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**25 Years** Westcoast Transmission  
*of Energy* Company Limited

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**ANNUAL REPORT 1981**

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## Silver Anniversary of Operations

The page one newspaper headline of 25 years ago, shown on the cover, is a vivid reminder that the year 1982 is the Silver Anniversary of the commencement of gas transmission operations by Westcoast Transmission Company Limited. The headline in *The (Vancouver) Province* of October 8, 1957 proclaims that the Westcoast natural gas pipeline is "on flow". Thus this 1981 Annual Report marks a quarter century of service to the west coast of Canada and the United States. To observe this milestone, this 1981 Annual Report is accompanied by a special supplement which chronicles the history and future goals of the Company. We believe you will find it to be a story of unique entrepreneurship, natural resource development and industrial pioneering in the Canadian west.

### The Company

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

The system today has a daily capacity of 42.5 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 B.C., 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 B.C. 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 B.C. It is a co-sponsor of the Alaska Highway Gas Pipeline Project and holds a significant interest 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 B.C., Alberta, the Yukon Territory and the Northwest Territories at present. However, through participation in new projects and through diversification, its operating boundaries and interests are on the brink of significant expansion.

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, 1981 the Company had 13,396 shareholders of record and 96.66 percent of its shares were held by Canadian residents.

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## 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 1981.

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

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



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*" . . . had I not been steadfast in my determination to build a pipeline project that would develop Canada, there would have been little of the present growth in the north country. Vancouver would be dependent either upon United States gas or would be obtaining gas from the tag-end of a United States pipeline serving United States communities with Alberta gas, and British Columbia's present growing oil and gas industry would be virtually non-existent."*

*Frank McMahon  
President  
1957*

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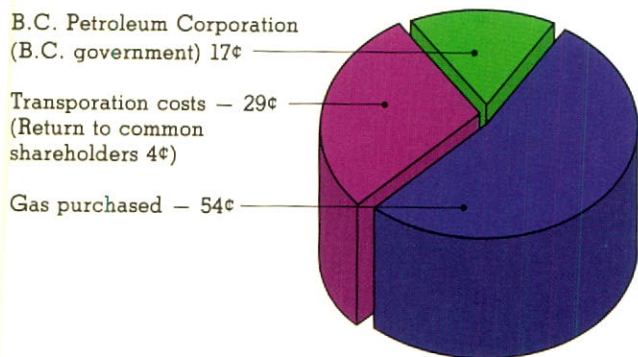
**WESTCOAST TRANSMISSION COMPANY LIMITED**  
**1981 RESULTS IN BRIEF**

FOR THE YEARS ENDED DECEMBER 31

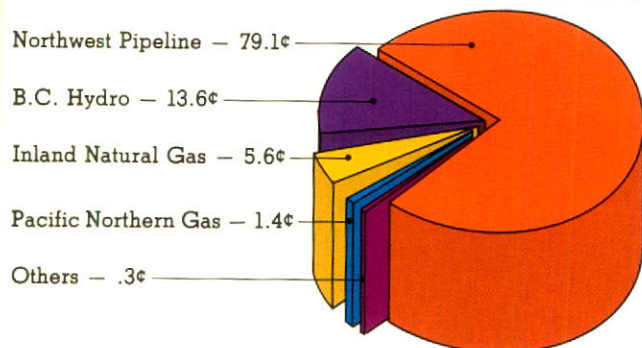
Results in Brief*	1981	1980	1979
<b>Financial</b>			
Total operating revenues	\$1,270,330,000	\$1,217,600,000	\$1,098,649,000
Net income	68,693,000	51,826,000	49,870,000
Net income applicable to common shares	65,551,000	48,661,000	46,471,000
per share	1.67	1.37	1.33
Cash flow	172,699,000	154,931,000	104,977,000
per share	4.40	4.36	3.00
Total assets	1,486,167,000	1,308,541,000	1,148,313,000
Common shareholders' equity	451,745,000	379,819,000	352,353,000
per outstanding share	11.12	10.50	9.95
Common shares — weighted average	39,246,659	35,571,129	35,043,940
<b>Operating</b>			
Total gas sales, Mcf	278,417,000	305,168,000	383,359,000
Total gas sales, 10 <sup>3</sup> m <sup>3</sup>	7 886 955	8 644 756	10 859 747
Average daily sales, Mcf	762,786	833,792	1,050,299
Average daily sales, 10 <sup>3</sup> m <sup>3</sup>	21 608	23 620	29 753
Peak day sales, Mcf	1,412,614	1,392,161	1,406,006
Peak day sales, 10 <sup>3</sup> m <sup>3</sup>	40 016	39 437	39 829

\*Restated to reflect 1981 presentation.

