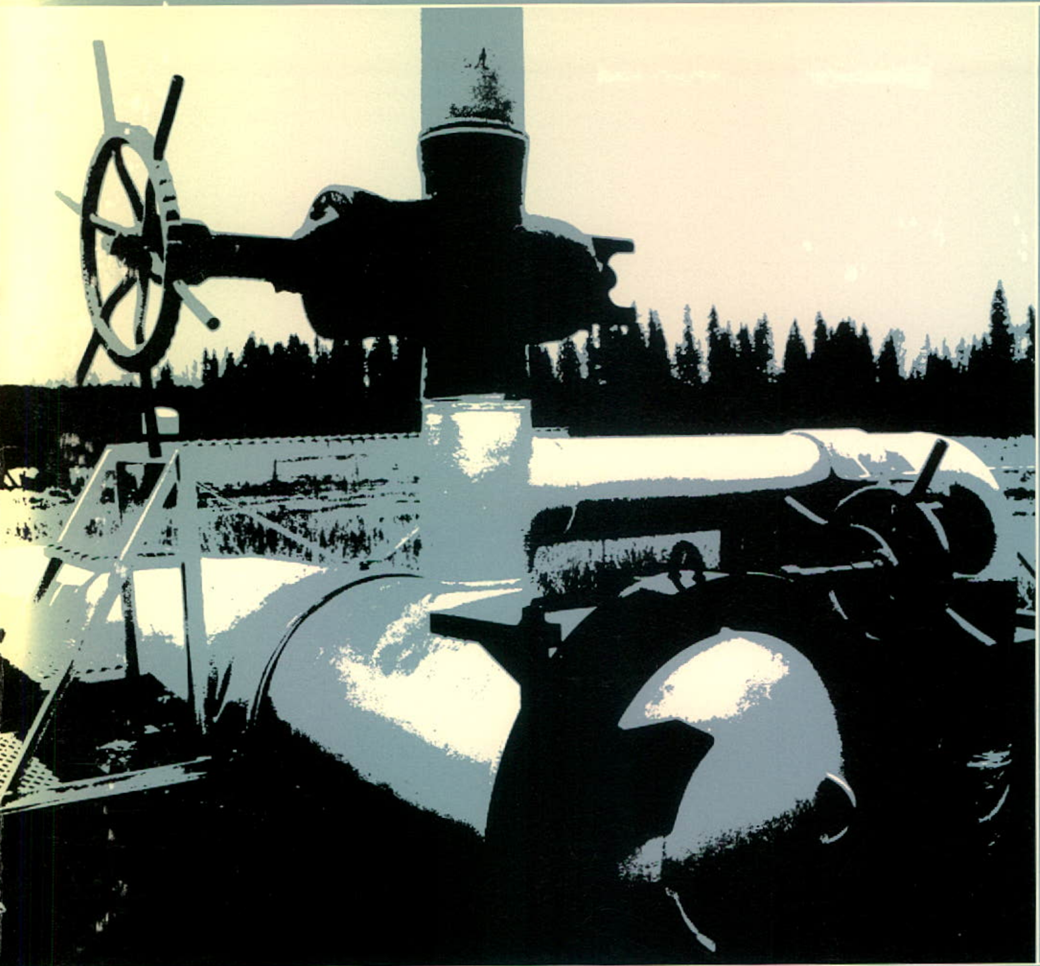


Westcoast Transmission Company Limited Annual Report 1982

The Company

Westcoast Transmission Company Limited pioneered the natural gas industry in British Columbia and built Canada's first large-diameter pipeline which still operates as part of its present mainline system.

The system today has a daily capacity of 41.1 million cubic metres (1.5 billion cubic feet), a river of energy sufficient to heat one out of every three homes in Canada for a full year.

The Company's gas supply comes largely from gas fields in British Columbia, augmented by supplies from Alberta, the Yukon Territory and the Northwest Territories. Westcoast, as a wholesaler of natural gas, indirectly supplies residential, commercial and industrial consumers from northern British Columbia to California.

The Company is also engaged, through subsidiaries, in the exploration for, and the development and production of natural gas and oil in western Canada, and in the direct distribution of natural gas to the consumers in west-central British Columbia. It is a co-sponsor of the Alaska Highway Natural Gas Pipeline Project and a participant in a number of large petrochemical and other gas and coal-related projects which are in various stages of planning.

Incorporated by federal statute, the Company operates in British Columbia, Alberta, the Yukon Territory and the Northwest Territories.

Westcoast shares are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada, and on the New York and Pacific Stock Exchanges in the United States. At December 31, 1982, the Company had 12,581 shareholders of record and 96.95 percent of its shares were held by Canadian residents.

Units of Measure

In this Annual Report some units of measure are stated in SI, the official symbol used in all languages for the International System of Units, known to Canadians as the metric system. To assist our shareholders in bridging from standard to metric, the more familiar measures are converted and set out below.

Units	Metric (SI)	Imperial
Volume	1 cubic metre of natural gas (at 101.325 kilopascals and 15°C)	= 35.30 cubic feet of natural gas (at 14.73 pounds per square inch and 60°F)
	10^3m^3 means 1000 cubic metres	Mcf means 1000 cubic feet
		Bcf means billion cubic feet
	1 cubic metre of oil	= 6.2898 barrels
Weight	1 tonne	= 1.10231 tons = 2204.6 lbs.
Distance	1 kilometre	= 0.6214 miles
Length	1 millimetre	= 0.03937 inches
Area	1 hectare	= 2.471 acres

Contents

Information

This report has been prepared for our shareholders, securities regulatory agencies and the stock exchanges. However, it is hoped it will provide a convenient and useful source of information to members of the public and investors also. We have attempted to provide all basic and practical material relating to Westcoast's operations in 1982.

The Company surveyed 220 investment dealers and financial analysts across Canada in late 1981 and sent a questionnaire to each of its shareholders in 1982 seeking their respective suggestions for changes and improvements for this Annual Report. A number of their recommendations are incorporated and the Company gratefully acknowledges the contributors' interest and assistance. If further information is required we invite you to write to the Secretary of the Company.

Westcoast Transmission Company Limited
1333 West Georgia Street
Vancouver, British Columbia
Canada V6E 3K9

Annual Meeting

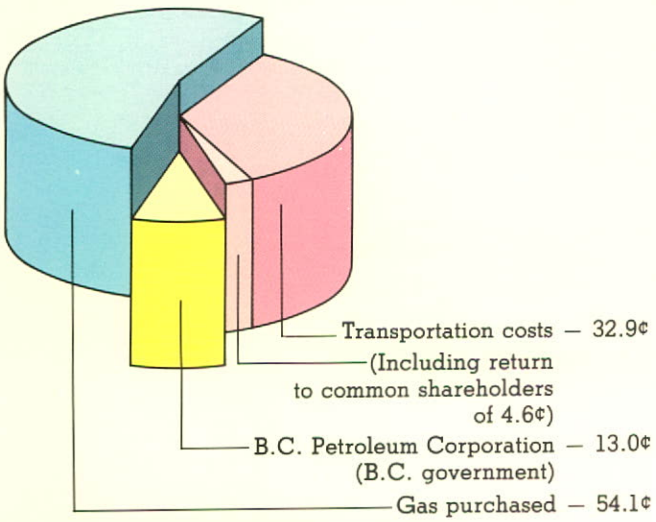
The Annual Meeting of the Shareholders of Westcoast Transmission Company Limited will be held in the Columbia Room of the Hotel Vancouver, in the City of Vancouver, British Columbia, on Wednesday, April 27, 1983 at 10 a.m. (Local Time).

WESTCOAST TRANSMISSION COMPANY LIMITED
RESULTS IN BRIEF* FOR THE YEARS ENDED DECEMBER 31

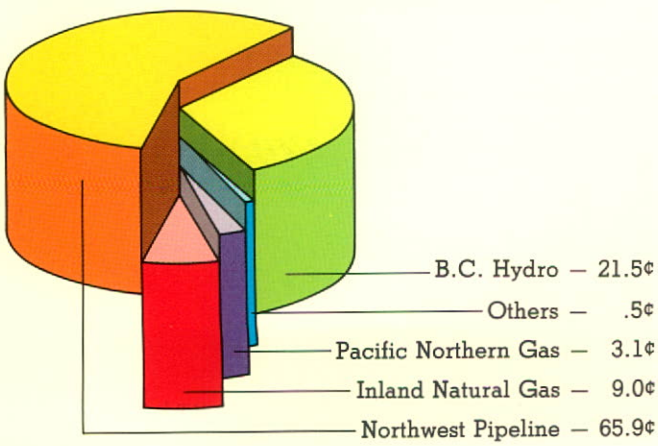
	1982	1981	1980
Financial			
Total operating revenues	**$1,153,440,000**	$1,270,330,000	$1,217,600,000
Net income	**70,047,000**	65,426,000	49,035,000
Net income applicable to common shares	**66,905,000**	62,284,000	45,870,000
per share	**1.65**	1.59	1.29
Cash flow	**165,938,000**	172,699,000	154,931,000
per share	**4.08**	4.40	4.36
Total assets	**1,701,846,000**	1,480,109,000	1,305,750,000
Common shareholders' equity	**470,182,000**	445,687,000	377,028,000
per share	**11.56**	10.97	10.42
Common shares — weighted average	**40,632,498**	39,246,659	35,571,129
Operating			
Total gas sales, Mcf	**249,131,187**	278,417,097	305,168,195
Total gas sales, 10^3m^3	**7 057 348**	7 886 955	8 644 756
Average daily sales, Mcf	**682,551**	762,786	833,792
Average daily sales, 10^3m^3	**19 335**	21 608	23 620
Peak day sales, Mcf	**1,436,622**	1,412,614	1,392,161
Peak day sales, 10^3m^3	**40 696**	40 016	39 437

*Restated to reflect a prior period adjustment

DISTRIBUTION OF GAS SALES REVENUE DOLLAR



SOURCE OF GAS SALES REVENUE DOLLAR



NET INCOME* (in millions)

*Restated to reflect a prior period adjustment

President's Report to Shareholders

A characteristic of regulated utilities is that their earnings tend to be somewhat less affected than unregulated companies by the peaks and troughs of economic cycles. In 1982, Westcoast fell within this general pattern in that its income from its utility operations remained more or less unchanged from 1981. The Company's overall net income for 1982 did, however, show a $4.6 million increase over the preceding year, primarily as a result of its increased investment in Foothills Pipe Lines (Yukon) Ltd.

Westcoast's total net income for 1982 amounted to $70,047,000 compared with $65,426,000 in 1981. The fourth quarter earnings in 1982 were lower than the corresponding period in 1981 by approximately $4 million but this decrease resulted from a number of non-recurring year-end adjustments in December 1981 and December 1982 which had no bearing on the Company's basic operations.

Notwithstanding its stable earnings performance in 1982, the Company's concern with the disturbing deterioration in the volume of its gas sales into the United States market deepened in 1982. While domestic gas sales increased by nine percent to 4 449 million cubic metres during 1982, export demand decreased by almost one third to 2 608 million cubic metres. The actual export sales volume was only 33 percent of the authorized annual export volume.

Although the export price of gas has not increased since April 1, 1981, Westcoast's export customer, Northwest Pipeline Corporation, has advised that the $4.94 per Mcf United States export price is not competitive with the price of United States indigenous fuels. This view is now shared by many in the United States and pressure has built up in that country for reduced wholesale gas prices, both domestic and foreign. Having regard to this pressure, and with a view to seeking a solution to falling export demand, Westcoast has devoted a considerable portion of its executive time to developing and recommending an optimum export pricing structure with the objective of achieving both a fair return for Canada and an increase in export volume. The Company has made numerous presentations in this regard to federal and provincial government officials, gas producers and customers and will continue to pursue this matter with all the diligence which the seriousness of the problem for the gas industry demands.

Mindful of the effect of the overall reduction of gas sales upon the revenues of the province of British Columbia, gas producers and the Company's customers, Westcoast achieved cost reductions and established cost restraint guidelines during 1982. The Company also limited the 1983 budgeted costs which lie within its control to a less than six percent increase over 1982. In addition, a number of capital projects relating to the utility operations have been postponed permitting the 1983 capital program to be held to $38 million, the lowest level since 1977. Postponement of modernization and productivity improvements represents a regrettable but necessary step to achieve the Company's restraint objectives.

The reduced levels of economic activity which prevailed throughout 1982 caused the curtailment of a number of the diversification projects in which Westcoast has an interest. The Company is hopeful, however, that it will be involved in at least two major projects in 1983.

The first such project would be the construction of a natural gas pipeline to Vancouver Island, possibly in combination with the construction of a fertilizer manufacturing plant at Powell River.

Preliminary engineering work is also under way with respect to a pipeline to transport natural gas from Alberta and Northeastern British Columbia to a liquefaction plant in the Prince Rupert area proposed by Dome Petroleum Limited for the export of liquefied natural gas to Japan.

In 1983, the Company's wholly owned subsidiary, Westcoast Petroleum Ltd., will be engaging in an ambitious oil and gas exploration program. Westcoast Petroleum achieved significant successes in earlier exploration programs. It is Westcoast's intention to steadily increase its presence in the oil and gas industry.

