince Edward Theatre...

FUNERAL AT SOUTHPORT—The funeral of the late John A. MacDonald was held from his residence at Southport yesterday afternoon...

B. Y. P. U. MEETING—"Magazine Magic", a technicolour movie, the intricate background story in the publishing of several leading U. S. magazines...

FUNERAL AT THE P. E. I. HOSPITAL—At the P. E. I. Hospital, March 2, 1951, Frederick Furze of 9 Alley St. in his 83rd year...

HANNA—At the Prince County Hospital on Sunday, March 4, 1951, Hugh Hanna in his 80th year...

DWAN—At the Charlottetown Hospital on Saturday, March 3, Reginald Francis Dwan in his 22nd year...

WOODVALE SCHOOL—Report for the month of February. Grade IX—Lelah MacMillan...

Island Display At Sportsmen's Show In Toronto

Mr. George V. Fraser, Director of the Prince Edward Island Tourist and Information Branch left yesterday for Toronto where he will set up a display for this Province at the Sportsmen's Show...

The exhibition is being held at the Coliseum, and is said to be the largest of its kind in Canada. This year the department has been fortunate in securing the services of Mrs. Gwen Beattie...

Friend Of War Veterans, Passes OTTAWA, March 4 (CP)—Richard Hale, a friend to thousands of war veterans, died Saturday at 63...

BELIEF

Continued from page 1

The Chinese have time to launch their threatened spring counter-attack by an estimated 300,000 troops. The Commonwealth 27th Brigade fought a patrol action 1 1/2 miles east of the Yongdu road junction...

CACHE OF WEAPONS

At Saemal the marines found a cache of abandoned Chinese weapons, so large that front-line troops could not handle them. The weapons included American, British and Russian guns and semi-automatic rifles...

South of Seoul Allied artillery pounded the former South Korean capital for the 23rd straight day. There were reports of Chinese troop elements north of the Han River and on the southeast outskirts of Seoul...

Fire British Workers In Slowdown Move

LONDON, March 4 (AP)—Wholesale firings of workers in some machine-tool and engineering plants—almost all directly or indirectly doing defence work—have begun in Britain...

Some of the irate employers say Communist agitators are drumming up the slowdown strikes, which began two months ago in Manchester and Liverpool and now have spread to London...

Charlotte Profit. Grade 1 (a)—1. Wilfred Brodwick; 2. Robert Hardy. Teacher—Mary Casey.

WEATHER: 3 WAY RELIEF IN 3 SECONDS. HEAD, THROAT, CHEST. COUGHS - COLDS. MASON'S 49.

EARNINGS BASE

Continued from page 1

mission are Judge C. St. Clair Trainor, chairman; Mr. L. B. MacMillan, secretary; and Mr. W. R. Brennan, commissioner. The inquiry was commenced by order of the Commission dated Jan. 20, 1949...

On Sept. 23, 1949, the appraisers filed a report on the land, plant and equipment of the Maritime Electric Company, Ltd. in Prince Edward Island showing the estimated prudent original cost of the same at \$2,376,263...

Questions of Policy

The determination of an earnings base for public utility, says the report, involves a decision on many questions of policy which must be followed in reaching such determination. Shortly after the non-depreciated inventory was filed by Engineering Service Company, the company (Maritime Electric), made application for a prior determination of the principles and policy to be followed in dealing with several matters relating to the final determination of the earnings base...

Systems Purchased

"As above mentioned, the original total cost figure of \$2,376,175 found at page 3 of Exhibit "N" does not include the cost to the Company of certain generating and distribution systems heretofore purchased by the Company and comprising a part of Fred Leard's distribution system and near Mount Stewart, the distribution system of the Cardigan Electric Company Limited, the Leard Electric Company of Crapaud, the North Tryon Electric Company Limited, and the Town of Souris Electrical Lighting System...

"In accordance with the provisions of the Electric Power and Telephone Act, 1948, Chapter 14, and the Commission's decision of February 16th, 1950, the Commission has determined the amount of accrued depreciation on items of plant and equipment is the Straight Line Method. This method is applied by determining the estimated service life of the item of plant and equipment on the basis of experience either from the history of the like items in the public utility in question or from the history of the like or similar items in similar public utilities, varied, where necessary, to suit local conditions...