**DISTRIBUTION OF GAS SALES REVENUE DOLLAR**



**SOURCE OF GAS SALES REVENUE DOLLAR**

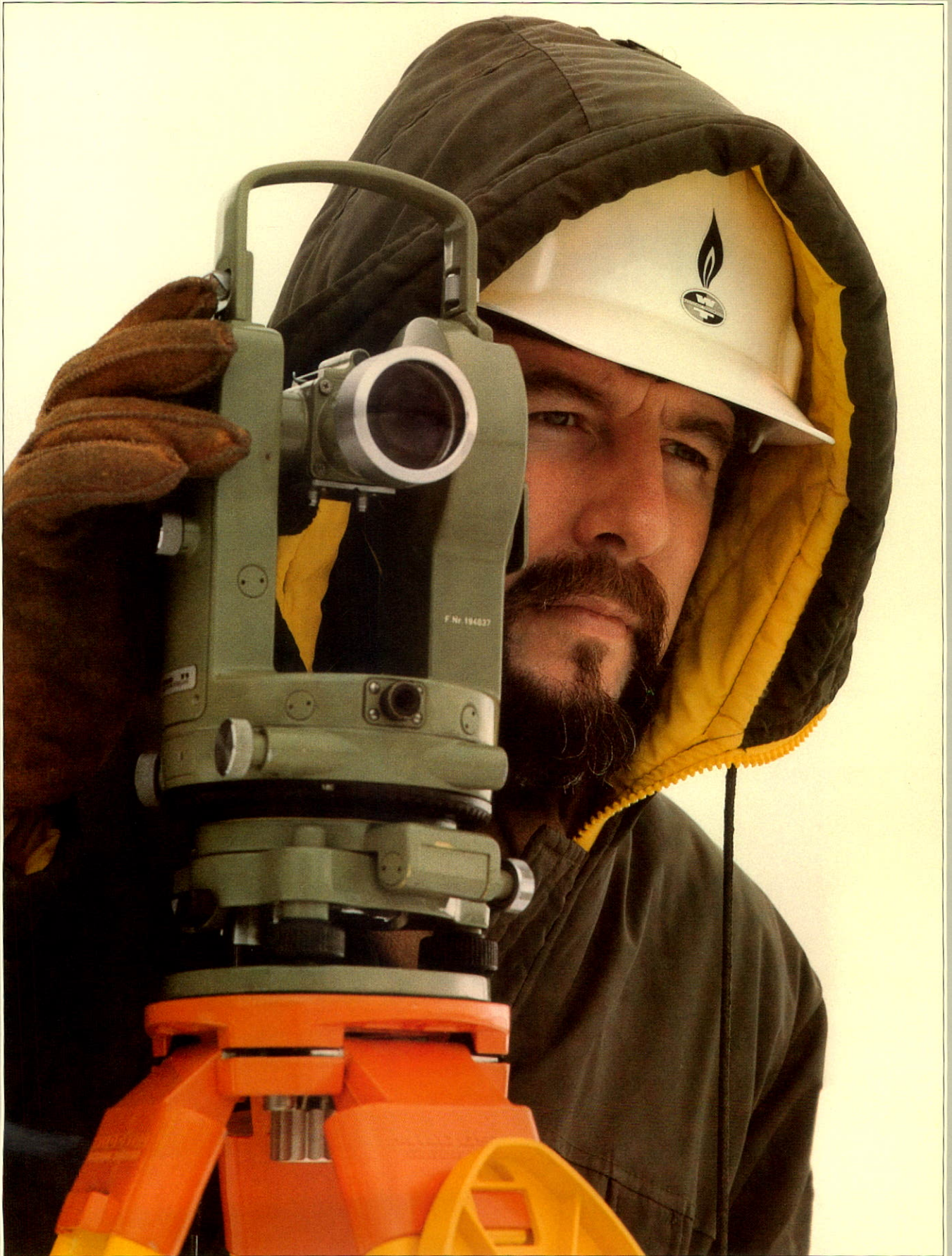


**Units of Measure**

In this Annual Report 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 (at 14.73 pounds per square inch and 60°F)
	10 <sup>3</sup> m <sup>3</sup> means 1000 cubic metres	Mcf means 100 cubic feet
Weight	1 cubic metre of oil	= 6.2898 barrels
	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
Power	1 kilowatt	= 1.341 hp.







Everyone associated with the Company for all or part of its first quarter century is indebted to the founder of Westcoast Transmission, Frank M. McMahon, now Chairman Emeritus. The foresight and determination of this famous petroleum pioneer led to the construction of the first big-inch, natural gas pipeline in Canada and the launching of an energy enterprise of great value to the province and the nation. Thousands of shareholders, employees, gas producers, suppliers and consumers have benefitted directly from the twenty-five year performance of this complex network of a gathering system from the wells, processing units, by-products plants, compressor stations and big-inch pipelines crossing both provincial and international borders.

It is appropriate to recognize our dramatic beginning, which it was; it is certainly acceptable to be proud that our twenty-fifth year established a new profit record, which it did. However, our founder would be the first to agree that serious contemplation of the future is of more compelling interest.

In this regard we have been examining profitable ways to extend the enterprise. Improving and enlarging our basic activity of energy transportation, and making its profitability more secure, obviously remain our first responsibility and priority. Nevertheless, increasing attention is being directed towards our preparedness to exploit a variety of other opportunities that may arise or be generated by our staff planning and economics groups.

It is probable that the geographic horizons of the Company will be stretched into the distance. Equally likely, the scope of activity will not be confined to the production, processing and transmission of natural gas. Previous reports have described projects being studied in this context.

In the meantime, the largest private-sector project in history vaulted over its most difficult hurdle. After four years of delay in the United States Congress, the Alaska Highway Natural Gas Pipeline now has all the necessary political approvals. Some routine regulatory issues are being settled as required and the large task of securing financing for both the United States and Canadian segments is underway.

Canadian gas commenced flowing in October through the Western Leg to California and thus began contributing to the earnings of the Company in 1981. This experience will be magnified in 1982 as a much larger volume of gas is delivered through the Eastern Leg to the U.S. midwest in September.

During the year, L. Merrill Rasmussen resigned from the Board of Directors after six years of meritorious service. This



vacancy was filled by the appointment to the Board of Joel Bell, Executive Vice President of Petro-Canada.

Also during 1981, Arthur H. Willms, formerly Vice President, Supply and Sales, was appointed Senior Vice President. Other officer appointments included William B. Caswell, Vice President, Process; and John H. Podmore, Comptroller.

On February 1, 1982 Derek H. Parkinson was appointed Senior Vice President and Chief Financial Officer. Mr. Parkinson was formerly Senior Vice President — Finance and Planning, MacMillan Bloedel Limited.

The Directors extend their congratulations and thanks to all 829 employees of the Company for personal dedication to their particular tasks and responsibilities. All factors considered, it was a good year!

On behalf of the Board of Directors,

A handwritten signature in gold ink that reads "E.C. Phillips".

E.C. Phillips  
*Chairman and Chief Executive Officer*

Vancouver, British Columbia, Canada.  
March 25, 1982.



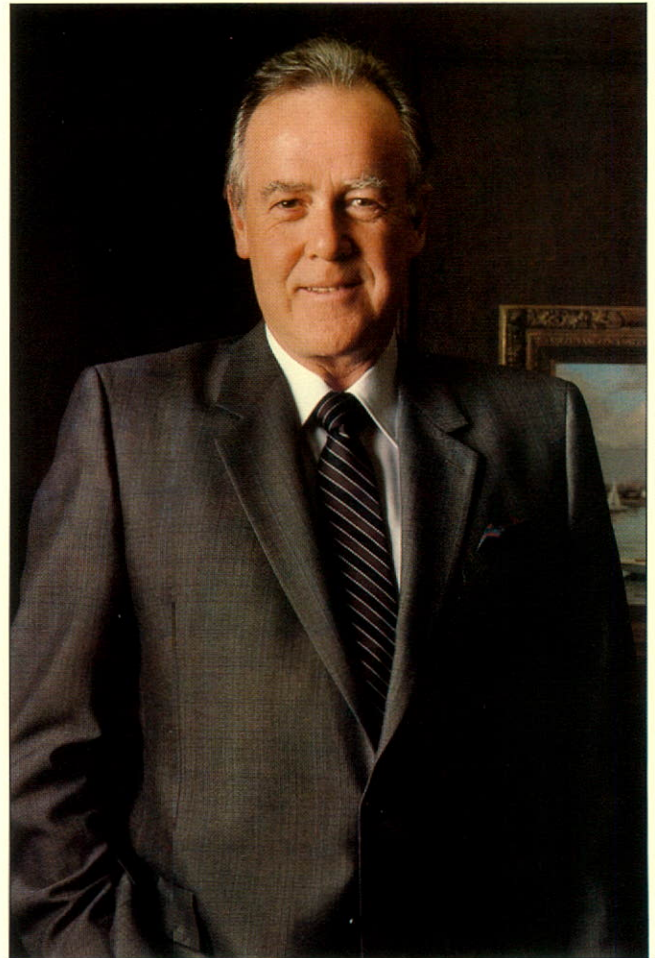
The year 1981 was highlighted by the strong financial performance of the Company. Sales revenues, operating revenues and net income all established new records. The increase in sales revenues resulted from higher sales prices for natural gas in both the domestic and export markets, partially offset by some volume decrease. Operating revenues increased as a result of an increase in rate base from an average of \$706 million in 1980 to \$743 million in 1981 and the decision of the National Energy Board which raised the before-tax return on rate base from 16.94 percent to 17.65 percent, effective January 1, 1981, and to 17.9 percent on August 1, 1981.