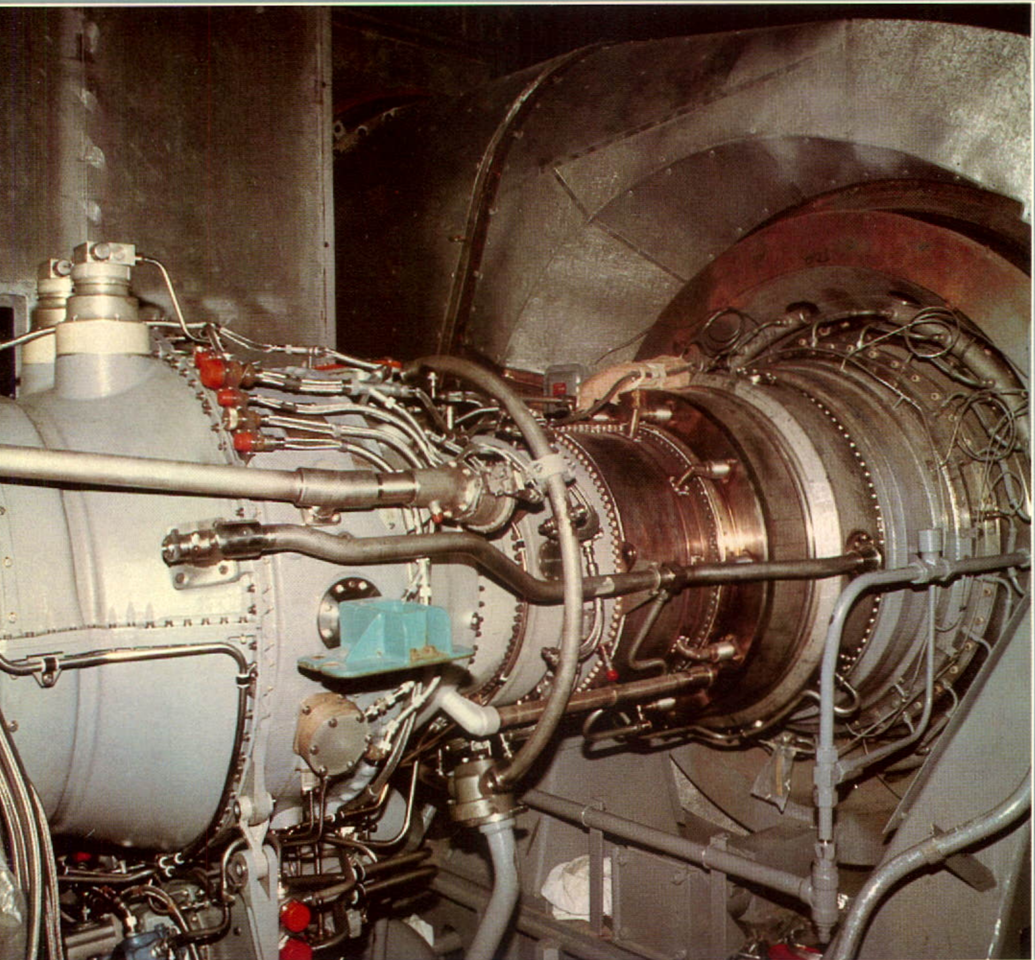
Although some disappointments were encountered in 1982, the Company hopes still to have an active year in 1983 and is planning continued corporate growth at a prudent but steady pace.

On behalf of the Directors, I wish to express appreciation to all employees of the Company and its subsidiaries for their excellent performance throughout a challenging year.

John Anderson

John Anderson
President and Chief Executive Officer

Vancouver, British Columbia, Canada
March 24, 1983



Annual Review

Pictured is one of six new Spey gas turbines presently in use on Westcoast's pipeline system. The units, manufactured by Rolls Royce and requiring 40 percent less fuel than previous equipment, are part of the Company's program to improve efficiency.

Financial Review

Financial Results

The Company's consolidated net income for 1982 amounted to $70,047,000, a seven percent increase from $65,426,000 in the previous year. After provision for preferred share dividends, net income per common share increased to $1.65 from $1.59 a year earlier. Common share dividends in the amount of $1.04 per share were paid compared with 92 cents during the previous year. Cash flow from operations decreased to $165,938,000, from $172,699,000 in the previous year, primarily because the Company's income taxes currently payable increased in 1982 as a result of reduced amounts of capital cost allowances being available for tax purposes.

Net income for the fourth quarter in 1982 amounted to $14,998,000 compared to $19,065,000 for the corresponding quarter in 1981. In 1981, Foothills Pipe Lines (Yukon) Ltd. (Foothills) increased the rate at which it recorded an allowance for funds used during construction (AFUDC) relating to Phase II of the Alaska Highway Natural Gas Pipeline Project. In 1982 the National Energy Board (NEB) directed Foothills to reduce the rate to a lower level with respect to a portion of the Phase II expenditures which the NEB is allowing Foothills to recover under the tariff with respect to Phase I operations.

As a result of the NEB directions, Westcoast has restated its 1980 and 1981 results; and in order to apply a consistent rate of AFUDC to all portions of the Phase II development costs, the Company made a number of adjusting entries in December 1982. In combination with the write-off of $1.6 million (after-tax) of feasibility studies relating to projects which at this time are not being proceeded with, the year-end adjustments gave rise to a $6 million drop in the 1982 fourth quarter earnings compared with 1981. This drop was partially offset by a $2 million increase in net income derived primarily from the operations of Westcoast Petroleum Ltd. and Foothills.

EARNINGS PER COMMON SHARE* & DIVIDENDS PAID PER COMMON SHARE

*Restated to reflect a prior period adjustment

Contributions to Income* (non-consolidated basis)

Operating income from investment in:	**1982 $ millions**	**%**	1981 $ millions	%
Utility operations	**136.4**	**80**	135.2	85
Foothills Pipe Lines (Yukon) Ltd.	**18.1**	**11**	13.4	8
Westcoast Petroleum Ltd.	**10.0**	**6**	3.9	3
Other assets	**6.2**	**3**	6.9	4
	170.7	**100**	159.4	100
Deduct: Interest costs and income tax	**100.7**		94.0	
Net income	**70.0**		65.4	

*Restated to reflect a prior period adjustment

Debenture Issues

In August 1982, the Company issued $50 million of debentures maturing in 1987 and carrying an interest rate of 16¾ percent. The Company restricted the issue to an amount less than its total 1982 long term financing requirements and also selected a shorter than normal maturity because of the uncertainty concerning future interest rate trends.

Since the issue, interest rates have fallen and on March 9, 1983 the Company completed an additional issue of $60 million of debentures maturing in 1993 and carrying an interest rate of 12½ percent.

Capitalization

The Company's financial statements shown in this Report on pages 11 through 22, reflect a full consolidation of the financial results of all subsidiary companies and also a consolidation of Westcoast's proportionate share of the operations of the Foothills group of companies. The following table displays Westcoast's capital structure where the subsidiaries only are consolidated and where, in addition, Foothills is proportionately consolidated. It should be noted that none of the Foothills' indebtedness is guaranteed by the sponsor companies.

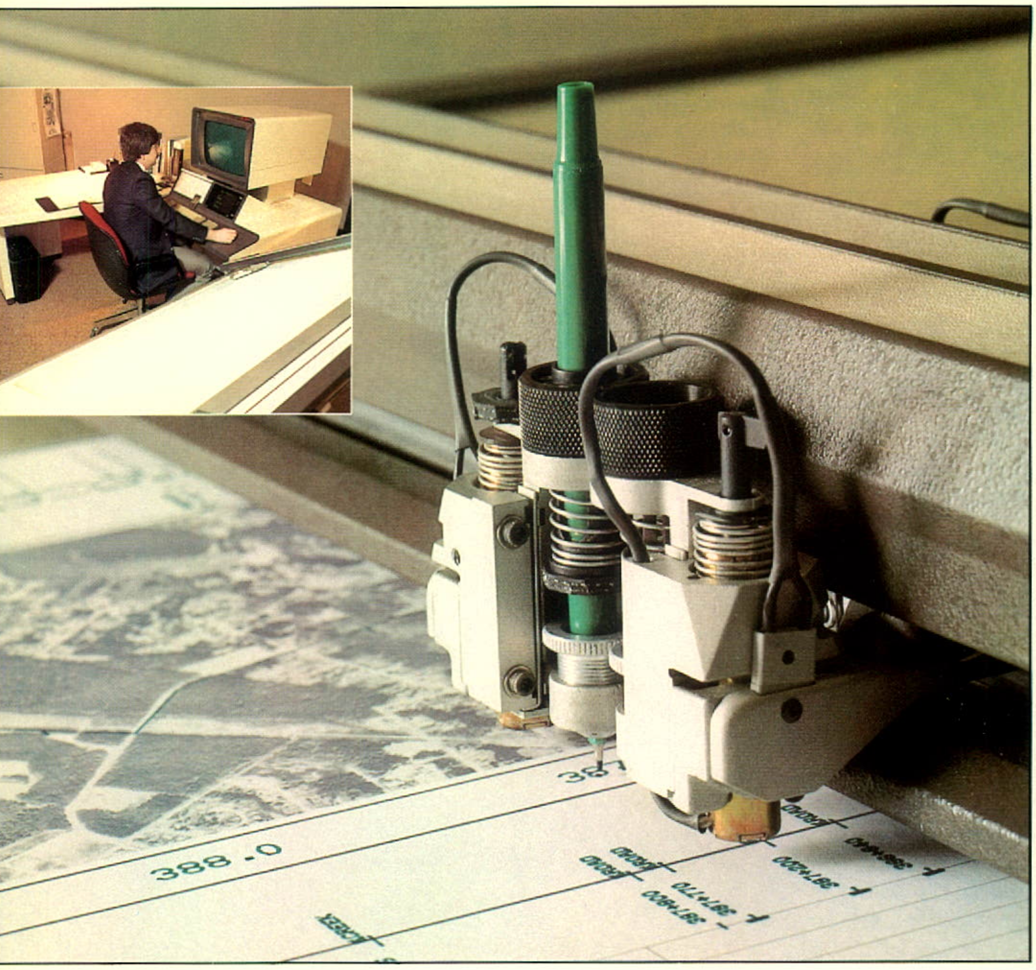
	Consolidation excluding Foothills		Consolidation including Foothills	
	1982	1981	**1982**	1981
Debt	**52%**	51%	**58%**	55%
Preferred shares	**4%**	4%	**3%**	4%
Common equity	**44%**	45%	**39%**	41%
	100%	100%	**100%**	100%

Gas Sales and Supply

Gas Sales

In 1982, sales to domestic customers increased by nine percent to 4 449 million cubic metres but exports to the United States decreased by 31.5 percent to 2 608 million cubic metres. Total sales of 7 057 million cubic metres were 10.5 percent below 1981.

The decline in sales to Westcoast's export customer, Northwest Pipeline Corporation, was attributable to competition from residual fuel oil, conservation and depressed economic activity in the United States,



The Company's computer-aided drafting is a cost-efficient design and drafting tool. Sketches are first "drawn" on a video display screen and when completed, plotted at high speed producing quality finished drawings.

coupled with the higher price of Canadian natural gas as compared to average prices for gas produced in the United States.

Domestic Gas Prices

In January 1982, the British Columbia Ministry of Energy, Mines and Petroleum Resources announced increases in both well-head and wholesale prices for British Columbia gas, effective February 1, 1982. Accordingly, Westcoast's wholesale prices were increased by approximately seven cents per Mcf (28.3 cubic metres) to $1.81 from $1.74. At the same time producer prices per Mcf (28.3 cubic metres) were increased to $1.54 from $1.32 for "old gas", that is, gas discovered before November 1973, and to $1.90 from $1.67 for "new gas".

Export Sales

During 1982, the Company made two new agreements for the sale of gas to United States customers. The first, made with Texas Gas Transmission Corporation, provides for the sale of 1.4 million cubic metres of gas per day at Monchy, Saskatchewan, during the period to October 31, 1997. This gas will be transported over Phase I of the Alaska Highway Natural Gas Pipeline Project. The second agreement, made with Northwest Pipeline Corporation, provides for gas sales to Northwest from November 1, 1989 to October 31, 1999 at maximum annual volumes of 7 224 million cubic metres in the first three years of the agreement and declining to 5 666 million cubic metres in the final four years.

In January 1983, the NEB issued its decision on the 1982 Gas Export Hearing. The NEB amended Licence GL-41 to enable the Company to make its contracted exports to the United States until October 31, 1989, and granted a new licence for exports to Northwest for a three year term to October 31, 1992. The new licence authorizes exports of 4 637 million cubic metres in the first year, declining to 1 544 million cubic metres in the final year. The NEB also decided to issue a second new licence authorizing exports to Northwest for resale to Texas Eastern Transmission Corporation and Transwestern Pipeline Company for a six year term ending on October 31, 1995. Both new licences are subject to a condition that all required United States regulatory approvals be obtained by January 31, 1984, or such later date fixed by the NEB.

Subsequent to the NEB decision, Northwest, Texas Eastern and Transwestern withdrew their applications for United States import approvals. Unless an alternate sale is arranged and approved, the Company will be unable to meet the condition in the new licence authorizing the exports of gas for resale to Texas Eastern and Transwestern that all United States regulatory approvals be obtained by January 31, 1984.

Gas Reserves

Proven gas reserves in the Company's supply areas increased during 1982 and as of January 1, 1983 were 267 billion cubic metres, an increase of five percent over 1981. Most significantly, the remaining non-contracted proven gas reserves in northeastern British Columbia rose 24 percent to 92.2 billion cubic metres. This level of unconnected reserves in British Columbia indicates that sufficient gas is available to support additional sales above the Company's current domestic and export commitments.

Drilling Activity in British Columbia

Industry drilling activity in British Columbia fell from 208 wells drilled in 1981 to 108 wells in 1982, compared to almost 400 wells per year in the peak period 1978 to 1980.