Other Comments

"Further Mr. Kaye on examination by Mr. Manning stated that no consideration had been given by him of the business practice, in somewhat general use, of extending for a period of thirty days or more the cash term quoted in sales, thereby obtaining the necessity of a cash fund in Working Capital to cover payments otherwise required to be made immediately...

Organization Expenses

"The appraisal further included a sum of \$7,500 as organization expenses. These expenses are itemized by Mr. Kaye in his evidence and their commencement dates back to the beginning of electric power development in Prince Edward Island and are carried forward in the same amount by Engineering Service Company from its appraisal in 1936. Mr. Kaye, in his evidence, stated that in rate cases it has been customary to allow such items and we will, therefore, allow the same. However, although the amount is small, we do not think that it should continue indefinitely in the Earnings Base and we order that the said amount shall be amortized within the next seven year period and corresponding deductions shall be made in the Earnings Base...

Depreciation Reserve

"On page 3 of the appraisal under the title of 'Summary by Accountants' the total original cost of the Company's property used and useful but not including 'purchased properties' later referred to, is given at \$2,376,175 with an original cost less depreciation of \$1,962,011, or an accrued depreciation of \$414,164. At the initial hearing in October, 1949, the representatives of the Company laid great stress on the difference which existed between the amount of the depreciation reserve and the amount which should have been taken to bring the depreciation reserve up to the present day requirements. The figures are found in Exhibit "T" of the evidence of...

the October, 1949, hearing, and are based on an appraisal made in 1926 by one E. J. Cheney who was hired at the time by the Company.

"From the comparative figures of the said Exhibit it was contended that while the actual depreciation reserve as at December 31, 1948, was \$192,871.56 the amount based on the E. Cheney appraisal with 2 1/2% accruals alleged to have been approved by the Board of Commissioners of Public Utilities on January 6th, 1938, should have been \$238,078.73, thereby leaving a difference of \$42,207.07, and it was further contended that, unless some adjustment were made, the Company would be deprived of the above mentioned sum.

"However, at that time the Commission held that the matter was irrelevant to a decision on the questions then set down for determination but left the matter open for subsequent disposition. Now that the appraisal has been completed and the amount of depreciation computed, the difference between the amount of the computed depreciation as of June 30th, 1949, and the amount of depreciation reserve as at December 31, 1948, is \$221,292.34.

"The Commission anticipated a further presentation and argument in relation to this matter, and in formal mention was made of it; but no further reference was made to the question at the final hearing and we now conclude that the matter has been abandoned, thus obviating the action contemplated by our decision of February 16th, 1950, and our order referring to it at page 7 of our decision of March 11th, 1950.

"Returning now to the question of depreciation we note that in the hearing no evidence was given for the Company relating to it and the amount as computed by Engineering Service Company was not questioned, so that we see no reason to disturb the finding, and therefore, we approve the same.

"Proceeding then, Mr. Kaye states that he took the end of the month average of the value of materials and supplies on hand, including fuel, and found the figure to be \$137,763.74, and this figure he included in the sum for working capital. But in that monthly average are included quantities of materials and supplies awaiting their placement in capital construction programmes.

"Now it will be recalled that, in our decision of Feb. 16, 1950, in relation to the method of determining the earnings base from year to year we decided, following the experience of other regulatory bodies and guided by expert opinion, that all given year should be added to the completed additions to plant for an earnings base for such year at prudent cost, thereby permitting the Company to earn on their value for the full year at the approved rate.

"Obviously then, to permit the value of materials on hand for capital construction purposes to be added to earnings base as working capital and at the same time to include their value in plant extensions would be to permit a duplication of earnings. It would be a great task, if not an impossible one, to reach an exact figure for a given year, and while we think that ten per cent of the average monthly figure would be an under-estimate, nevertheless in the present circumstances we think ten per cent or \$13,776.37 should be taken off the above figure of \$137,763.74, leaving \$123,987.37.