There was a disappointing continuation of the erosion of gas sales volume in the United States market. Sales in British Columbia also dropped, due to unusually warm weather in the first and fourth quarters. Total gas sales declined by nine percent to 7 875 million cubic metres (278 billion cubic feet). If the U.S. Federal Energy Regulatory Commission grants approval to Westcoast's export customer, Northwest Pipeline Corporation, to sell an applied-for 8 500 thousand cubic metres (300 million cubic feet) per day to Texas Eastern Transmission Corp., there could be a substantial increase in gas sales commencing late in 1982.

Construction activities on Westcoast's system were relatively modest in 1981, totalling \$65 million, compared with \$102 million in 1980. Major construction in 1982 is expected to be approximately \$111 million.

Several major diversification projects continued to be the focus of considerable activity on the part of our engineering, planning and economics staffs, all in preparation for anticipated regulatory applications in 1982. On December 1, 1981, the Company and its partners filed formal proposals with the British Columbia government seeking approval to proceed with the following previously reported projects: the Rim Gas (LNG) project, the nitrogen-fertilizer complex and the B.C. petrochemical project. A response from the B.C. government is expected in mid-1982.

A new Alberta-based project of outstanding potential was negotiated in 1981, with a formal signing ceremony taking place in Edmonton in December 1981. It is known as the CMS project (for coal-methanol slurry). It links a Canadian consortium with a Japanese consortium of fifteen companies led by Mitsui Mining Company Limited of Tokyo, to conduct feasibility and engineering studies. The Canadian consortium is comprised of Chieftain Development Co. Ltd., Westcoast Transmission Company Limited and the Government of Alberta, each as to a one-third interest. If development of this project reaches its ultimate potential, as



envisioned by the Government of Alberta, the total investment in Canada could reach \$18 billion. Full details of this project are described on page 16 of this report.

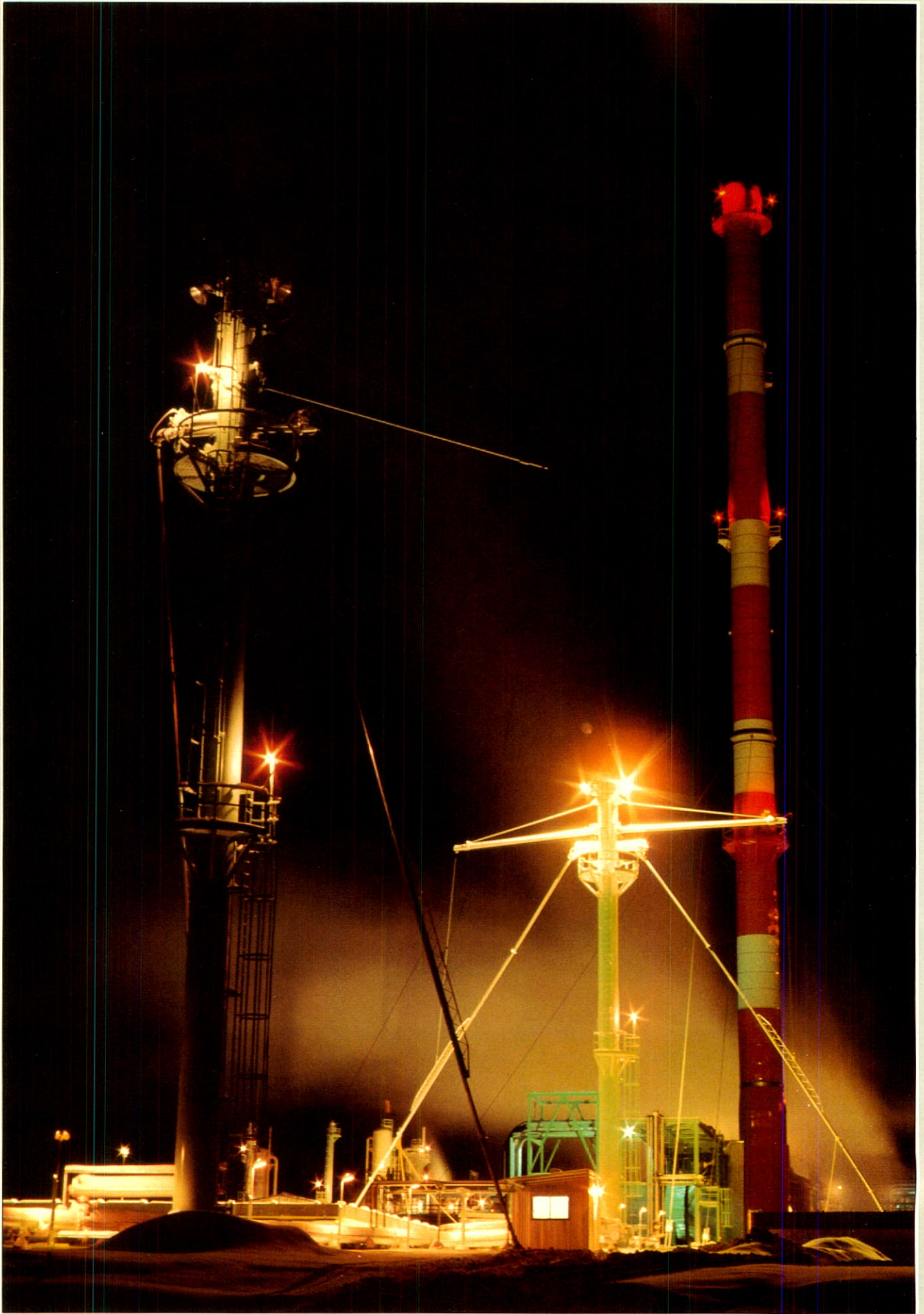
A number of world-scale petrochemical projects will be established in British Columbia in the next few years and Westcoast is strategically positioned to participate in this development. In addition to functioning as a gatherer, processor and transporter of the fertilizer and petrochemical feedstocks for the projects ultimately approved, the Company will also be a partner in those manufacturing plants which form part of its previously announced joint-venture proposals.

The year 1982 marks the twenty-fifth anniversary of the commencement of gas deliveries from the Peace River area of Alberta and British Columbia to the B.C. lower mainland and to the U.S. Pacific Northwest. This anniversary year holds special promise for Westcoast. With a major construction program scheduled for the year, the Alaska Highway Gas Pipeline Project steadily advancing and with the possibility that one or more of the megaprojects in which the Company is involved may receive the "go-ahead," 1982 will rank among the most significant years in the Company's history and will provide an exciting beginning for our next 25 years.

A handwritten signature in gold ink that reads "John Anderson".

John Anderson  
President





*Pine River Gas Processing Plant*



## Financial Results

The year 1981 saw the achievement of new records in virtually every phase of Westcoast's operations. Consolidated operations resulted in increases in total revenue, operating revenues, net income, net income per common share and in cash flow. It was the eleventh consecutive year these key indicators increased to establish record levels. The financial results were particularly encouraging because they continued to show growth in a year when many sectors of the Canadian economy were adversely affected by a recessionary trend.