Construction and Operations

Capital expenditures on major construction projects in 1982 totalled $78 million, of which $15 million was spent on modifications to the sulphur recovery plant at Fort Nelson. These modifications which will be completed in 1983, will increase the plant's capacity from 440 tonnes to 620 tonnes per day and will result in compliance with the requirements established by the British Columbia Ministry of Environment. Installation of a new Rolls Royce turbine, requiring approximately 40 percent less fuel than the replaced unit, was completed in 1982 at Compressor Station 2B near Chetwynd at a total cost of $6 million.

In the Grizzly Valley area of east-central British Columbia, pipe manufacturing defects required the replacement of 26 kilometres of pipe at a cost of $23 million.

Projects

Alaska Highway Natural Gas Pipeline Project

In September 1982, Alberta gas commenced flowing to the mid-western United States through the newly constructed Eastern Leg of Phase I of the Alaska Highway Natural Gas Pipeline Project. The Western Leg of Phase I began natural gas deliveries to the west coast of the United States in late 1981. This marks the completion of the southern section of the Project in Canada, which was constructed on schedule and within budget at a cost of approximately $1 billion.

With Phase I of the pipeline project completed at a cost of approximately $2.9 billion for both the Canadian and United States portions, planning for the construction and financing of Phase II, or the northern segment, to Alaska continues. In April 1982, the Canadian and United States sponsors and governments reaffirmed their commitment to and support for the project. However, the current economic environment has delayed the development of a financing plan with respect to the Alaskan segment of Phase II and a new schedule and pre-construction budget are being developed aiming at a completion date for the project at the end of 1989, or earlier if possible.

Westcoast has a 50 percent interest in Foothills Pipe Lines (Yukon) Ltd. which is responsible, directly and through its subsidiaries, for the construction and operation of the Canadian segment of the Alaska Highway Natural Gas Pipeline Project. NOVA, an Alberta Corporation holds the other 50 percent. With respect to the Phase I portion of the Canadian segment, however, Westcoast holds an effective 25½ percent interest as a result of the participation by two other companies in that Phase.

Liquefied Natural Gas Project

On July 15, 1982, the Government of British Columbia announced support for the Western LNG Project proposed by Dome Petroleum Ltd. As a result, Westcoast and its partners have requested the NEB to defer a hearing on their competitive application for a liquefied natural gas project.

The sponsors of the Western LNG Project have requested the Company to construct and operate the pipeline which would transport natural gas from Alberta and northeastern British Columbia to a proposed liquefaction plant near Prince Rupert. The Company's participation in the project will be subject to concluding a transportation agreement, obtaining regulatory approvals and financing arrangements satisfactory to the Company. The preliminary estimate of the cost of the proposed pipeline facilities is $1 billion, based on completion in 1986.

In 1983 the NEB decided to issue a conditional export licence to Dome for a 15-year term ending on March 31, 2001, for the LNG project.

British Columbia Petrochemical Project

Until more favourable economic conditions prevail, the Company and its partners have deferred the study of an ethane based petrochemical complex in British Columbia.

SHAREHOLDERS' EQUITY PER COMMON SHARE*

*Restated to reflect a prior period adjustment

CASH FLOW (in millions)

The use of polyurethane plastic increases the efficiency of pipeline construction and maintenance. The inset picture shows polyurethane being applied to the bottom of a trench to provide a pad onto which the pipe is lowered, replacing sandbags. The technique is also used to prevent water erosion, to provide insulation and to coat the pipe to protect it from rocks.

Vancouver Island Project

The Company and Pacific Northern Gas Ltd. have respectively submitted proposals to the Government of British Columbia for the construction of a natural gas pipeline to, and distribution facilities on, Vancouver Island. The Company proposes to construct a pipeline from its main transmission line to Powell River with twin pipe crossings under the Strait of Georgia to Vancouver Island at Comox.

Pacific Northern Gas proposes to build distribution systems on both the Island and the Mainland. The Vancouver Island Project, for which there are competing proposals, could be in operation within three years from the receipt of governmental approvals at an estimated capital cost to Westcoast of $418 million, excluding the distribution system costs of Pacific Northern Gas.

In February 1983 the Government of British Columbia issued a report on the various proposals to provide natural gas service to Vancouver Island. The report concluded that the Company's proposal and the competing proposals for a pipeline to Vancouver Island are economically and technically feasible if the federal government provides adequate financial support. The report also concluded that the northern pipeline route proposed by Westcoast, if combined with a fertilizer plant at Powell River, would probably be more attractive from the broad provincial perspective than the competing southern route, provided that satisfactory feedstock pricing for the fertilizer plant can be achieved.

It is expected that there will be public hearings before the British Columbia Utilities Commission on the proposals to build a pipeline to and transmission and distribution facilities on Vancouver Island and that there will be negotiations between the Government of Canada and the Government of British Columbia respecting federal funding for the project.

Fertilizer Complex

A consortium led by Westcoast continues to work toward the construction of a nitrogen fertilizer manufacturing complex at Powell River which is conditional on the construction of the Vancouver Island Project. On July 15, 1982, the British Columbia Government announced that a portion of the province's natural gas surplus will be allocated to the development of a fertilizer complex in the province. This allocation of 400 Bcf represents approximately a 20-year supply for such a plant.

Coal-Methanol Slurry

Preliminary feasibility studies have been completed for this project, which proposes to combine Alberta coal with methanol produced from Alberta gas to form a coal-methanol slurry, which would be pipelined to a British Columbia port and shipped to Japan and other offshore countries. Notwithstanding current world economic circumstances feasibility studies are continuing and the Company is pursuing this project with considerable interest.

Coal Liquefaction

Westcoast and its partners have completed initial feasibility studies on the construction of a coal liquefaction facility in British Columbia. Further work has been deferred indefinitely pending an improvement in energy prices.

Westcoast Petroleum Ltd.

Westcoast Petroleum is engaged in the exploration for, and production of, crude oil and natural gas, primarily in western Canada. It also operates a crude oil pipeline system in British Columbia. During 1982, Westcoast Transmission increased its ownership of the shares of Westcoast Petroleum from approximately 58 percent to 100 percent at an aggregate cost of $88 million.

Westcoast Petroleum had its best year in 1982. Oil production, oil reserve additions, revenue, cash flow from operations, net income and capital expenditures reached all-time highs. Net income in 1982 was $11,735,000, up 74 percent from $6,729,000 recorded in 1981, while cash flow from operations at $29,107,000 was up 43 percent from $20,361,000 for the previous year. These gains reflect higher production and prices, reduced royalties, and an enhanced Alberta royalty tax credit which more than offset increased federal taxes on production.

Government Initiatives

During 1982, both the Alberta and federal governments introduced measures to stimulate investment in Canadian oil and gas ventures. The Alberta Royalty Tax Credit, in essence a refund of royalties, was retroactively increased from a limit of $2 million to $4 million annually for the period September 1, 1981 to December 31, 1983. Westcoast Petroleum is eligible for the maximum benefit. Alberta also reduced royalties on the oldest categories of oil and gas, further reduced royalties on low deliverability gas wells, and supplemented cash incentive grants for all development wells where drilling commenced during the period August 15 to December 5, 1982.

The federal government followed Alberta's initiatives with temporary suspensions and/or reductions of taxes charged directly on production and increased the price for oil discovered during the period April 1, 1974 to December 31, 1980 to 75 percent of world price effective July 1, 1982.

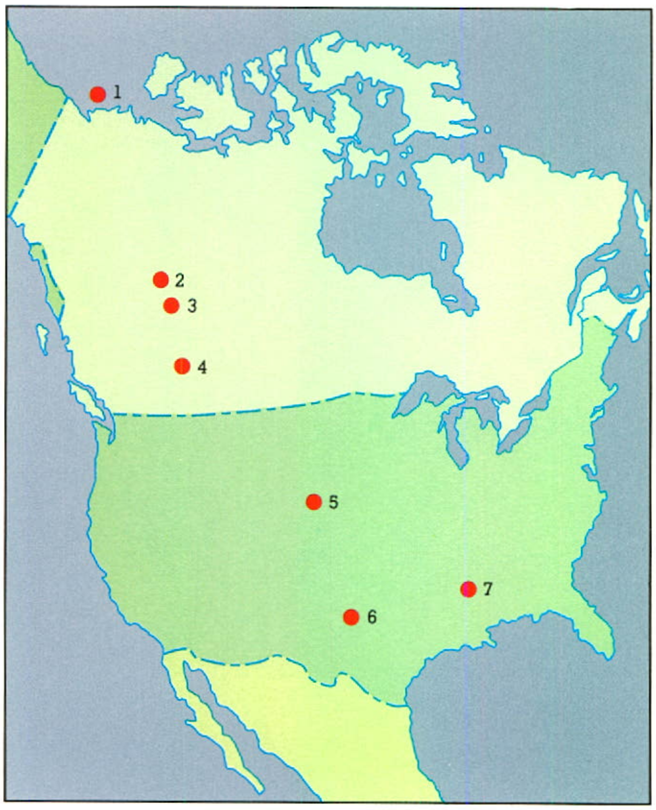
Access to government grants for Canadian exploration and development, combined with improved net-backs on present production, has given Westcoast Petroleum the financial resources to expand its capital program significantly. Over the past year, the Company participated in the drilling of 115 wells compared with 102 wells drilled during 1981. A further six wells were being drilled at the close of 1982. Expenditures on oil and gas exploration and development in 1982 amounted to $50 million compared with $33 million in 1981 and for 1983, a $67 million budget has been established for exploration and development.

Land Activity

Early in 1982, Westcoast Petroleum entered into an agreement with Esso Resources Canada under which the Company will earn approximately three percent of Esso's interests in extensive oil prospective exploration holdings in the Beaufort Sea and onshore in the Mackenzie Delta. The program requires Westcoast Petroleum to bear six percent of Esso's share of expenditures, which for Westcoast Petroleum will amount to $44 million over five years.

The Company further broadened its exploration exposure by virtue of three major farm-ins in Alberta, three large farm-ins in Nebraska and through continued purchase of lands at Alberta lease sales primarily in the oil prone northwestern quadrant of the province. However, the Company's total net land holdings declined by five percent over the past year mainly due to surrender of non-prospective rights in the Canadian Arctic.

Principal Areas of Activity



1. Beaufort Sea
2. Northern Alberta
3. Peace River Arch
4. Crystal
5. Nebraska
6. North Texas
7. Mississippi

1982 Drilling Results

Under the Esso farm-in agreement the Company participated in the Imperial Oil West Atkinson L-17 well in the Beaufort Sea. While the well's objective sand did not prove to be hydrocarbon bearing, this well did encounter oil in a lower section. Commercial prospects for this discovery have not yet been determined. In Alberta, a Glauconitic oil discovery was made at Pine Creek in central Alberta; a successful gas development well was drilled at Ansell in central Alberta; three gas wells were completed in the Elmworth basin; a Halfway oil well was drilled offsetting a competitor discovery in the Progress area in northwestern Alberta; and a major development drilling program was carried out following up the 1978 discovery of Viking oil at Crystal in central Alberta. By late 1982, the Company's share of oil production at Crystal amounted to 1,150 barrels (182.7 m^3) per day, most of which qualified for world price.

In 1982 the Company made its first significant discovery of oil in the United States. It has a 75 percent interest in the discovery well drilled on the Bed Canyon prospect in western Nebraska. Additional drilling is planned for 1983.

Two of many pumping units are shown in the model of the Crystal oilfield in Alberta, in which Westcoast Petroleum has a major interest. The field is approximately 7 miles long and 1½ miles wide in the form of a lens-shaped body of sand occurring at 5700 feet. Gas, oil and water are present in the sand lens, illustrated by the red, green and blue colours.

Oil is brought to the surface by pumping units, circulated through a treater plant to remove water and stored in tanks until transported by tanker trucks to the nearest pipeline terminal.

Plans are underway to extend a pipeline lateral into the field area to eliminate trucking.

1982 Operations

Production of oil and gas liquids during 1982 averaged 3,046 barrels (484.0 m^3) per day compared with 2,871 barrels (456.2 m^3) per day during 1981. Had not oil production been prorationed due to lack of market demand for seven months during the year, a much larger increase of oil sales would have been attained, as by year end the Company's production capability exceeded 4,000 barrels (636.5 m^3) per day, or one third greater than the average production over the year. This increase in productive capability is due to development of the Crystal pool.

Despite a worsening gas market situation, average gas sales increased to 32.1 million cubic feet (909 300 m^3) per day from 30.7 million cubic feet (869 660 m^3) during the previous year. Increased production resulted from new sales to Pan-Alberta Gas in connection with the Eastern Leg of Phase I of the Alaska Highway Natural Gas Pipeline.

Work continued on experimental recovery of oil from the Company's two major heavy oil properties at Manatokan and Suffield in Alberta. Canada Cities Service was encouraged by results of a one-well cyclical steam injection test at their farm-in from Westcoast Petroleum at Manatokan and elected to proceed with an experimental steam flooding project. This is a further step toward a possible commercial project in which Westcoast Petroleum could retain a 50 percent working interest. At Suffield, installation of an experimental fire-flood project to recover heavy oil was complete and underground combustion was initiated in March. The Company has a 12.5 percent interest in this pilot project and would have a 30 percent interest in any follow-up commercial-scale project.