"In order to do this we direct that the Company shall maintain a separate account as to 'Purchased Properties'. That account in respect of properties heretofore purchased should, in effect, show the said sum of \$49,841 reduced by the sum of \$27,243, (representing the depreciated value of the said purchased properties as shown on Page 94 of Exhibit "N"), and further reduced by the \$8,224 of depreciation above mentioned, and from time to time further reduced by the proceeds of the sale of any of the items of unused or unuseful property with any balance remaining to be amortized over a period not exceeding five years with corresponding reductions being made annually in the Earnings Base.

"The appraisal further included a sum of \$7,500 as organization expenses. These expenses are itemized by Mr. Kaye in his evidence and their commencement dates back to the beginning of electric power development in Prince Edward Island and are carried forward in the same amount by Engineering Service Company from its appraisal in 1936. Mr. Kaye, in his evidence, stated that in rate cases it has been customary to allow such items and we will, therefore, allow the same. However, although the amount is small, we do not think that it should continue indefinitely in the Earnings Base and we order that the said amount shall be amortized within the next seven year period and corresponding deductions shall be made in the Earnings Base.

"There still remains the question as to the amount allowable as 'Working Capital'. It is much too elementary to require proof that as business can successfully operate without ready cash fund known as 'Working Capital' and all rate making bodies agree that in rate making cases a public utility is entitled to earn a return on a sum of money for operating expenses. It is, however, the question of quantum of such allowance which requires our attention, and we think the guide to be followed is very concisely laid down by The California Railroad Commission in California Farm Bureau Federation et al vs. San Joaquin Light and Power Corporation, P.U.R. (1932 D), 310 at page 328 as follows: 'If a utility is permitted to earn on a working cash allowance sufficient to meet its ordinary requirements under its customary plan of operation, it has no cause for complaint.'

Working Capital. In determining an equitable sum of money to be allowed to the Company as 'working capital', the Engineering Service Company fixed the amount in its appraisal at \$230,000. The Commission in its report gives extensive excerpts from the evidence of Mr. Kaye to show his method of calculation. The report then continues: 'We hesitate to disagree with such competent authority as is Mr. Kaye, but a careful study of his analysis in the light of all the relevant factors has led us to the conclusion that the figure of \$230,000, is somewhat high. Certainly it cannot be too low since neither the Company's highly experienced witnesses nor its able counsel made any reference whatsoever to the matter at the hearing. 'As to one of the factors which was dealt with in reaching a conclusion, Mr. Kaye in his evidence said they used an estimated earnings base of \$225,000 and had taken one and two-thirds months or .138 of the 7 per cent rate of earnings heretofore approved. But it should be remembered that not all of the 7 per cent allowed to be earned is paid out in cash. The Company is only obliged to pay out in cash its interest and dividends with the balance going into surplus. The amount paid in interest will depend, in a large measure, on the financial set-up of the Company. 'If a Company, as in the present case, has a large proportion of debt capital at agreed and determined interest rates and a small proportion of share or equity capital, it can pay a moderate dividend and have a sizeable amount for surplus. It may be noted, too, that the estimated earnings base used by Mr. Kaye was somewhat higher than the approved earnings base will be. We think, in the light of these facts, the sum of \$21,992.50 may properly be reduced by the sum of \$7,500.00. 'Proceeding then, Mr. Kaye states that he took the end of the month average of the value of materials and supplies on hand, including fuel, and found the figure to be \$137,763.74, and this figure he included in the sum for working capital. But in that monthly average are included quantities of materials and supplies awaiting their placement in capital construction programmes. 'Now it will be recalled that, in our decision of Feb. 16, 1950, in relation to the method of determining the earnings base from year to year we decided, following the experience of other regulatory bodies and guided by expert opinion, that all given year should be added to the completed additions to plant for an earnings base for such year at prudent cost, thereby permitting the Company to earn on their value for the full year at the approved rate. 'Obviously then, to permit the value of materials on hand for capital construction purposes to be added to earnings base as working capital and at the same time to include their value in plant extensions would be to permit a duplication of earnings. It would be a great task, if not an impossible one, to reach an exact figure for a given year, and while we think that ten per cent of the average monthly figure would be an under-estimate, nevertheless in the present circumstances we think ten per cent or \$13,776.37 should be taken off the above figure of \$137,763.74, leaving \$123,987.37.