Net income during the year under review was \$68,693,000, a 33 percent increase from \$51,826,000 in the previous year. After provision for preferred share dividends, net income per common share increased to \$1.67 from \$1.37 in 1980. Dividends paid were 92 cents per common share compared with 80 cents a year earlier. Total operating revenues were \$1,270,330,000, a \$53,000,000 increase from 1980. Cash flow from operations increased 12 percent to \$172,699,000 from \$154,931,000 in 1980.

### Rate of Return, Rate Base Increase

The improvement in earnings resulted in part from a National Energy Board decision which increased the rate of return on the Company's utility rate base from 16.94 percent to 17.65 percent on January 1, 1981 and, subsequently, to 17.9 percent on August 1, 1981. These new rates of return were designed to give the Company an after-tax return on equity of 15 percent, up from the allowed rate of return of 14.25 percent in 1980.

A higher rate base, which averaged \$743 million in 1981 compared with \$706 million in 1980, also contributed to the earnings increase. The increase in rate base was primarily due to a \$65 million addition to plant in service during the year under review. Other income which resulted from the Company's investment in the Alaska Highway Gas Pipeline Project contributed \$16,678,000 to earnings principally as the result of allowance for funds used during construction.

The increase in total revenues was due to higher sales prices for natural gas in both domestic and export markets, partially offset by some volume decreases.

On the cost side, a substantial increase in the property tax assessment on the Company's mainline occurred. In consequence, property taxes advanced in 1981 to \$28,932,000 from \$17,592,000 in the previous year, a 64 percent rise. The first full year of the application of the natural gas tax resulted in a levy of \$35,752,000 compared with \$880,000 for the partial year of application in 1980.

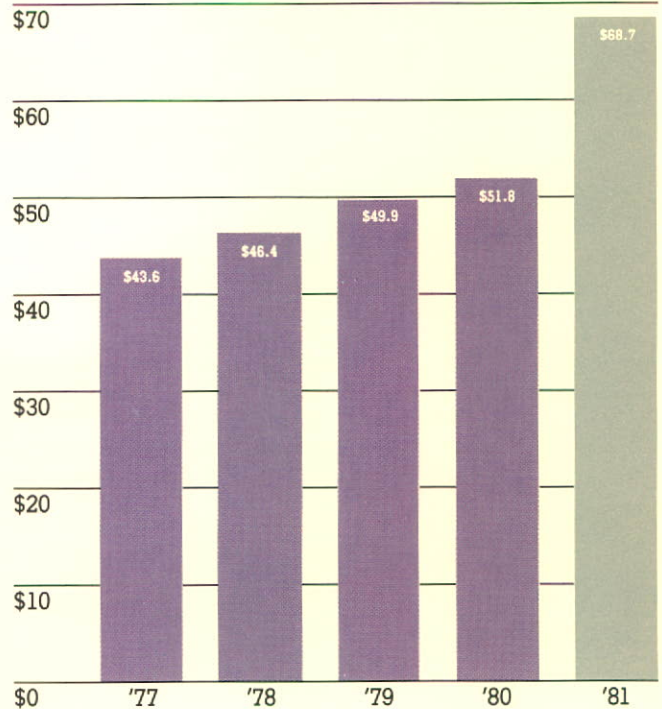
### Fourth Quarter Earnings Improve

Net income for the fourth quarter was \$20,032,000, an increase from \$14,421,000 in the corresponding quarter in 1980 and earnings per common share rose to 48 cents from 38 cents in the last quarter a year earlier.

	Jan/Mar	Apr/June	July/Sept	Oct/Dec
Net income before preferred shares \$000	\$ 16,712	\$ 16,951	\$ 14,998	\$ 20,032
Earnings per common share	43¢	41¢	35¢	48¢
Consolidated operating revenue \$000	\$371,903	\$274,386	\$259,147	\$364,894

In 1981 the Company received from Foothills Pipe Lines (Yukon) Ltd. common shares valued at \$31,886,000 for its investment in Phase I of the Alaska Highway Gas Pipeline

## NET INCOME (In Millions)



## \*CASH FLOW (In Millions)



\*Restated to reflect 1981 presentation.



Project and \$73,060,000 in preferred shares for its investment in Phase II of the project. Continued investments in both phases of the project, which will transport Alaskan gas to the lower 48 states, will be in the form of common and preferred share purchases.

#### Common Shares Issued

The total number of Company shares outstanding in 1981 was 40,614,998 compared with 36,189,581 a year earlier. During 1981, 4,058,217 shares were issued on the exercise of warrants and 367,200 shares were issued pursuant to the exercise of employee options.

#### Capitalization Adjusted

The Company's capital in 1981 was comprised of debt of 55 percent, preferred shares of 3 percent and common shareholders' equity of 42 percent. This compares to the 1980 capitalization of 56 percent debt, 4 percent preferred shares and 40 percent common shareholders' equity. Two major items which affected the capitalization of the Company in 1981 were increased debt of approximately \$66 million as the result of the Company's proportionate share of Foothills Phase I financing and approximately \$40 million in common shares issued as the result of share purchase warrants being exercised, as mentioned above.

#### Cost-of-Service

As it has for a number of years, the Company operated in 1981 pursuant to a cost-of-service tariff regulated by the National Energy Board (NEB) and under a gas purchase agreement with the British Columbia Petroleum Corporation (BCPC). Under the terms of the agreement the Company purchases British Columbia natural gas from the BCPC at the wellhead. After gathering, processing and transporting the gas, the Company sells it to distributors in the province and to its export customer in the United States. B.C. gas is augmented with purchases by the Company from Alberta, the Yukon Territory and the Northwest Territories. B.C. gas constituted about 84 percent of Westcoast's total supply in 1981.

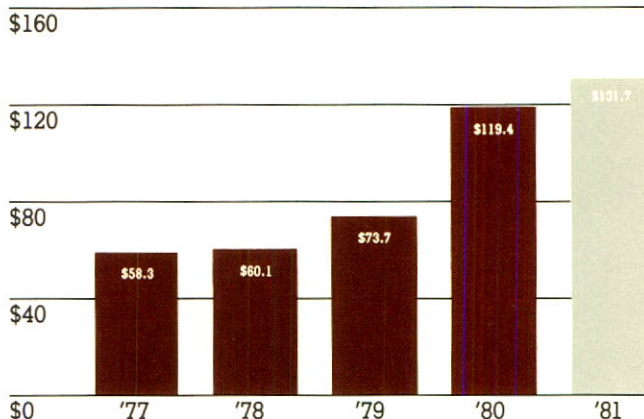
Westcoast pays for all B.C. gas by remitting to the BCPC the gross sales revenue received from sale of that gas after deducting the Company's costs and the rate of return on rate base allowed by the NEB which includes a provision for the recovery of income taxes. The costs included are operating, maintenance and administrative expenses, depreciation and taxes other than income taxes. The rate base consists essentially of Westcoast's investment in utility plant, property and equipment.