Addition of oil reserves through exploration and development substantially exceeded production. Proven oil and natural gas liquids reserves remaining after withdrawals increased from 7.4 million barrels (1 176 10^3m^3) at the beginning of the year to 10.5 million barrels (1 669 10^3m^3) by year end, while the total of both proven and probable reserves increased from 11.7 million barrels (1 859 10^3m^3) to 17.9 million barrels (2 844 10^3m^3) at year end. The Company's estimates of remaining year end gas reserves were 390 billion cubic feet (11 048 10^6m^3) proven and 451 billion cubic feet (12 776 10^6m^3) proven and probable, almost the same as reserves at the beginning of the year, as reserve additions essentially matched withdrawals of gas during the year.

Throughput of the Company's oil pipeline from Taylor to Kamloops, British Columbia averaged 26,699 barrels (4 242.7 m^3) per day during the year, an eight percent decline from deliveries during the previous year. The pipeline operation contributed $1.1 million to the Company's earnings.

Pacific Northern Gas Ltd.

Pacific Northern is a gas transmission and distribution company operating in west-central British Columbia which serves communities along its system from a point near Summit Lake to Kitimat and Prince Rupert, 589 kilometres to the west.

Westcoast owns 45 percent of the common shares including all of the voting shares of Pacific Northern.

Pacific Northern reported net earnings in 1982 of $2,900,000, or $1.81 per common share, compared with $3,001,000 or $1.88 per share in 1981. Total sales revenue increased to $59,638,000 from $32,612,000 and sales volumes increased to 456 million cubic metres from 316 million cubic metres in 1981. The increases in volume and revenue were attributable mainly to the start-up of a large methanol plant in Kitimat early in September 1982.

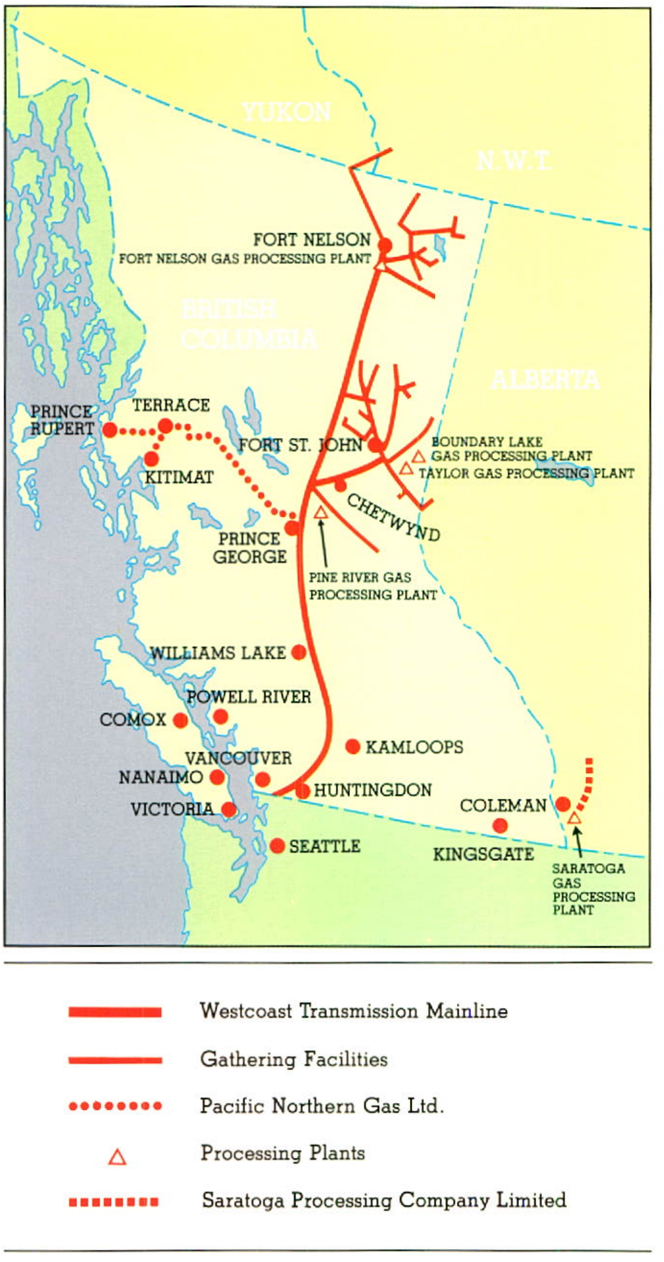
Saratoga Processing Company Limited

Saratoga owns and operates both a natural gas pipeline and processing system and a sulphur extraction plant near Coleman, Alberta. The system has a daily capacity of approximately 1.4 million cubic metres of raw natural gas and processes gas on a fee basis for producers in the area.

Westcoast owns 25 percent of Saratoga Processing Company's common shares, including all of the voting shares.

Saratoga reported a net income in 1982 of $1,297,976 or $2.60 per common share compared with $529,288 or $1.06 per common share in the previous year. The improvement in earnings resulted from the profit on the sale of its Savanna Creek gathering system to the local producers and from increases in Saratoga's rate base and investment income.

The Westcoast Pipeline System



Financial Statements

An important step in the processing of natural gas is the efficient removal and recovery in marketable form of sulphur contained in the raw gas. The sulphur is sold as chemical feedstock to industries in British Columbia and overseas and the sales revenues accrue to the taxpayers of British Columbia through the British Columbia Petroleum Corporation. Shown is a stockpile of sulphur from Westcoast's Pine River plant near Chetwynd. Similar sulphur extraction facilities are located at Fort Nelson and Fort St. John.

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS

DECEMBER 31

	1982	1981
	(in thousands)	
		(restated)
Assets		
Plant, property and equipment (Note 1)	**$1,827,355**	$1,602,493
Less accumulated depreciation and depletion	**469,467**	410,143
	1,357,888	1,192,350
Current assets:		
Temporary cash investments	**5,347**	2,620
Deposits with trustees	**2,930**	3,199
Accounts receivable	**173,291**	157,848
Materials and supplies	**13,803**	10,497
Line pack gas	**8,805**	8,001
Prepayments	**2,582**	1,617
Deferred operating expenses (Note 2)	**1,923**	2,849
	208,681	186,631
Deferred charges:		
Debt discount, premium and expense	**8,999**	8,229
Northern pipeline projects (Note 3)	**101,242**	81,747
Other	**25,036**	11,152
	135,277	101,128
	$1,701,846	$1,480,109

Auditors' Report

To the Shareholders of
Westcoast Transmission Company Limited:

We have examined the consolidated balance sheets and the consolidated statements of long term debt of Westcoast Transmission Company Limited as at December 31, 1982 and 1981 and the consolidated statements of operations, retained earnings and changes in financial position for the three years ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for the three years ended December 31, 1982 in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Vancouver, Canada,
February 4, 1983

CLARKSON GORDON
Chartered Accountants

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS

DECEMBER 31

	1982	1981
	(in thousands)	
		(restated)
Common Shareholders' Equity		
Common stock (Note 4):		
Authorized — 75,000,000 common shares without nominal or par value		
Issued — 40,689,998 common shares (1981 — 40,614,998 common shares)	**$ 233,219**	$ 232,588
Contributed surplus	**2,155**	1,642
Retained earnings	**234,808**	211,457
	470,182	445,687
Preferred Shareholders' Equity		
Preferred stock (Note 6):		
Authorized — 5,000,000 preferred shares without nominal or par value		
Issued — 739,322 $4.25 cumulative redeemable preferred shares series A	**36,966**	36,966
Liabilities		
Long term obligations:		
Long term debt (Note 9)	**701,618**	595,880
Deferred income taxes (Note 11)	**183,361**	147,829
	884,979	743,709
Current liabilities:		
Bank indebtedness	**78,400**	16,305
Accounts payable	**136,363**	128,627
Income and other taxes payable	**30,103**	8,509
Interest on debt	**18,997**	15,306
Long term debt due within one year	**25,486**	19,322
	289,349	188,069
Minority interest in subsidiary companies:		
Preferred shares	**5,000**	7,777
Common shares	**15,370**	57,901
	20,370	65,678
Commitments and contingencies (Note 15)		
	$1,701,846	$1,480,109

(See accompanying accounting policies and notes)

On behalf of the Board:

Director

Director

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	1982	1981	1980
		(in thousands)	
		(restated)	
Operating revenues:			
Gas and by-product sales	**$1,113,613**	$1,252,530	$1,205,915
Other	**39,827**	17,800	11,685
	1,153,440	1,270,330	1,217,600
Operating revenue deductions:			
Cost of gas sold	**737,319**	867,712	915,701
Operation and maintenance (Note 2)	**99,883**	106,384	77,588
Depreciation and depletion	**65,578**	57,507	52,474
Taxes — other than income taxes	**53,865**	72,940	24,889
	956,645	1,104,543	1,070,652
Operating income	**196,795**	165,787	146,948
Other income:			
Allowance for funds used during construction	**31,960**	31,591	9,119
Investment and other income	**4,344**	5,987	3,215
	233,099	203,365	159,282
Income deductions:			
Interest on debt (Note 9)	**91,655**	68,952	52,528
Debt discount, premium and expense	**762**	722	702
Other	**3,282**	(503)	(216)
	95,699	69,171	53,014
Income before income taxes and minority interest	**137,400**	134,194	106,268
Income taxes (Note 11):			
Current	**22,952**	5,899	3,024
Deferred	**39,584**	57,555	48,911
	62,536	63,454	51,935
Income before minority interest	**74,864**	70,740	54,333
Minority interest	**4,817**	5,314	5,298
Net income	**70,047**	65,426	49,035
Provision for dividends on preferred shares	**3,142**	3,142	3,165
Net income applicable to common shares	**$ 66,905**	$ 62,284	$ 45,870
Common shares outstanding — weighted average	**40,632**	39,247	35,571
Per common share — basic (Note 5)	**$1.65**	$1.59	$1.29
Dividends per common share	**$1.04**	$ .92	$ .80

(See accompanying accounting policies and notes)

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31

	1982	1981	1980
		(in thousands)	
		(restated)	
Unappropriated retained earnings:			
Balance, beginning of year			
As previously reported	**$ 174,491**	$ 151,576	$ 128,789
Adjustment of prior years net income (Note 3)	**—**	(2,791)	—
As restated	**174,491**	148,785	128,789
Net income	**70,047**	65,426	49,035
Tax allocation adjustment	**(1,274)**	—	—
	243,264	214,211	177,824
Deduct dividends paid:			
Common shares	**42,280**	36,578	28,494
Preferred shares	**3,142**	3,142	3,183
	45,422	39,720	31,677
	197,842	174,491	146,147
Transferred from appropriated retained earnings	**—**	—	2,638
Balance, end of year	**197,842**	174,491	148,785
Appropriated retained earnings (Note 7):			
Reserve for redemption of preferred shares			
Balance, beginning of year	**36,966**	36,966	39,604
Transferred to unappropriated retained earnings	**—**	—	(2,638)
Balance, end of year	**36,966**	36,966	36,966
Retained earnings, end of year	**$ 234,808**	$ 211,457	$ 185,751

(See accompanying accounting policies and notes)

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31

	1982	1981	1980
		(in thousands)	
		(restated)	
Funds derived from:			
Operations —			
Net income	**$ 70,047**	$ 65,426	$ 49,035
Add (deduct) items not involving a flow of funds:			
Minority interest	**4,817**	5,314	5,298
Deferred income taxes	**39,584**	57,555	48,911
Depreciation, depletion and amortization	**66,416**	57,481	52,588
Debt discount, premium and expense	**762**	722	702
Allowance for equity funds used during construction	**(15,688)**	(13,799)	(1,603)
	165,938	172,699	154,931
Common shares issued	**631**	42,872	7,117
Additional long term debt	**131,981**	98,769	130,091
	$ 298,550	$ 314,340	$ 292,139
Funds used for:			
Additions to plant, property and equipment	**$ 193,259**	$ 233,147	$ 155,620
Long term debt retirement	**27,619**	28,711	22,225
Long term debt converted to common shares	**—**	—	1,614
Dividends	**45,422**	39,720	31,677
Dividends paid by subsidiaries to minority interests	**2,255**	1,097	745
Investment in Westcoast Petroleum Ltd. (Note 14)	**87,667**	2,115	—
Northern pipeline projects	**11,902**	1,752	20,092
Redemption of preferred shares	**—**	—	2,638
Other	**9,656**	8,666	960
Working capital increase (decrease)	**(79,230)**	(868)	56,568
	$ 298,550	$ 314,340	$ 292,139
Changes in working capital components:			
Temporary cash investments	**$ 2,727**	$ (10,731)	$ (216)
Deposits with trustees	**(269)**	(284)	(863)
Accounts receivable	**15,443**	(9,164)	15,863
Materials and supplies	**3,306**	2,457	2,506
Line pack gas	**804**	(963)	2,140
Prepayments	**965**	523	473
Deferred operating expenses	**(926)**	(7,567)	10,416
Bank indebtedness	**(62,095)**	1,674	44,733
Accounts payable	**(7,736)**	30,809	(16,807)
Income and other taxes payable	**(21,594)**	(3,755)	(1,899)
Interest on debt	**(3,691)**	(125)	(4,708)
Long term debt due within one year	**(6,164)**	(3,742)	4,930
Working capital increase (decrease)	**$ (79,230)**	$ (868)	$ 56,568

(See accompanying accounting policies and notes)