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Scout News and Notices

Cubs and Scouts of Elm Flon, Manitoba, have contributed \$100 towards the cost of an artificial foot for a Winnipeg Boy Scout who lost a foot through infection, during the aftermath of the flood.

Nine "prams", which are 12-foot flat-bottomed sailing craft, are being built for use by the First Sarnia, Ontario Sea Scout Troop with the cooperation of the Sarnia Yacht Club.

To Hon. N. E. Tanner, Provincial Commissioner for the Boy Scouts Association in Alberta, Lieutenant-Governor J. E. Bowen presented the Silver Wolf, Scouting's highest award for service, at the annual meeting of the organization in Calgary recently.

Hiawatha Lodge, I. O. O. F., Kenton, having in mind that all of the figures are based on averages and that by the law of averages all of the various items of expenditures could not reach their highest point at the same time, we think the extra allowance of \$10,000 is not warranted, and, therefore, should be deducted.

"As the total of the foregoing deductions amounts to \$43,276.37, the figure of \$230,000 allowed by Mr. Kaye would be reduced to \$186,723.63 but for round numbers it will be allowed at \$190,000. 'It is with regret that we find ourselves unable to agree with the opinion of Mr. Kaye in the matter of working capital but our opinion is born of conviction from all the circumstances of the case. It may be that our conclusion is wrong, but if so, the matter will soon become apparent to all and any necessary adjustments may readily be made by the application of the formula set forth in our decision of February 16th, 1950.'

Conclusion

The report concludes: 'It is unfortunate that the appraisal of 1936 had not been either wholly accepted with modification and the Company's earnings base determined. Such action would have meant a saving of many thousands of dollars. However, it is pleasing to note that the whole expense of the 1936 appraisal has not been lost because, owing to the cooperation of the Company and Engineering Service Company, the 1936 appraisal was made the basis for this inquiry and has probably reduced the costs by 50 per cent. Had an earnings base been determined in 1936, all that would now have been necessary would be to check additions and retirements of the intervening years and to make any necessary adjustments to the depreciation reserve. 'When our computations have been made to bring the earnings base to date, our work in relation to determining the earnings base ordered on the twentieth day of January, A. D., 1949, will have been completed, and we now take this opportunity to express our appreciation to Mr. Kaye and his associates for the thorough manner in which they conducted their investigations on our behalf and for their valuable advice most freely and kindly given; to the officials and staff of the Maritime Electric Company and its counsel, Mr. H. F. MacPhee, K. C., for their wholehearted co-operation; to Mr. K. M. Martin, K. C., and Mr. W. A. Morrill, his consultant for the City of Charlottetown, and Mr. J. O. Campbell, K. C., counsel for the Province of Prince Edward Island, for the co-operative manner in which they represented their clients' interests, and lastly, to Mr. R. W. Manning, our own consultant, for the great assistance to us in clarifying financial matters.'

Other Comments

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vills, N. S. has offered to construct a permanent building on the Boy Scout Camping Ground at Sixty Lake. The Kentville Boy Scouts Association has gratefully accepted the offer.

Earl Mounbatten of Burma, British Commonwealth for Sea Scouts, has made available a bursary of 120 pounds sterling so that a Sea Scout can take part in the Iceland Expedition of the British Schools Exploring Society next summer.

Rotarians of the Tillsonburg, Ont., club have decided to sponsor the Kipling Crew of Rover Scouts (older Scouts). Rotarians will provide leadership for the group.

Jackson Dods, Deputy Chief Scout for Canada, and Maj.-Gen. D. C. Spry, Chief Executive Commissioner, will attend the 13th International Scout Conference in Salzburg, Austria, next July 31 - Aug 2. They will also visit the Seventh World Scout Jamboree in Austria, Aug. 3-13.

EAST ROYALTY TROOP

Well fellows, that Scout Hockey League play-off games will soon be getting under way. This year for the first time a smart new team from East Royalty will be in the play-offs, trying their hardest to bring home that much coveted trophy for the best Scout team on the Island.

The Royalty lads will represent Group Three in the play-offs, having defeated the Basilia 7-4, the St. James Scouts 5-0 and the Trinity Scouts 7-4.