#### Gas Sales and Supply

Total sales of gas in 1981 were 7 887 million cubic metres (278 billion cubic feet) down from 8 645 million cubic metres (305 billion cubic feet) in the previous year. Sales declined in both the export and domestic markets. Deliveries to Canadian utility customers were 4 082 million cubic metres (144 billion cubic feet) compared with 4 268 million cubic metres (151 billion cubic feet) in 1980. Sales to the export customer, Northwest Pipeline Corporation, were down 13 percent, to 3 805 million cubic metres (134 billion cubic feet) from 4 376 million cubic metres (154 billion cubic feet) in the previous year.

The deterioration in exports occurred mainly in the early part of the year and was due to depressed economic activity in the U.S. and the high price of Canadian gas at the border.

#### DOLLAR RETURN ON UTILITY RATE BASE (In Millions)



The price, approximately \$4.94 U.S. per 28.3 cubic metres (1000 cubic feet), was established on April 1, 1981 and the gas industry in the U.S. west tended to replace Canadian gas with lower-priced U.S. gas. There was a slight rise in export sales in the second half of the year.

#### Domestic Sales Drop Slightly

Sales to British Columbia Hydro and Power Authority in 1981 were 2 408 million cubic metres (85 billion cubic feet), a small reduction from 2 533 million cubic metres (89.4 billion cubic feet) in 1980. Purchases by Inland Natural Gas Co. Ltd. were 1 232 million cubic metres (43.5 billion cubic feet), slightly lower than 1980 sales of 1 292 million cubic metres (45.6 billion cubic feet). Sales to Pacific Northern Gas totalled 329 million cubic metres (11.6 billion cubic feet) which is virtually the same volume as a year earlier.

The decline was due mainly to a prolonged strike in the B.C. forest industry which reduced industrial sales. As well, the weather was warmer than normal in the early months of the year.

#### Quarterly Sales Volumes

Jan/Mar	Apr/June	July/Sept	Oct/Dec
2 548 million cubic metres (89.9 billion cubic feet)	1 713 million cubic metres (60.5 billion cubic feet)	1 377 million cubic metres (48.6 billion cubic feet)	2 249 million cubic metres (79.4 billion cubic feet)

#### Gas Reserves Rise

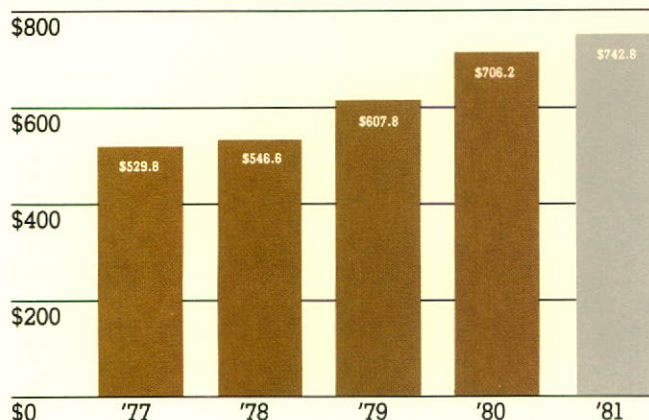
Gas reserves in the Company's supply areas continued to increase during 1981 and stood at 255 billion cubic metres (9.0 trillion cubic feet) at January 1, 1982, an increase from 238 billion cubic metres (8.4 trillion cubic feet) a year earlier. This constitutes further evidence that reserves are sufficient to support the Company's domestic requirements and export commitments as well as new gas-using projects which the Company and its associates have proposed for B.C. In addition to the reserves noted above, Alberta gas is available to Westcoast in large volume under contract.

#### Domestic Gas Prices Raised

In July 1981 the British Columbia Ministry of Energy, Mines and Petroleum Resources announced increases in both field and wholesale prices of B.C. gas, effective August 1, 1981. Westcoast was directed to raise its wholesale prices to B.C. Hydro and Power Authority to an average of \$1.95 per 28.3 cubic metres (1000 cubic feet) from \$1.22; to Inland Natural Gas Co. Ltd., to \$1.58 from \$1.12; and to Pacific Northern Gas Ltd., to \$1.51 from \$1.07. The price increases did not affect the Company's earnings because under the Company's



## AVERAGE UTILITY RATE BASE (In Millions)



cost-of-service tariff all of the additional revenue accrued to the BCPC.

Producer prices per 28.3 cubic metres (1000 cubic feet) were raised to \$1.32 from 94 cents for "old gas"; that is, gas discovered before November 1973; and \$1.67 from \$1.19 for "new gas".

### New Sales Expected

Westcoast anticipates an increase in sales to the United States beginning in late 1982. This will result from increased demand by the Company's export customer, Northwest Pipeline Corporation, and an agreement which Westcoast initiated in 1981 and expects to conclude in 1982. The Company's sales agreement with Northwest Pipeline was amended to raise the export contract demand for Canadian gas to 24.6 million cubic metres (869.2 million cubic feet) a day from 22.9 million cubic metres (809.2 million cubic feet) a day beginning November 1, 1982.

The amendment includes a "take-or-pay" provision, under which the export customer must pay for 65 percent of authorized gas under Gas Licence-41 whether or not it is able to take the gas. The "take-or-pay" requirement will remain at that level until October 31, 1985, continuing beyond that date if the NEB extends Westcoast's export

licence beyond 1989, the final year of the licence. It is the first time a "take-or-pay" arrangement has been included in the terms of the export contract.

The "take-or-pay" arrangement is conditional on Northwest Pipeline receiving the approval of the U.S. Federal Energy Regulatory Commission (FERC) to make a firm sale of 8 498 thousand cubic metres (300 million cubic feet) a day to Texas Eastern Transmission Corporation.

### Energy Hearings Scheduled

During 1981 the National Energy Board released a report entitled "Canadian Energy Needs", which covered the period from 1980 to 2000. The NEB's finding, using current test criteria, was that Canada did not have gas surplus to Canadian requirements — other than exports already authorized — and hence there was no gas available for additional exports. Subsequently, however, the NEB gave notice of an Omnibus Hearing on exports which will begin in March 1982. It is expected to continue almost to the end of the year. One question which will be addressed at the hearing is whether the tests now used to determine a surplus should be modified.

### NEB Applications to be Filed

The Company will be before the Board in 1982 with at least two applications. As a participant in the Rim Gas Project, Westcoast will be seeking a licence to export liquefied natural gas (LNG) from British Columbia to Japan. In another application, the Company will apply to extend its pipeline exports to Northwest Pipeline under Gas Licence-41. Proposals seeking the approval of these licence applications by the government of B.C. were filed in December 1981 and their approval is awaited.

### B.C. Orders Gas Inquiry

In January 1982 the provincial government began an inquiry to determine whether the province has a gas reserve surplus to its long-term requirements. The respected energy expert, Dr. George Govier, is conducting the one-commissioner inquiry. The hearing is expected to be completed in the spring of 1982 and it will determine the amount of gas which may be available for a number of proposed gas-use projects in B.C. The Company is a participant in three proposed projects to upgrade natural gas, namely nitrogen-fertilizer, petrochemical and LNG complexes. These are described later in this report.