WESTCOAST TRANSMISSION COMPANY LIMITED
CONSOLIDATED STATEMENTS OF LONG TERM DEBT

DECEMBER 31

		1982		1981	
	Due Date	**United States Dollars**	**Canadian Dollars**	United States Dollars	Canadian Dollars
			(in thousands)		
Westcoast Transmission Company Limited					
First Mortgage Pipe Line Bonds					
5¾% Series D	1984	**$**	**$ 6,117**	$	$ 9,115
5¾% Series E	1984		**2,367**		3,429
7% Series F	1988	**22,626**	**25,000**	26,707	28,779
8% Series G	1991		**62,011**		70,750
Less purchased in advance of repayment requirements			**—**		(3,984)
9¾% Series H	1996	**43,250**	**43,134**	45,500	44,798
Debentures					
7½% Debentures, First Series	1991		**615**		684
8½% Debentures, 1993 Series	1993		**37,591**		40,697
Less purchased in advance of repayment requirements			**—**		(228)
9⅞% Debentures, 1998 Series	1998		**75,000**		75,000
10½% Debentures, 1999 Series	1999		**75,000**		75,000
12¼% Debentures, 2000 Series	2000		**100,000**		100,000
16¾% Debentures, 1987 Series	1987		**50,000**		—
Subordinate Debentures					
5½% Series A	1988	**8,142**	**8,212**	9,974	9,928
Less purchased in advance of repayment requirements		**—**	**—**	(411)	(410)
5½% Series B	1988	**832**	**797**	915	877
Less purchased in advance of repayment requirements		**—**	**—**	(83)	(80)
5½% Series C	1988	**1,375**	**1,377**	1,630	1,566
Less purchased in advance of repayment requirements		**—**	**—**	(4)	(4)
Vancal Properties Ltd.					
7½% Secured Notes	1994	**3,496**	**3,750**	3,670	3,937
Westcoast Petroleum Ltd.					
Term Bank Loan	1984		**2,467**		1,592
Sinking Fund Debentures 10%, First Series	1993		**17,500**		18,750
Pacific Northern Gas Ltd.					
Term Construction Loan	1995		**622**		663
First Mortgage Pipe Line Bonds					
7¾% Series A	1988	**6,012**	**6,463**	6,937	7,458
9¼% Series B (Note 9)	1991	**1,665**	**1,679**	1,850	1,865
Debentures					
17¾% Debentures, 1987 Series	1987		**12,500**		—
18% Debentures, 1997 Series	1997		**27,500**		—
Bank Loan	1983		**—**		32,200
Foothills Pipe Lines (Yukon) Ltd.					
Bank Loan			**13,478**		—
Term Bank Loans	1987/96		**153,924**		92,820
			727,104		615,202
Deduct long term debt due within one year			**25,486**		19,322
			$701,618		$595,880

(See accompanying accounting policies and notes)

WESTCOAST TRANSMISSION COMPANY LIMITED ACCOUNTING POLICIES
DECEMBER 31, 1982

Accounting Principles:
The Company prepares its accounts in accordance with generally accepted accounting principles followed in Canada which, except as described in Note 10, conform in all material respects with generally accepted accounting principles followed in the United States.

Principles of Consolidation:
The consolidated financial statements include the accounts of the Company and the following:

Westcoast Transmission Company (Alberta) Ltd. (100% owned)

Westcoast Transmission Holdings Ltd. (100% owned) (Note 14)

Vancal Properties Ltd. (100% owned)

Saratoga Processing Company Limited (25% owned, including 100% of the voting shares)

Pacific Northern Gas Ltd. (45% owned, including 100% of the voting shares)

Westcoast Petroleum Ltd. (December 31, 1982 - 100% directly and indirectly owned, December 31, 1981 — 58.3% owned including 57.3% of the voting shares, December 31, 1980 -57.4% owned including 56.2% of the voting shares) (Note 14)

Foothills Pipe Lines (Yukon) Ltd. (50% owned, proportionately consolidated)

Foothills Pipe Lines (North B.C.) Ltd. (74.5% directly and indirectly owned, proportionately consolidated)

Regulation:
The Company is subject to the National Energy Board Act and to the jurisdiction of the Board created thereby. That Board regulates accounting matters, export of gas, construction and operation of gas pipelines and rates, tolls and charges of the Company.

Cost of Service:
The Company and its utility subsidiary, Westcoast Transmission Company (Alberta) Ltd., operate under a gas purchase agreement with the British Columbia Petroleum Corporation, a Crown corporation of the Province of British Columbia. Under this agreement, the Company is reimbursed for costs which include operating, maintenance and administrative expenses, depreciation of the Company's investment in utility assets and taxes paid by the Company other than income taxes. The agreement also enables the Company to receive a return on its utility rate base (primarily the undepreciated portion of plant, property and equipment) and also provides for the reimbursement of that portion of foreign exchange gains or losses on foreign debt repayments and foreign interest payments associated with the financing of its utility rate base and construction work in progress.

The Company's reimbursement of its operating, maintenance and administrative expenses pertaining to its utility system is limited to amounts approved from time to time by the National Energy Board. If expenses exceed the approved amounts, the recovery of the excess together with related carrying costs are deferred pending the Board's decision to permit recovery by way of inclusion in the Company's cost of service in the subsequent year. Any amounts not allowed to be included in cost of service would result in a reduction of net income.

Rate of Return on Rate Base:
The National Energy Board directed the Company to adopt, effective August 1, 1981, a rate of return before income taxes on rate base of 17.90% which, after taking into account current and deferred income taxes, is intended to provide the Company with an 11.51% after-tax return on capital employed in rate base. For the seven months ended July 31, 1981, the Company's approved rate of return before income taxes on rate base was 17.65% which, taking into account a lower effective income tax rate which prevailed in 1981, was based on an after-tax rate of 11.51%. For the year 1980 the approved rate of return before income taxes was 16.94% which was based on an after-tax rate of 10.88%.

Plant, Property and Equipment:
Plant, property and equipment are valued at cost. The Company follows the full-cost method of accounting wherein all costs related to the acquisition, exploration and development of oil and gas reserves are capitalized.

Temporary Cash Investments:
Temporary cash investments are valued at cost which approximates market value.

Materials and Supplies:
Materials and supplies are valued at the lower of the weighted average cost determined on a first-in, first-out basis or net realizable value.

Line Pack Gas:
Line pack gas is valued at cost.

Translation of United States Funds:
The Company's United States funds on deposit with banks and trustees and current liabilities payable in United States funds, have been translated to Canadian dollars at the exchange rates prevailing at the end of the fiscal periods and, with the exception of the portion of long term debt due within one year, the resulting gains or losses have been reflected in income. Long term debt, exclusive of the portion of long term debt due within one year, and capital stock issued in United States funds have been translated at exchange rates prevailing at the respective dates of issue. Exchange gains or losses resulting from redemptions or purchases of long term debt, net of the portion recovered through cost of service, are included in income. In 1982 the Company translated the portion of long term debt due within one year at the exchange rates prevailing at the end of the year and recorded the differential as a deferred charge. Prior to 1982 the portion of long term debt due within one year was translated at exchange rates prevailing at the respective dates of issue. This change has no material effect since the major portion of exchange losses are recoverable through the Company's cost of service.

Depreciation and Depletion:
Depreciation is calculated using straight-line rates determined on the economic or physical life of the assets in service as appropriate. The various rates used by the Company resulted in a composite rate of 4.2% for the year ended December 31, 1982 (for the years ended December 31, 1981 — 4.5%, December 31, 1980 — 4.3%).

Depletion of Canadian oil and gas properties is calculated by a composite unit-of-production method based on total estimated proven reserves. Costs related to oil and gas properties located in the United States are being amortized on a straight-line basis at an annual rate of 20% until sufficient reserves are developed.

Contributed Surplus:
The contributed surplus shown in the Company's accounts is primarily related to contributions and grants received in aid of construction which were deducted from the Company's rate base. In order to conform the rate base to amounts of fixed assets as recorded, the Company is, with National Energy Board approval, restoring the amounts of the contributions to rate base over a sixty-month period and reducing cost of service by the same amount.

Capitalization and Maintenance:
Maintenance and repairs are charged to expense accounts when incurred. The cost of major replacements, extensions or improvements is capitalized as plant, property and equipment. Upon retirement or sale of items of plant, property or equipment, the original cost of such items is charged against the applicable accumulated depreciation account and the net proceeds of disposal are credited to accumulated depreciation.

Allowance for Funds Used During Construction:

The National Energy Board directed the Company to adopt, effective January 1, 1981, the prescribed after-tax rate of return on rate base of 11.51% for calculating an allowance for funds used during construction to be charged to plant, property and equipment (for the year ended December 31, 1980 — 10.88%).

The consolidated financial statements also reflect an allowance for funds used during construction recorded with respect to construction in progress of Pacific Northern Gas Ltd., Saratoga Processing Company Limited and Phases I and II of the Northern Pipeline Projects. The respective allowance rates are 16.74% for Pacific Northern Gas Ltd., 17.50% for Saratoga Processing Company Limited and 17.50% for Phase I of the Northern Pipeline Projects. The allowance rates for Phase II of the Northern Pipeline Projects are described in Note 3.

Income Taxes:

The National Energy Board directed the Company to adopt, effective November 1, 1979, the tax allocation basis of accounting for tax liabilities under which provision is made for income taxes deferred as a result of differences in timing between the treatment for tax and book purposes of various items of income and expenditure. Items deducted for income tax purposes prior to November 1, 1979 and which involved timing differences between the tax and accounting treatment, necessitate a charge to retained earnings upon the reversal of these timing differences.

Investment tax credits are accounted for using the deferral method.

Westcoast Petroleum Ltd., Pacific Northern Gas Ltd., and Foothills Pipe Lines (Yukon) Ltd. provide for income taxes on the tax allocation basis.

Effective January 1, 1982 Saratoga Processing Company Limited adopted the tax allocation basis; previously the taxes currently payable basis was used.

Westcoast Transmission Company (Alberta) Ltd. provides for income taxes on the taxes currently payable basis.

If all the companies had used the tax allocation basis to provide for income taxes in prior years, the unrecorded accumulated provision to December 31, 1982 would have been $162,550,000 (December 31, 1981 – $162,389,000, December 31, 1980 – $162,801,500).

The deferred income tax expense of the Company does not include a provision for the Federal corporate surtax for the year ended December 31, 1982 of $887,000 (for the year ended December 31, 1981 – $1,698,000). The National Energy Board directed that the Company's income tax rates will not reflect this surtax but, if any surtax is paid, the Company may apply to the Board to include that surtax in the cost of service.

Deferred Charges:

Debt discount, premium and expense is being amortized over the life of the respective debt issues.

Costs relating to Northern Pipeline Projects and other projects which may benefit future periods are being deferred. Deferred costs applicable to projects which have been terminated are expensed.

Pension Plan:

The Company has a non-contributory pension plan covering substantially all employees. The Company contributed and charged to operations $1,576,000 during the year ended December 31, 1982 (for the years ended December 31, 1981 – $1,505,000, December 31, 1980 – $1,182,000). The plan is subject to a triennial actuarial evaluation, with the last one being made as at December 31, 1979. At that time there was no unfunded liability. The next actuarial evaluation, as at December 31, 1982, will be completed in 1983.

Comparative Figures:

The comparative figures have been reclassified to conform to the 1982 presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31

1. Plant, Property and Equipment:

	1982	1981
	$000	(restated)
Westcoast Transmission Company Limited and its Utility Subsidiary		
Gathering plant	**$ 297,048**	$ 275,913
Products extraction plant	**275,809**	242,369
Transmission plant	**538,556**	529,553
Miscellaneous plant and equipment	**34,824**	34,247
Construction work in progress	**8,791**	13,671
	1,155,028	1,095,753
Westcoast Petroleum Ltd.		
Transmission plant	**41,041**	41,174
Oil and gas properties	**294,818**	218,353
	335,859	259,527
Foothills Pipe Lines (Yukon) Ltd.		
Transmission plant and equipment	**199,144**	45,641
Construction work in progress	**23,920**	99,153
	223,064	144,794
Other Subsidiaries		
Gathering plant	**3,434**	5,077
Products extraction plant	**6,526**	6,447
Transmission plant	**77,133**	34,794
Distribution plant	**17,391**	13,540
Miscellaneous plant and equipment	**8,158**	8,882
Construction work in progress	**762**	33,680
	113,404	102,420
Total plant, property and equipment	**1,827,355**	1,602,494
Deduct:		
Accumulated depreciation		
Westcoast Transmission and its Utility Subsidiary	**350,198**	309,173
Westcoast Petroleum Ltd.	**44,776**	41,343
Foothills Pipe Lines (Yukon) Ltd.	**8,817**	1,752
Other Subsidiaries	**21,846**	22,216
	425,637	374,484
Accumulated depletion Westcoast Petroleum Ltd.	**43,830**	35,660
Total accumulated depreciation and depletion	**469,467**	410,144
	$1,357,888	$1,192,350

2. Deferred Operating Expenses:

For the year ended December 31, 1982, the Company's actual operating and maintenance expenses fell below the amount budgeted and approved by the National Energy Board. However, certain cost centres had actual expenditures in excess of the approved amounts by an aggregate of $1,899,000. The Company has not charged to the cost of service the $1,899,000 and the carrying charges accrued thereon for the year ended December 31, 1982 of $24,000. The Company has made an application for the recovery of these deferred expenses and the carrying charges accrued to the date of recovery. Any amount not allowed to be included in the cost of service will result in a reduction of the Company's net income.

Following receipt of approval from the National Energy Board, the Company recovered in its 1982 cost of service the deferred expenses for the year ended December 31, 1981 of $2,781,000 and the related carrying charges totalling $374,000.

The Company received approvals from the National Energy Board and recovered in the 1981 cost of service the deferred expenses for the six months ended December 31, 1980 of $3,508,000 and for the twelve months ended June 30, 1980 of $6,226,000 and the related carrying charges totalling $1,487,000.