Led by such outstanding players as Sandy MacDonald and Dan Ravenhill, this team should prove quite a threat to Island Scout hockey title.

PACK NEWS

Friday, February 23, was a red-letter day for Cubs of the East Royalty Pack for on that day the following were invested at a very important ceremony as Tenderfoot Cubs: Ivan Ashley, Harvey Livingstone, Douglas Miller, Winston MacKinnon, Donnie Corcoran, Irvin Smith, Fergie Robertson, Wally Walsh, Louie Robertson, Raymond Hertz, Eugene Gray. The following Cubs were also presented with their first stars: Arthur Walsh, Charles MacKinnon and George Fraser.

After their regular meetings on Friday, the Cubs, Scouts and Guides and Brownies were shown very enjoyable films and treated to candy. Both films and candy were treats from the local group committee.

ROYALTY SCOUTS VISIT BORDEN

On Friday, February 16, the Scouts of East Royalty visited the Borden Scouts. About twenty Scouts in all made the trip. During their stay, the Royalty Scouts played an exhibition game of hockey with the fast skating Borden team and lost to the tune 6-2.

Line-ups for this game were as follows: Royalty Scouts—Goal—D. MacAusland; Forwards—S. MacDonald, D. Ravenhill, B. Doucette, J. MacAusland, J. Mustard, P. Mustard, K. Bryenton; Defence—J. Gill, H. Corcoran, G. Kells, D. Hertz. Borden Scouts—Goal—J. Keough; Forwards—L. Gallant, D. Ozon, L. Noonan, E. MacKinnon, A. Kelly; Defence—A. McLean, D. McIvor. Referees—F. Tombs and J. Dorsey.

The East Royalty Scouts would like to take this opportunity to publicly thank the following people of Borden who so kindly helped to make their visit a most enjoyable one:—A. F. Cereiti, R. Hickey, R. Rogers, W. Ozon, H. MacLean, B. McIvor, M. Large, W. Irving, F. Noonan.

Scoutingly yours, Red Feather.

SUCCESSFUL HUNT

YORKTON, Sask. (CP)—A 90-pound male timber wolf was chased by men on horseback and shot about 12 miles east of Yorkton. Harry Swallow, president of the Yorkton Fish and Game League, said it was unusual for a timber wolf to venture as far south as Yorkton.

HOLMAN STORE NEWS. If you're building, finishing or re-finishing your home or any part of it... Come in to the Hardware Department of either the Charlottetown or the Summerside Store... SPRINGTIME SPECIAL in the Sportswear Department! Fine Wale CORDUROY JACKETS have been reduced in price from 11.95 and 12.95 to 9.95 and 10.95... You'll find dear, little COTTON DRESSES for your dear little girl at dear, little prices in the Youth Centre. These New Arrivals are in two styles, one has a square eyelet yoke and the other has eyelet trim on the yoke and pockets and a yoke pique collar. They both have puffed sleeves and a tie sash in back. The materials are ray flowered cottons of fine quality. The sizes are from 7 to 12 and the really attractive price is ONLY 1.95. Shop for your children's clothing in their own department—The Youth Centre.

N.D. MacLean. UNDERTAKER. CHARLOTTETOWN and North Westdale. PHONE 140.

WOODVALE SCHOOL. Report for the month of February. Grade IX—Lelah MacMillan. Grade VIII—Edward Proffit. Grade VI (b)—1. James Brodwick; 2. Irene Hardy; 2. Edith Hardy. Grade V—1. Isabelle MacMillan; 2. Emmett Proffit. Grade III—1. Eileen Ahearn; 2. Leo Proffit; 3. Jean Proffit. Grade II—1. Winston Hardy; 2.

WEATHER: 3 WAY RELIEF IN 3 SECONDS. HEAD, THROAT, CHEST. COUGHS - COLDS. MASON'S 49.

DR THOMAS' ELECTRIC OIL. HOW TO RELIEVE COLDS BRONCHITIS. Apply warm oil freely to neck and chest. Rub in well. Massage neck. At drugists for 85 cents. 51-4.

LEGION FUNERAL. LEGION FUNERAL for Late Comrade FRED C. FURZE from Cutcliffe Funeral Home At 1:30 P.M. MONDAY, 5 MARCH