New Office — Fort Nelson Gas Processing Plant



**Construction and Operations**

Capital expenditures on the utility system during the year totalled \$65 million, a relatively modest level in relation to recent years and the construction program scheduled for 1982. After depreciation and retirements, this amount resulted in a net increase of \$27 million to the Company's investment in plant at year end. Construction activity in 1982 will step up to approximately \$111 million.

Three sections of the mainline, totalling 37 kilometres (23 miles) were looped with 914.4-millimetre (36-inch) pipe, this being the last part of an \$18.8 million looping program begun in 1980. New, fuel-efficient turbines were installed at three compressor stations at a cost of \$14.6 million. A third major project completed in 1981 was the \$12 million expansion to the Taylor sulphur plant. Major improvements were started at the Fort Nelson sulphur recovery plant which will increase sulphur production from 357 tonnes to 553 tonnes per day.

Minor capital projects during the year included completion of the Fort St. John office complex and the Fort Nelson area headquarters, as well as the Fort Nelson maintenance shop and warehouse addition. Additions to compressor capacity were made at the Stoddard and Rigel stations.

Operation of the Pine River processing plant, near Chetwynd, was interrupted during the year due to problems experienced by gas producers and because of difficulties with the Grizzly gathering pipeline. Considerable pipe replacement will be required on this gathering line in 1982 and the necessary application has been made to the National Energy Board. Local corrosion problems necessitated replacement of approximately 610 meters (2,000 feet) of

508- and 610-millimetre (20- and 24-inch) pipe in the Pine Pass region in 1981.

Under contract to Pacific Northern Gas Ltd., Westcoast assisted in the expansion of that company's system. This \$39.5 million project involved the looping of approximately 55 kilometres (34 miles) with 304.8-millimetre (12-inch) pipe and 55 kilometres (34 miles) with 254.0-millimetre (10-inch) pipe. The expanded system also required the construction of two new compressor stations and the addition of capacity at two other existing stations.

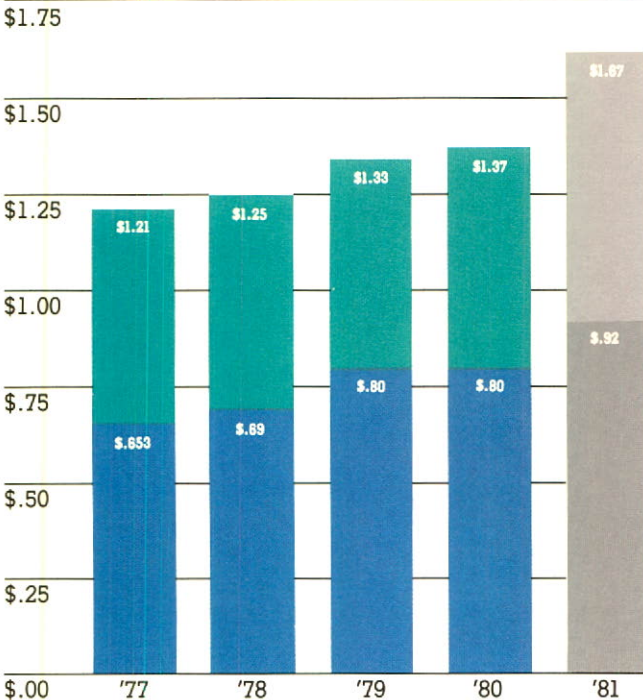
**Peak Day Record Sales Recorded**

The pipeline system continues to operate most satisfactorily. In fact, the integrity of the system, the availability of gas supply and the capability of the system to deliver large volumes were amply illustrated in early January 1982 when daily sales exceeded previous levels for five consecutive days. On January 8, 1982 a new record peak day sales volume of 40.7 million cubic metres (1,438 million cubic feet) was set. The previous record of 40 million cubic metres (1,412 million cubic feet) was set on February 9, 1981.

**Fuel Savings Achieved**

The Company achieved remarkable fuel gas savings in pipeline operations during the year under review, confirming the soundness of programs to loop sections of the mainline in recent years and to replace older compressor units in 1980 and 1981 with modern, fuel-efficient turbine compressors. Total gas throughput in 1981 was down 8.8 percent from 1980, while in comparison a 46 percent saving in compressor fuel consumed was recorded in 1981 over the previous year.

**EARNINGS PER COMMON SHARE & DIVIDENDS PAID PER COMMON SHARE**



**Human Resources**

Westcoast is keenly conscious of the responsibilities of employees and management, each to the other, and of their interdependence. To this end, the Company conducts a number of programs which are designed to upgrade employees' performance and improve their opportunities for advancement, enhance management skills and to financially assist employees and their dependents in furthering their education.

Through provincial government apprenticeship programs, Westcoast encourages and sponsors employees in transmission and process operations in various training courses, with emphasis on trades where labour shortages have been experienced. Particular attention is paid to millwrights, welders, industrial electricians and industrial instrumentation personnel.

Many employees take advantage of the Company's Educational Assistance Program by enrolling in training and development courses which aid them directly in their on-the-job duties. These courses range from gas distribution and gas utilization to electrical technology, accounting and business law.

It was the most active year on record for the Student Loan Program which has provided financial assistance to many dependents of employees over the years. Each year a number are forgiven the tuition portion of their loan for having achieved an 80 percent average or better in their courses.

Four collective agreements were negotiated during the year, all of which will expire in early 1983. Relations with organized employees continue to be harmonious.

The total number of permanent employees was 829 at December 31, 1981 compared with 772 a year earlier.







## Subsidiary Companies

### Westcoast Petroleum Ltd.

**W**estcoast Petroleum, a subsidiary of the Company, had net income of \$6.7 million or \$1.02 a common share in 1981, compared with \$8.8 million or \$1.36 per common share in the previous year. Cash flow was down to \$20.3 million from \$24.2 million. Revenue after deduction of royalties increased from \$33.7 million to \$39.3 million.

The Company owns 3,843,250 or 58.3 percent of the outstanding common shares of Westcoast Petroleum, which operates an 812-kilometre (505-mile) pipeline in British Columbia and is engaged in oil and gas exploration and production.

The National Energy Program (NEP) affected the Company's financial results in 1981. The Petroleum and Gas Revenue Tax, which amounted to \$3.19 million, and an increase in current income tax liability were responsible for the decline in earnings and cash flow from operations. However, the Company benefitted from Petroleum Incentive Program grants of \$4.14 million raising total cash available – cash flow from operations plus government grants – from \$24.2 million in 1980 to \$24.5 million in 1981. The Company also will qualify for the full increase of the Alberta Small Explorer's Credit from \$1 million to \$2 million per year. Oil sales rose 20 percent to a record 2,871 barrels a day; gas sales declined to 869,660 cubic metres (30.7 million cubic feet) from 909,300 cubic metres (32.1 million cubic feet).

The Company participated in the drilling of 22 exploratory and 40 development wells during the year and also had an interest in 40 wells drilled by others at no cost to the company, resulting in 36 gas well completions and 23 oil well completions.