3. Northern Pipeline Projects:

The Company owns 50% of the outstanding common shares of Foothills Pipe Lines (Yukon) Ltd. which has been given the responsibility by the National Energy Board for co-ordinating and directing the Canadian portion of the Alaska Highway Natural Gas Pipeline Project. The Canadian portion of the project has two principal objectives. The first is the transportation of Alaskan natural gas from the Alaska-Yukon border to Monchy, Saskatchewan and Kingsgate, British Columbia at the Canada-United States border. The second objective is the transportation of Canadian natural gas by way of a pipeline known as the Dempster Link from the Mackenzie Delta-Beaufort Basin area to the Canadian portion of the Alaska Highway Natural Gas Pipeline. An application to construct the Dempster Link was filed with the National Energy Board on June 29, 1979.

Phase I of the project consists of the southern segment of the Canadian portion with the construction of facilities for the Eastern Leg from Caroline, Alberta to Monchy, Saskatchewan and the Western Leg from Caroline to Kingsgate, British Columbia for the delivery of Canadian natural gas prior to the delivery of Alaskan natural gas. The balance of the Canadian portion of the project is known as Phase II. Foothills Pipe Lines (Yukon) Ltd. has completed construction of Phase I and Alberta gas commenced to flow in October 1981 through the Western Leg and in September 1982 through the Eastern Leg.

With respect to Phase II of the Northern Pipeline Projects, the Company recorded directly an after-tax allowance for funds advanced at 10.88% for the year ended December 31, 1980. In 1981 and 1982 the allowance was recorded by way of proportionate consolidation of the allowance for funds used during construction by Foothills Pipe Lines (Yukon) Ltd. at rates which varied by construction zones but which averaged approximately 17.5% after-tax. By decisions dated August 26 and November 2, 1982, the National Energy Board directed Foothills Pipe Lines (Yukon) Ltd. to adjust downwards the rates utilized from January 1, 1981 to August 31, 1982, to composite rates made up of the sponsor companies' approved rates of return on rate base plus the project risk premium by zone. The after-tax composite rates in the Company's case vary by zone between 11.51% and 13.30%. As a result of this decision, the Company's earnings for prior years have been restated. In addition, the National Energy Board directed Foothills Pipe Lines (Yukon) Ltd. to begin recovering as of September 1, 1982 approximately $124,000,000 (of which Westcoast's share is approximately $49,000,000) of Phase II expenditures under the tariff applicable to the Phase I operations. The National Energy Board also permitted Foothills Pipe Lines (Yukon) Ltd. a return of 16% before tax on the undepreciated balance of the $124,000,000. In view of the National Energy Board decisions, the Company has, as of September 1, 1982, recorded a return on its entire investment in Phase II at a rate of 16% before tax.

The financial statements reflect the Company's proportionate share of the activities of Foothills Pipe Lines (Yukon) Ltd. and its subsidiaries for the years ended December 31, 1982, 1981 and 1980. A summary of the amounts so consolidated is as follows:

Proportionate share of balance sheet items

	December 31		
	1982	1981	1980
		$000 (restated)	
Plant, property and equipment	**$223,064**	$144,794	$ 28,804
Accumulated depreciation	**(8,817)**	(1,752)	—
Current assets	**13,368**	905	2,781
Preconstruction costs and deferred charges	**101,242**	81,747	68,563
	$328,857	$225,694	$100,148
Long term obligations:			
Long term debt	**$157,390**	$ 87,593	$ 26,251
Deferred income taxes and other deferred items	**7,997**	584	—
Current liabilities	**13,909**	19,114	5,334
Westcoast equity:			
Phase I	**48,319**	36,656	11,246
Phase II	**101,242**	81,747	57,317
	$328,857	$225,694	$100,148

Proportionate share of statement of operations items

	Years ended December 31		
	1982	1981	1980
		$000 (restated)	
Operating revenues	**$ 27,457**	$ 4,641	$ —
Operating revenue deductions	**9,220**	2,026	—
	18,237	2,615	—
Allowance for funds used during construction	**26,939**	27,257	808
Other income	**635**	27	—
	45,811	29,899	808
Interest on debt	**23,481**	15,904	808
	22,330	13,995	—
Deferred income taxes	**4,184**	584	—
Net income	**$ 18,146**	$ 13,411	$ —

4. Common Stock:

(a) During 1982 the Company issued:
 (i) 75,000 common shares on options exercised at option prices ranging from $6.458 to $12.00 per share, increasing capital stock by $631,000.

(b) During 1981 the Company issued:
 (i) 4,058,217 common shares on Share Purchase Warrants exercised at a price of $9.44 per share, increasing capital stock by $38,310,000. The warrants expired on May 15, 1981; and
 (ii) 367,200 common shares on options exercised at option prices ranging from $6.458 to $15.00 per share, increasing capital stock by $4,562,000.

(c) During 1980 the Company issued:
 (i) 193,702 common shares on conversion of 7½% Convertible Debentures, First Series at a conversion rate of $8.33 per share, increasing capital stock by $1,614,000. The convertible feature of

these debentures expired on December 31, 1980; and

(ii) 572,865 common shares on Share Purchase Warrants exercised at a price of $9.44 per share, increasing capital stock by $5,408,000; and

(iii) 15,400 common shares on options exercised at option prices ranging from $5.625 to $13.50 per share, increasing capital stock by $96,000.

(d) Common share reservations and options are as follows:

(i) Included in the common shares reserved for outstanding options, as set out below, are 106,000 common shares optioned to directors and officers (December 31, 1981 — 166,000 common shares);

Expiry date	Option price per share	Number of shares at December 31	
	$	**1982**	1981
October 16, 1983	5.166	**15,000**	15,000
July 29, 1984	6.458	**7,500**	22,500
April 20, 1986	7.875	**68,500**	113,500
April 19, 1989	13.500	**73,600**	93,600
February 5, 1990	14.500	**16,000**	16,000
February 10, 1991	15.000	**66,000**	66,000
October 28, 1991	11.500	**9,000**	9,000

(ii) 90,425 common shares are reserved for options which have not been allocated.

5. Earnings per Common Share:

Basic earnings per common share are calculated using the weighted average number of common shares outstanding during the fiscal period.

In 1982, there would be no dilutive effect on earnings per common share as the result of the exercise of share purchase options.

The basic earnings per common share are computed as follows for the years ended December 31, 1982, 1981 and 1980:

	1982	1981	1980
Number of shares (000)			
Beginning balance	**40,615**	36,190	35,408
Changes due to:			
Warrants exercised	—	2,896	41
Options exercised	**17**	161	8
Conversions of debt	—	—	114
Weighted average	**40,632**	39,247	35,571
		(restated)	
Net income applicable to common shares ($000)	**$ 66,905**	$ 62,284	$ 45,870
Basic earnings per common share	**$1.65**	$1.59	$1.29

6. Preferred Stock:

The Preferred Shares Series A are redeemable at the option of the Company at any time in whole or in part on not less than 30 days notice at varying redemption prices ranging from $52.00 if redeemed on or before December 31, 1983 to $50.50 if redeemed after December 31, 1984.

The Company, during the six month period ending December 31, 1984, is required under the terms of issue to invite tenders for redemption from the holders of the Preferred Shares Series A at a price equal to $50 plus accrued and unpaid preferential dividends. All tenders received by February 14, 1985 shall be accepted.

7. Appropriated Retained Earnings:

The Company has provided a Retraction Purchase Fund which will be returned to unappropriated retained earnings as the Preferred Shares Series A are redeemed.

8. Dividend Restriction:

The First Mortgage and the indentures relating to the Company's long term debt and preferred shares contain restrictions as to the declaration or payment of dividends (other than stock dividends) on common shares. Under the most restrictive provision, the amount available for dividends at December 31, 1982 is $126,000,000 (December 31, 1981 — $108,000,000, December 31, 1980 — $89,000,000).

9. Long Term Debt:

Long term debt payments including sinking fund obligations, required in the five years ending December 31, 1987 are:
1983-$ 25,486,000 1984-$ 57,721,000 1985-$ 60,362,000
1986-$ 60,474,000 1987-$123,740,000

The 9¼% First Mortgage Pipe Line Bonds, Series B of Pacific Northern Gas Ltd. include detachable warrants to purchase 50,000 Class A common shares of Pacific Northern Gas Ltd. at $5 per share until maturity.

The translation of long term debt payable in United States funds at the exchange rate prevailing at the end of the fiscal year would increase long term debt excluding the portion due within one year (which is translated at the year-end rate of exchange) as at December 31, 1982 to $744,139,000 (December 31, 1981 — $631,145,000).

The Company has lines of credit totalling $200,000,000 with two Canadian chartered banks. These lines of credit allow the Company to borrow from the banks or to issue bankers acceptances and are also used to support commercial paper issued by the Company. These lines of credit are subject to annual review by the chartered banks.

The Company's First Mortgage Pipe Line Bonds are secured by a specific First Mortgage of substantially all of the Company's fixed assets, its gas purchase contracts, its gas sales contracts, 807,200 common shares of Westcoast Petroleum Ltd. and by a first floating charge on other assets and its undertakings.

Interest on long term debt for the year ended December 31, 1982 amounted to $81,380,000 (for the years ended December 31, 1981 — $67,399,000, December 31, 1980 — $45,900,000).

10. Reconciliation of Generally Accepted Accounting Principles:

If generally accepted accounting principles used in the United States were followed, the effect on net income would be as follows:

	Years ended December 31		
	1982	1981	1980
		000 (restated)	
Net income, as reported	**$ 70,047**	$ 65,426	$ 49,035
Adjustment to translation of long term debt (1)	**(1,093)**	2,363	(1,563)
Adjusted net income	**68,954**	67,789	47,472
Provision for dividends on preferred shares	**3,142**	3,142	3,165
Adjusted net income applicable to common shares	**$ 65,812**	$ 64,647	$ 44,307
Common stock — weighted average and common stock equivalents	**40,363**	38,866	32,194
Per common share — primary	**$1.63**	$1.66	$1.38

(1) The Company translates long term debt payable in United States funds into Canadian dollars at exchange rates prevailing at the respective dates of issue. Generally accepted accounting principles used in the United States require the recognition of all gains or losses resulting from translation of foreign debt at exchange rates prevailing at the end of the fiscal periods.

11. Income Taxes:

	1982		1981		1980	
	Income tax provision $000	**% of income before income taxes and minority interest**	Income tax provision $000	% of income before income taxes and minority interest	Income tax provision $000	% of income before income taxes and minority interest
			(restated)		(restated)	
Provision at basic Federal and Provincial tax rates	**$ 70,203**	**51.1%**	$ 69,245	51.6%	$ 53,772	50.6%
Increase (decrease) in income taxes resulting from:						
Non-taxable (equity) portion of allowance for funds capitalized	**(7,286)**	**(5.3)**	(6,733)	(5.0)	(1,842)	(1.7)
Petroleum and natural gas activities	**(743)**	**(0.5)**	16	—	2	—
Other	**362**	**0.2**	926	0.7	4	—
Provision for income taxes	**$ 62,536**	**45.5%**	$ 63,454	47.3%	$ 51,936	48.9%

Income tax expense was $62,536,000 for the year ended December 31, 1982 reflecting an effective rate of 45.5% applied to income before income taxes and minority interest (December 31, 1981 — $63,454,000 (47.3%), December 31, 1980 — $51,936,000 (48.9%)). The income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rates of approximately 51.1%, 51.6% and 50.6% respectively to income before income taxes and minority interest for the reasons shown above.

Deferred income taxes result from timing differences in recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows for the years ended December 31, 1982, 1981 and 1980:

	1982	1981	1980
		$000	
Capital cost allowance claimed for income tax purposes in excess of depreciation and amortization	**$ 15,603**	$ 34,420	$ 29,052
Depletion and oil and gas exploration expenditures claimed for income tax purposes in excess of that recorded for accounting purposes	**5,900**	4,741	7,951
Items deducted for tax purposes in advance of accounting charges	**17,678**	18,257	11,525
Other	**403**	137	383
Deferred income taxes	**$ 39,584**	$ 57,555	$ 48,911

As at December 31, 1982, the Company had unclaimed investment tax credits of $13,199,000 available to reduce future Federal income taxes payable. These credits expire as follows:

1983- Nil 1984-$3,140,000 1985-$3,325,000
1986-$2,341,000 1987-$4,393,000

12. Remuneration of Directors and Senior Officers of the Company:

The aggregate remuneration paid to directors and officers in their capacity as directors or officers calculated in accordance with United States Securities Exchange Commission proxy rules for the year ended December 31, 1982 was $1,825,000 (for the years ended December 31, 1981 — $1,569,000, December 31, 1980 — $1,231,000).

13. Segmented Information:

More than 90% of the consolidated revenue and net income of the Company are derived from the sale of natural gas produced in Canada. In excess of 90% of the consolidated assets of the Company are situated in Canada and are used for the sale of natural gas produced in Canada. The consolidated operating revenue of the Company is generated from the following sources for each year:

	1982	1981	1980
		$000	
Canada	**$ 419,452**	$ 285,133	$ 233,258
United States — Sales to Northwest Pipeline Corporation	**733,988**	985,197	984,342
Total Revenue	**$1,153,440**	$1,270,330	$1,217,600

14. Westcoast Petroleum Ltd.:

During the year ended December 31, 1982, the Company, through its wholly owned subsidiary, Westcoast Transmission Holdings Ltd., acquired an additional 42% of the shares of Westcoast Petroleum Ltd. at a cost of $87,667,000 increasing the Company's percentage ownership in that company to 100%. This cost exceeded the figure at which the equivalent proportion of the net assets is recorded in the books of Westcoast Petroleum Ltd. by $38,488,000. This excess has been allocated to oil and gas properties and is being amortized on a composite unit-of-production basis.

15. Commitments and Contingencies:

The Company is a party, along with Foothills Pipe Lines (Yukon) Ltd. and NOVA, an Alberta Corporation, to an agreement with the Government of Canada requiring that, in the event the National Energy Board issues a certificate for the construction of the Dempster Link (Note 3), construction will commence as expeditiously as possible. In the event of default by the parties to the agreement, the agreement provides for payment of $50,000,000 to the Government of Canada, the obligation for which is joint and several among the parties.

WESTCOAST TRANSMISSION COMPANY LIMITED
SELECTED QUARTERLY DATA (Unaudited)

FOR THE YEARS ENDED DECEMBER 31

	1982			
	For the three months ended			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
	$000			
Operating revenues	**$424,274**	**$215,591**	**$151,461**	**$362,114**
Operating revenue deductions	**378,931**	**170,728**	**100,228**	**306,758**
Operating income	**45,343**	**44,863**	**51,233**	**55,356**
Other	**9,058**	**12,270**	**18,822**	**24,062**
Income before income taxes	**36,285**	**32,593**	**32,411**	**31,294**
Provision for income taxes	**16,751**	**14,381**	**15,108**	**16,296**
Net income	**19,534**	**18,212**	**17,303**	**14,998**
Provision for preferred dividends	**786**	**785**	**786**	**785**
Net income applicable to common shares	**$ 18,748**	**$ 17,427**	**$ 16,517**	**$ 14,213**
Per common share: Basic	**$.46**	**$.43**	**$.41**	**$.35**

	1981			
	For the three months ended			
	March 31	June 30	Sept. 30	Dec. 31
	$000 (restated)			
Operating revenues	$371,899	$274,994	$259,533	$363,904
Operating revenue deductions	330,099	234,228	221,277	318,939
Operating income	41,800	40,766	38,256	44,965
Other	9,178	7,684	11,046	8,999
Income before income taxes	32,622	33,082	27,210	35,966
Provision for income taxes	15,910	16,131	14,512	16,901
Net income	16,712	16,951	12,698	19,065
Provision for preferred dividends	785	786	786	785
Net income applicable to common shares	$ 15,927	$ 16,165	$ 11,912	$ 18,280
Per common share: Basic	$.43	$.41	$.29	$.46

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Year Ended December 31, 1982

Substantially all of the Company's operating cash flow was generated from its utility operations, which are subject to a gas purchase agreement with the British Columbia Petroleum Corporation and to National Energy Board regulations. Under the agreement, the Company recovers its operating expenses and a prescribed rate of return on its utility rate base assets. In 1982, consolidated funds generated from operations decreased slightly by approximately 4% to $166 million. This decrease is primarily due to an increase in the portion of the income tax expense for the year which is currently payable offset by increased operating cash flows from Phase I of the Alaska Highway Natural Gas Pipeline Project and from Westcoast Petroleum Ltd.

The Company's funds generated from operations together with the proceeds received from an issue of $50 million 16¾% debentures (1987 Series) were used to finance the Company's capital projects, the acquisition of additional shares in Westcoast Petroleum Ltd., which is now fully owned, the funding requirements for the Northern Pipeline Projects and in meeting the Company's dividend requirements.

During 1982, Pacific Northern Gas Ltd. issued $40 million in long term debt. These proceeds were used to finance its 1982 capital program and to repay bank borrowings of approximately $32 million.

Foothills Pipe Lines (Yukon) Ltd. added to its long term bank indebtedness by approximately $257 million during 1982 in order to help finance the completion of the construction of Phase I of the Alaska Highway Natural Gas Pipeline Project. $74 million of this additional financing together with $93 million from earlier financings were reflected in the Company's financial statements by way of proportionate consolidation. The Company will continue to contribute its share of the equity capital requirements for the project. The Company had no other material commitments on December 31, 1982.

The Company has lines of credit totalling $200 million with Canadian chartered banks. These lines of credit allow the Company to borrow from the banks, issue bankers acceptances and support commercial paper issued by the Company.

Operating revenues for 1982 decreased from 1981 due to a 10.4% reduction in volume of gas sold and a 3% decline in the average price of gas sold, offset by increased revenues from Westcoast Petroleum Ltd. and the commencement of operations of both the Western Leg (October 1981) and the Eastern Leg (September 1982) of Phase I of the Alaska Highway Natural Gas Pipeline Project. Cost of gas sold declined during 1982 due to the lower volume of gas sold. Operating and maintenance expenses declined over 1981 primarily due to a higher recovery in 1981 of operating and maintenance expenses previously deferred. These deferred amounts represent the portion of operating and maintenance expenses incurred in excess of budget levels approved by the National Energy Board. Their recovery is deferred until they are reviewed and approved by the National Energy Board. Following receipt of approval from the National Energy Board, the Company recovered in its 1982 cost of service $2.8 million of deferred operating and maintenance expenses relating to the year ended December 31, 1981. For the year ended December 31, 1982, the deferred operating and maintenance expenses totalled $1.9 million. The Company has made an application to the National Energy Board for their recovery.

Depreciation and depletion increased in 1982 primarily due to the commencement of depreciation for the fixed assets of Phase I of the Alaska Highway Natural Gas Pipeline Project. Taxes other than income taxes decreased during 1982 primarily due to the reduction of the Natural Gas Tax rate on export sales to zero percent in September 1981. This reduction was partially offset by increased property taxes.

The net income of the Company was not affected by the variances relating to the gas sales volumes and prices described above because the Company's income from utility operations was based on the gas purchase agreement with the British Columbia Petroleum Corporation. However, if any portion of deferred operating and maintenance expenses is not approved for recovery by the National Energy Board, the Company's net income will be reduced in 1983.

Investment and other income decreased due to reduced levels of temporary cash investments during 1982 as compared to 1981.

Interest on long-term debt increased over 1981 due to increased borrowings by the Company, Pacific Northern Gas Ltd. and Foothills Pipe Lines (Yukon) Ltd.

Other income deductions increased over 1981 due to a $1.6 million (after-tax) provision for the costs of certain feasibility studies with respect to projects not being proceeded with at this time.

The Company anticipates no unusual events or significant economic changes in the foreseeable future which will adversely affect income from continuing operations. As the Company's income from utility operations is based on the gas purchase agreement with the British Columbia Petroleum Corporation, changes in sales revenue from its utility operations due to any changes in the price of gas or volume fluctuations, as well as any effect of inflationary price changes on revenue and operating expenses, do not directly affect the Company's net income.

Year Ended December 31, 1981

Substantially all of the Company's operating cash flow was generated from its utility operations, which are subject to a gas purchase agreement with the British Columbia Petroleum Corporation and to National Energy Board regulations. Under the agreement, the Company recovers its operating expenses and a prescribed rate of return on its utility rate base assets. In 1981, funds generated from operations increased by approximately 12% to $173 million. These funds generated from operations were used to meet the Company's long term debt retirement, dividend and Northern Pipeline Projects funding requirements, as well as to contribute to the Company's growth and expansion through its capital projects.

Pacific Northern Gas Ltd. supplemented its funding requirements for its capital program for 1981 by term bank loans of approximately $32 million.

Foothills Pipe Lines (Yukon) Ltd. added to its long term bank indebtedness by approximately $262 million during 1981 for the construction of Phase I of the Alaska Highway Natural Gas Pipeline Project. $66 million of this additional financing together with $27 million of earlier financing was reflected in the Company's financial statements by way of proportionate consolidation. The Company had no other material commitments on December 31, 1981.

The Company had lines of credit totalling $200 million with Canadian chartered banks. These lines of credit allowed the Company to borrow from the banks and issue bankers acceptances.

Operating revenues increased over 1980 due to the increase of 13% in average price of gas sold, offset by a decrease of 9% in the volume of gas sold. Operating and maintenance expenses exceeded 1980 by approximately 10% not including the recovery of operating and maintenance expenses previously deferred related to the year ended June 30, 1980 of $7 million and related to the six months ended December 31, 1980 of $4 million. These amounts represented the portion of operating and maintenance expenses incurred in excess of budget levels approved by the National Energy Board and recovery of these expenses was approved by the National Energy Board during 1981. For the year ended December 31, 1981, the deferred operating and maintenance expenses totalled $2.8 million, the recovery of which was approved and collected during 1982.

The increase of 10% in operating and maintenance expenses was due to the expansion of the Company's facilities and increased maintenance. Increases in depreciation and depletion over 1980 resulted from additions to depreciable assets during the year. Taxes other than income taxes increased over 1980 primarily due to increases in property taxes and the introduction, effective November 1, 1980, of the Federal natural gas and gas liquids tax.

The net income of the Company was not affected by the variances described above because the Company's income from utility operations was based on the gas purchase agreement with the British Columbia Petroleum Corporation.

Allowance for funds used during construction, including the funds capitalized on the Northern Pipeline Projects, increased relative to 1980 primarily due to increased construction activities on the Alaska Highway Natural Gas Pipeline Project.

Investment and other income increased due to an increase in temporary cash investments during 1981 as compared to 1980.

Interest on debt increased over 1980 due to increased borrowings by Pacific Northern Gas Ltd. and Foothills Pipe Lines (Yukon) Ltd.

The increase in income taxes was due to higher earnings of the Company.

Year Ended December 31, 1980

Substantially all of the Company's funds generated from operations were related to its utility operations, which are subject to a gas purchase agreement with the British Columbia Petroleum Corporation and to National Energy Board regulations. Under this agreement the Company recovers its operating expenses and a prescribed rate of return on its utility rate base assets. In 1980, funds generated from operations increased by approximately 48% to $155 million primarily due to the approval in November 1979 by the National Energy Board of the inclusion in cost of service of deferred income tax expenses and increased depreciation rates. These funds generated from operations together with the proceeds received from an issue of $100 million 12¼% (2000 series) were used to meet the Company's long term debt retirement, dividend and Northern Pipeline Projects funding requirements, as well as to contribute to the Company's growth and expansion through its capital projects.

The Company had lines of credit totalling $200 million with Canadian chartered banks which allowed the Company to borrow from these banks and issue bankers acceptances.

Operating revenues increased over 1979 due to the increase of 33% in average price of gas sold, offset by a decrease of 20% in the volume of gas sold. Operating and maintenance expenses exceeded 1979 by approximately 13% due to the addition of the Pine River Plant to the Company's operations and increased maintenance on the Company's other facilities. An amount of $9.7 million of operating and maintenance expenses, which represents the portion of operating expenses incurred in excess of budget levels approved by the National Energy Board was deferred, this amount was approved by the National Energy Board and subsequently recovered in 1981.

Increases in depreciation and depletion over 1979 resulted mainly from additions to depreciable assets during the year and amendments to certain depreciation rates as approved by the National Energy Board effective November 1, 1979. Taxes other than income taxes increased over 1979 primarily due to increases in property taxes and the introduction, effective November 1, 1980, of the Federal natural gas tax and gas liquids tax.

The net income of the Company was not affected by the variances described above because the Company's income from utility operations was based on the gas purchase agreement with the British Columbia Petroleum Corporation.

Allowance for funds used during construction decreased due to a shorter construction period for the Company's 1980 capital projects. Allowance for funds capitalized on advances for the Northern Pipeline Projects increased relative to 1979 due to the increase in the amounts advanced.

Interest on debt increased over 1979 due to the issuance of the $75 million 10½% debentures on August 1, 1979, the issuance of the $100 million 12¼% debentures on July 15, 1980 and increased short term borrowing activities.

The increase in income taxes was due to the adoption of the tax allocation basis to provide for the Company's income taxes effective November 1, 1979.