At December 31, 1981 Westcoast Petroleum had proved and probable reserves of crude oil and liquids totalling 1 846 thousand cubic metres (11,608,000 barrels) and proved and probable natural gas reserves of 12881 million cubic metres (454.7 billion cubic feet). Its interests include potential oil and gas lands in western Canada, the Yukon Territory, the Northwest Territories, the Arctic Islands and the United States.

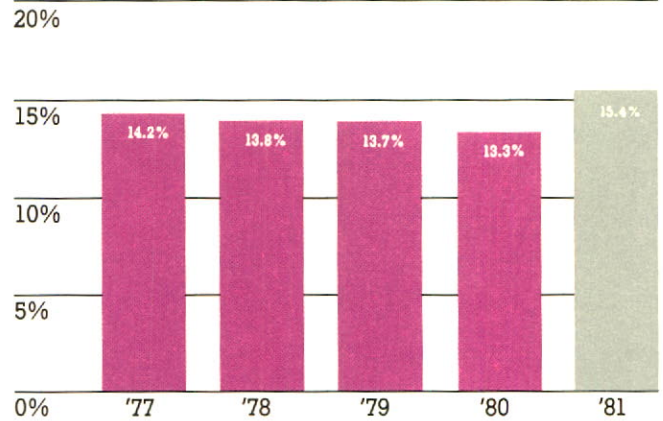
### Pacific Northern Gas Ltd.

The Company owns 45 percent of the common shares of Pacific Northern Gas Ltd. (PNG) including all of the voting shares. PNG operates 864 kilometres (536 miles) of transmission and distribution lines and distributes natural gas to communities in west-central British Columbia.

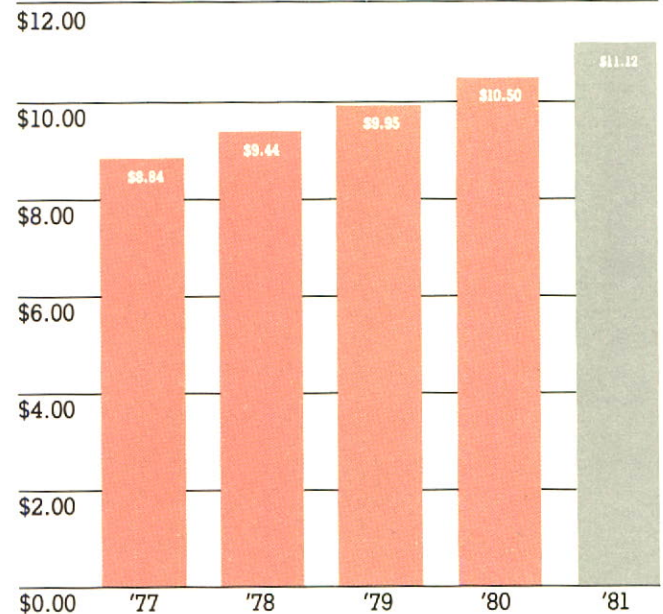
PNG reported net earnings of \$3,364,000 in 1981, an increase of 54 percent from \$2,190,000 in the previous year. After provision for preferred share dividends, earnings per common share were \$1.89, a 63 percent increase from \$1.16 in 1980. Revenue from gas sales increased to \$32,612,000 from \$23,297,000. Funds generated from operations were \$8,469,000 or \$5.29 per share compared with \$4,282,000 or \$2.68 per share a year earlier. Dividends of \$1,040,000 or 65 cents per share were paid to common shareholders in 1981 compared with \$400,000 or 25 cents per share in 1980. The regular dividend on preferred shares was \$338,000.

PNG is engaged in a major expansion which will double the capacity of its pipeline system to serve a new world-scale methanol plant at Kitimat which will come on stream in 1982. The construction work involves looping of sections of the mainline and the installation of new turbine compressors. Plant in service at December 31, 1981 of \$41 million will rise to \$85 million by the end of 1982.

## RETURN ON AVERAGE COMMON SHAREHOLDERS' EQUITY



## \*SHAREHOLDERS' EQUITY PER COMMON SHARE



\*Restated to reflect a prior period adjustment

### Saratoga Processing Company Limited

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

Saratoga had net income in 1981 of \$529,000 or \$1.06 per common share compared with \$356,000 or 71 cents per common share in the previous year. Operating revenues amounted to \$4,708,000, an increase of 16 percent from \$4,069,000.

At the end of 1981 Saratoga owned and operated both a natural gas gathering and processing system and a sulphur extraction plant near Coleman, Alberta. The system has a daily capacity of 1 473 thousand cubic metres (52 million cubic feet) of raw natural gas and it processes Westcoast gas and other gas for sale in southeastern British Columbia and the United States.

At the end of the year Saratoga reached a fee-processing agreement with gas producers, under which it continues to operate its process plant, and the company also sold its gathering system to a group of producers.



## Alaska Highway Gas Pipeline Project

It was another eventful year in the progress of the Alaska Highway Gas Pipeline Project. The first Alberta gas flowed through the Western Leg to the California market; construction began on the Eastern Leg of Phase I of the pipeline which will transport Alaskan gas to the lower 48 states; Westcoast earned its first return on its investment in the project; and the United States Congress approved changes to existing legislation which will facilitate financing of the pipeline to completion. Westcoast has a 50 percent interest in Foothills Pipe Lines (Yukon) Ltd. (Foothills), the builder of the Canadian segment of the line. NOVA, an Alberta Corporation, holds the other 50 percent.

### Construction Proceeding

The Western Leg of Phase I of the pipeline from Caroline, Alberta, to Kingsgate, British Columbia, and from Kingsgate to Stanfield, Oregon in the U.S. was completed early in 1981, on schedule and within budget. Alberta gas began flowing in that pipeline to the U.S. on October 1, 1981 at the design rate of 6.8 million cubic metres (240 million cubic feet) per day. With that delivery of gas, Westcoast received the first return on its investment.

Construction of the Eastern Leg of Phase I from Caroline to Monchy, Saskatchewan in Canada, and from Monchy to Ventura, Iowa began early in 1981 and was approximately 70 percent complete by year-end as scheduled, and within budget. The remainder will be completed in 1982 and is scheduled to go on stream with Alberta gas in September 1982, with a peak day flow of 28 million cubic metres (one billion cubic feet). At this point Westcoast's revenue will appreciably increase. The cost of the Canadian Phase I (previously known as the "prebuild") will be approximately \$1 billion. Phase II of the project in Canada involves construction of the large-diameter 1422-millimetre (56-inch) pipeline north from Caroline, across northeastern B.C., following the Alaska Highway through the Yukon Territory to the Alaskan border. A U.S. consortium will build the pipeline from that point to Prudhoe Bay, the source of the Alaskan gas.