WESTCOAST TRANSMISSION COMPANY LIMITED SEGMENTED STATEMENT OF OPERATIONS*

FOR THE YEARS ENDED DECEMBER 31

	Westcoast Transmission Company Limited and Utility Subsidiaries**	Westcoast Petroleum Ltd.	Foothills Pipe Lines (Yukon) Ltd.	Other Subsidiaries	Consolidated
			$000		
1982					
Operating revenues	$1,039,187	$ 52,630	$ 27,457	$ 34,166	$1,153,440
Operating revenue deductions	903,207	24,755	9,220	19,463	956,645
Operating income	135,980	27,875	18,237	14,703	196,795
Other income	7,057	50	27,574	1,623	36,304
	143,037	27,925	45,811	16,326	233,099
Income deductions	61,359	3,970	23,481	6,889	95,699
	81,678	23,955	22,330	9,437	137,400
Income taxes	41,672	12,220	4,184	4,460	62,536
Income before minority interest	40,006	11,735	18,146	4,977	74,864
Minority interest	—	1,722	—	3,095	4,817
Net income	$ 40,006	$ 10,013	$ 18,146	$ 1,882	$ 70,047
1981					
Operating revenues	$1,205,759	$ 38,587	$ 4,641	$ 21,343	$1,270,330
Operating revenue deductions	1,071,113	20,581	2,026	10,823	1,104,543
Operating income	134,646	18,006	2,615	10,520	165,787
Other income	8,602	740	27,284	952	37,578
	143,248	18,746	29,899	11,472	203,365
Income deductions	48,137	3,084	15,904	2,046	69,171
	95,111	15,662	13,995	9,426	134,194
Income taxes	48,836	8,933	584	5,101	63,454
Income before minority interest	46,275	6,729	13,411	4,325	70,740
Minority interest	—	2,806	—	2,508	5,314
Net income	$ 46,275	$ 3,923	$ 13,411	$ 1,817	$ 65,426
1980					
Operating revenues	$1,172,175	$ 33,220	$ —	$ 12,205	$1,217,600
Operating revenue deductions	1,050,874	14,711	—	5,067	1,070,652
Operating income	121,301	18,509	—	7,138	146,948
Other income	10,862	558	808	106	12,334
	132,163	19,067	808	7,244	159,282
Income deductions	47,719	2,726	808	1,761	53,014
	84,444	16,341	—	5,483	106,268
Income taxes	40,978	7,500	—	3,457	51,935
Income before minority interest	43,466	8,841	—	2,026	54,333
Minority interest	—	3,766	—	1,532	5,298
Net income	$ 43,466	$ 5,075	$ —	$ 494	$ 49,035

*Restated to reflect 1982 presentation and a prior period adjustment

**Utility subsidiaries:
Westcoast Transmission Company (Alberta) Ltd.
Westcoast Transmission Housing Ltd., wound up March 31, 1981
Gas Trunk Line of British Columbia Ltd., wound up February 29, 1980

WESTCOAST TRANSMISSION COMPANY LIMITED
TEN-YEAR REVIEW*

FOR THE YEARS ENDED DECEMBER 31 (Dollar amounts are in thousands, except per share figures)

Financial				
Operations:	**1982**	1981	1980	1979
Operating revenue	**$1,153,440**	$1,270,330	$1,217,600	$1,098,649
Operating income	**196,795**	165,787	146,948	99,323
Financial charges	**92,417**	69,674	53,230	36,908
Net income	**70,047**	65,426	49,035	49,870
Dividends on preferred shares	**3,142**	3,142	3,165	3,399
Net income applicable to common shares	**66,905**	62,284	45,870	46,471
Dividends on common shares	**42,280**	36,578	28,494	28,122
Cash flow	**165,938**	172,699	154,931	104,977
Per Common Share:				
Net income — basic	**1.65**	1.59	1.29	1.33
Dividends	**1.04**	.92	.80	.80
Dividend payout ratio	**63%**	58%	62%	60%
Cash flow	**4.08**	4.40	4.36	3.00
Assets:				
Plant, property and equipment	**1,827,355**	1,602,493	1,368,720	1,223,059
Accumulated depreciation and depletion	**469,467**	410,143	358,235	318,127
Net plant, property and equipment	**1,357,888**	1,192,350	1,010,485	904,932
Net additions to plant	**224,862**	223,773	145,661	152,800
Total assets	**1,701,846**	1,480,109	1,305,750	1,148,313
Rate Base and Return**				
Average utility rate base	**747,803**	742,780	706,156	607,821
Average return on utility rate base	**11.9%**	11.7%	10.9%	10.9%
Average return on equity in utility rate base	**15.2%**	15.4%	13.0%	14.0%
Capitalization:				
Long term debt	**701,618**	595,880	525,822	417,734
Preferred shareholders' equity	**36,966**	36,966	36,966	39,604
Common shareholders' equity	**470,182**	445,687	377,028	352,353
— per common share	**11.56**	10.97	10.42	9.95
Return on average common shareholders' equity	**14.6%**	15.1%	12.6%	13.7%
Capitalization Ratios:				
Long term debt	**58.0%**	55.3%	56.0%	51.6%
Preferred shareholders' equity	**3.1%**	3.4%	3.9%	4.9%
Common shareholders' equity	**38.9%**	41.3%	40.1%	43.5%
Statistical				
Total gas sales —				
Thousands of cubic meters	**7 057 348**	7 886 955	8 644 756	10 859 747
Millions of cubic feet	**249,131**	278,417	305,168	383,359
Average daily sales —				
Cubic meters	**19 335 200**	21 608 095	23 619 552	29 752 732
Thousands of cubic feet	**682,551**	762,786	833,792	1,050,299
Peak day sales —				
Cubic meters	**40 696 398**	40 016 303	39 436 900	39 829 100
Thousands of cubic feet	**1,436,622**	1,412,614	1,392,161	1,406,006
System sales capacity —				
Cubic meters per day	**41 052 706**	41 052 706	41 052 706	37 704 354
Thousands of cubic feet per day	**1,449,200**	1,449,200	1,449,200	1,331,000
Kilometers of transmission pipelines	**2 331**	2 331	2 331	2 294
Miles of transmission pipelines	**1,448**	1,448	1,448	1,425
Kilometers of gathering pipelines	**2 104**	2 104	2 104	1 968
Miles of gathering pipelines	**1,307**	1,307	1,307	1,223
Compressor kilowatts	**350 493**	337 966	337 966	337 966
Compressor horsepower	**470,020**	453,220	453,220	453,220
Shares outstanding at year end***	**40,689,998**	40,614,998	36,189,581	35,407,614
Number of common shareholders	**12,581**	13,396	13,278	12,660
Number of employees	**835**	829	772	727

*Restated to reflect 1982 presentation and a prior period adjustment

**The nature of the Company's utility operations changed significantly in November 1973 at which time it commenced operating on a cost-of-service basis whereby utility operating costs are recovered and the Company receives a return on its utility investment

***Financial information has been restated to give retroactive effect to the three-for-one common share split on May 12, 1978

1978	1977	1976	1975	1974	1973
$ 843,902	$ 780,164	$ 579,276	$ 416,677	$ 266,600	$ 168,764
79,337	74,978	67,930	53,913	49,974	47,093
29,548	27,398	23,945	25,934	27,680	28,062
46,359	43,562	39,769	33,019	26,731	24,001
3,400	3,400	3,400	3,400	1,559	—
42,959	40,162	36,369	29,619	25,172	24,001
23,652	21,674	19,798	17,654	11,275	6,430
84,594	81,460	75,125	54,184	46,844	41,801
1.25	1.21	1.12	.99	.97	.93
.69	.653	.612	.60	.433	.25
55%	54%	55%	61%	45%	27%
2.46	2.45	2.32	1.81	1.80	1.63
1,070,259	932,821	882,394	736,752	699,954	653,223
284,143	254,218	227,669	167,632	149,212	131,826
786,116	678,603	654,725	569,120	550,742	521,397
137,438	50,427	36,977	36,798	46,731	35,152
963,781	824,311	768,150	675,189	664,999	614,217
546,579	529,758	516,738	499,092	493,404	—
11.0%	11.0%	10.5%	10.0%	9.5%	—
14.0%	14.5%	14.4%	14.2%	14.2%	—
376,393	310,456	317,275	308,037	367,105	386,960
40,000	40,000	40,000	40,000	40,000	—
327,089	297,509	269,183	247,670	190,668	174,332
9.44	8.84	8.26	7.72	7.33	6.78
13.8%	14.2%	14.1%	13.5%	13.8%	14.5%
50.6%	47.9%	50.6%	51.7%	61.4%	68.9%
5.4%	6.2%	6.4%	6.7%	6.7%	—
44.0%	45.9%	43.0%	41.6%	31.9%	31.1%
9 757 496	10 467 364	9 791 490	10 005 393	10 261 958	11 675 489
344,449	369,508	345,649	353,200	362,257	412,156
26 732 869	28 677 710	26 752 727	27 412 029	28 114 928	31 987 627
943,696	1,012,351	944,397	967,671	992,484	1,129,194
38 774 354	37 395 270	32 972 331	33 265 722	33 681 688	36 393 966
1,368,772	1,320,089	1,163,955	1,174,312	1,188,996	1,284,742
36 996 159	36 996 159	36 996 159	36 996 159	36 996 159	36 996 159
1,306,000	1,306,000	1,306,000	1,306,000	1,306,000	1,306,000
2 253	2 253	2 214	2 214	2 211	2 211
1,400	1,400	1,376	1,376	1,374	1,374
1 935	1 593	1 548	1 395	1 278	1 151
1,203	990	962	867	794	715
337 966	333 492	333 492	333 492	329 017	285 021
453,220	447,220	447,220	447,220	441,220	382,220
34,662,834	33,651,045	32,604,651	32,089,857	26,020,200	25,727,931
12,496	9,870	9,677	9,768	9,525	10,225
638	573	508	514	519	515

Corporate Information

Pictured are the members of the Board of Directors:
BACK ROW: J.S. Byrn, C.N.W. Woodward, J.T. Kennedy, A.J. Green, E.M. Lakusta.
FRONT ROW: J. Anderson, W.H. Hopper, E.C. Phillips, D.L. Helliwell.
J. Bell was not available for photograph.

Directors

* **John Anderson**
President and Chief Executive Officer
Westcoast Transmission Company Limited
Vancouver, British Columbia

† **Joel Bell**
President and Chief Executive Officer
Canada Development Investment Corporation
A Crown holding corporation
Ottawa, Ontario

†‡ **James S. Byrn**
Chairman
Schenley Canada Inc.
Distillers
Vancouver, British Columbia

* **Alton J. Green**
Vice President and Northern Pipelines Coordinator
Westcoast Transmission Company Limited
Vancouver, British Columbia

†* **David L. Helliwell**
President
Tractor Holdings Ltd.
An investment holding company
Vancouver, British Columbia

‡* **Wilbert H. Hopper**
Chairman and Chief Executive Officer
Petro-Canada
A Crown energy corporation
Calgary, Alberta

Edward M. Lakusta
President and Chief Operating Officer
Petro-Canada
A Crown energy corporation
Calgary, Alberta

J. Taylor Kennedy
Retired
Montreal, Quebec

Edwin C. Phillips
Chairman
Westcoast Transmission Company Limited
Vancouver, British Columbia

‡ **Charles N. W. Woodward**
Chairman of the Board and Chief Executive Officer
Woodward Stores Limited
Retail merchants
Vancouver, British Columbia

* Executive Committee
† Audit Committee
‡ Compensation Committee

Frank M. McMahon
Chairman Emeritus of the Board
Hamilton, Bermuda

Norman R. Whittall
Honorary Director
Vancouver, British Columbia

Officers

Edwin C. Phillips
Chairman

Wilbert H. Hopper
Vice Chairman

John Anderson
President and Chief Executive Officer

Derek H. Parkinson
Senior Vice President and Chief Financial Officer

Arthur H. Willms
Senior Vice President

William B. Caswell
Vice President, Process

Alton J. Green
Vice President and Northern Pipelines Coordinator

J. Edward Johnson
Vice President, Operations

John A. Kavanagh
Vice President, Engineering

Gordon W. Lade
Vice President, Secretary and General Counsel

Wayne N. Collett
Treasurer

John H. Podmore
Comptroller

Philip G. Griffin
Associate General Counsel and
Assistant Secretary

Joachim W. Castelsky
Assistant Treasurer

Registrars

Common Shares
THE CANADA TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Toronto, Ont., Montreal, P.Q.
CHEMICAL BANK — New York, N.Y.

Preferred Shares
CANADA PERMANENT TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

Bonds
MONTREAL TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Toronto, Ont., Montreal, P.Q. (Series E Bonds are transferable at the Montreal Trust Company Branch in Winnipeg, Man.)

Debentures
Subordinate Debentures:
CITIBANK, N.A. — New York, N.Y.
MONTREAL TRUST COMPANY (co-registrar) —
Vancouver, B.C., Calgary, Alta., Toronto, Ont., Montreal, P.Q.
First Series Debentures:
CANADA PERMANENT TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.
1987, 1993, 1998, 1999 and 2000 Series Debentures:
THE CANADA TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

Transfer Agents

Common Shares
MONTREAL TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Toronto, Ont., Montreal P.Q.
CITIBANK, N.A. — New York, N.Y.

Preferred Shares
THE CANADA TRUST COMPANY —
Vancouver, B.C., Calgary, Alta., Regina, Sask., Winnipeg, Man., Toronto, Ont., Montreal, P.Q.

Auditors

CLARKSON GORDON
P.O. Box 10101, Pacific Centre
700 West Georgia Street, Vancouver, B.C.

Stock Exchanges

Listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada and the New York and Pacific Stock Exchanges in the United States.

Stock Symbol — WTC

Offices

1333 West Georgia Street, Vancouver, B.C. V6E 3K9
140 - 4th Avenue S.W., Calgary, Alberta T2P 3N3

Stock Market Price Ranges

(Common Shares)	New York		Toronto	
	Low	High	Low	High
	(United States Dollars)		(Canadian Dollars)	
January-March 1981	12	12⅞	14½	15⅜
April-June 1981	11⅛	12¾	13½	15⅛
July-September 1981	9⅛	11⅜	10¾	13⅞
October-December 1981	9⅛	11½	10¾	13¾
January-March 1982	9⅞	11⅝	11¾	14⅜
April-June 1982	9⅛	11½	11⅝	14⅛
July-September 1982	9	11½	11¾	14⅜
October-December 1982	10¾	12⅞	13⅜	15½

Earnings and Dividends Paid*

(Common Shares)	1982 Earnings	1982 Dividends	1981 Earnings (restated)	1981 Dividends
January-March	**$0.46**	**$0.26**	$0.43	$0.23
April-June	**0.43**	**0.26**	0.41	0.23
July-September	**0.41**	**0.26**	0.29	0.23
October-December	**0.35**	**0.26**	0.46	0.23
	$1.65	**$1.04**	$1.59	$0.92

*A resident of the United States receiving investment income generated in Canada is subject to withholding tax provisions under the Canadian Income Tax Act and the Canada-United States Tax Convention, 1943.
With certain exceptions, dividends paid by the Company are subject to a withholding tax at a rate of 15%.

Westcoast Transmission Company Limited
1333 West Georgia Street, Vancouver, British Columbia V6E 3K9

DESIGNED AND LITHO'D BY PRICE PRINTING LTD., VANCOUVER, CANADA 29