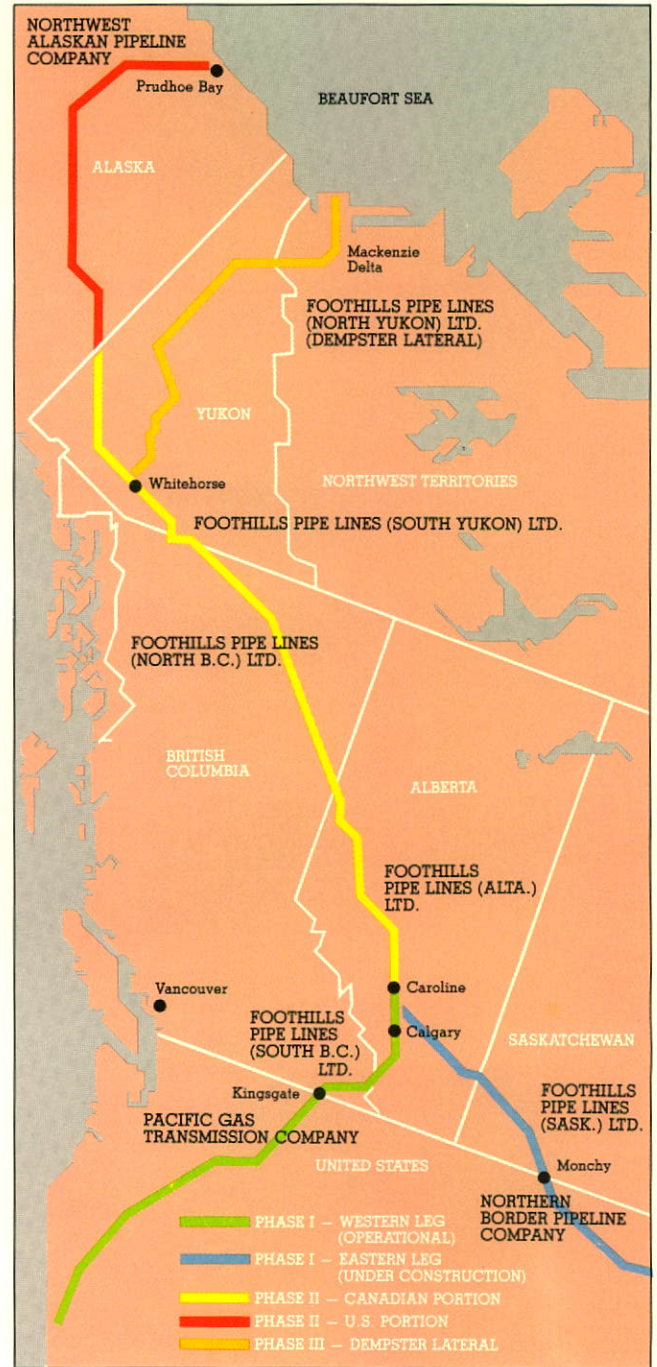
### Congress Approves Waivers

Preparatory events for construction of Phase II came in rapid succession in late 1981. After extensive negotiations between the U.S. sponsors of the pipeline and the Administration in Washington, D.C., a package of proposals seeking waivers of law to the Alaska Natural Gas Transportation Act of 1976 (ANGTA) was developed. On October 15, 1981 President Reagan formally submitted the waiver package to Congress and asked for its expeditious approval. After Congressional hearings the U.S. Senate passed the waiver package and this was followed by the House of Representatives' approval.

President Reagan signed the waiver package approved by Congress into law on December 15, 1981, thus clearing the way for financing of the project in the U.S.

### Waivers Assist Financing

There were three important waivers of law which will assist in financing the project. The first allows the Alaskan gas producers, Exxon, Sohio and Arco, to hold equity in the project, a participation previously prohibited by the ANGTA. A second waiver provides for inclusion of the large and costly gas-conditioning plant at Prudhoe Bay in the Alaskan portion of the pipeline project. The third significant waiver permits the pipeline companies to commence billing and collect tariff on each of three segments of the project



upon the completion of the individual segment, rather than waiting for completion of the entire project as U.S. law had previously required. The three segments are the conditioning plant, the Alaskan section of the pipeline and the Canadian portion of the line. Foothills, for example, will begin collecting its full cost-of-service on the later of two dates — the date on which the project is ready for service or on a "date certain", still to be established by U.S. authorities. Commencement of Canadian billing will not depend on the status of U.S. construction of the Alaskan section or the conditioning plant. The "date certain" will be set by the U.S. Federal Energy Regulatory Commission (FERC) in consultation with the Office of the Federal Inspector, the equivalent of Canada's Northern Pipeline Agency, which supervises the project in this country.



### Financing Plans Underway

The ten U.S. companies sponsoring the project and the north slope producers will decide the proportion of equity which each will invest in the Alaskan section of the pipeline and the process plant. At the time the waiver package was approved by Congress an interim agreement provided for the sponsors to own 70 percent equity and the producers to own the remaining 30 percent equity.

The sponsoring companies also are now holding discussions with financial institutions in the U.S. and abroad with respect to the debt financing. When a financing plan has been arranged it will be submitted to FERC for final certification, which may be forthcoming by mid-1982.

If FERC final certification is received by mid-1982, construction of Phase II will begin in the winter of 1983-84 and the pipeline will be ready to deliver Alaskan gas in the 1986-87 heating season. A certification delay beyond mid-1982, however, would postpone gas delivery to the fall of 1987.

### NEB Approval Required

Coincident with the application to FERC in the U.S., Foothills will apply to the National Energy Board for approval of its financing plan. Foothills will seek its financing in Canada, the U.S., and abroad. The U.S. regulatory delays, primarily associated with matters relating to design and financing of the Alaskan portion of the projects, have caused rescheduling of the project from late 1985 to the winter of 1986-87. The effect of these delays, inflation and other factors have resulted in the estimated cost of the Canadian portion of Phase II to be revised to approximately \$17 billion in Canadian dollars at the time of completion.

### Foothills Confident of Success

At the end of 1981, Foothills had a staff of approximately 600 engaged in the planning of Phase II and supervising the construction of Phase I of the Canadian segment of the pipeline. Approval of the waiver package by the U.S. Congress removed the last political obstacle to the massive Alaska Highway natural gas pipeline, the Canadian government having previously approved and given its full support to the project. Westcoast and NOVA are confident that, in view of the enormous strides which have been taken, financing will take place this year.

### Foothills Oil Pipe Line

Foothills Oil Pipe Line Ltd., in which Westcoast and NOVA share equal ownership, recently reiterated its position that it does not believe a system to transport Alaskan oil to the lower 48 United States is needed at this time, however, it will reactivate its overland pipeline proposal if the need arises. Trans Mountain Pipe Line Co. Ltd. of Vancouver has withdrawn its proposal for a tanker-pipeline route and Northern Tier Pipeline Co., a U.S. consortium, is the only other group in contention.

### Vancouver Island Pipeline

The government of British Columbia has announced that there will be public hearings on competing proposals for the long-planned gas pipeline to Vancouver Island. The hearings before the B.C. Utilities Commission (BCUC) are expected to begin in mid-1982. Westcoast has made a project proposal and is awaiting the terms of reference for the hearings to determine the form of the application.

Westcoast proposes a northern route from its mainline at Williams Lake, to Squamish and Powell River on the coast, and twin pipelines under the Strait of Georgia from Powell River to Comox on Vancouver Island. B.C. Hydro and Power Authority proposes a southern route from the terminus of its pipeline in the lower mainland, under the Strait, across the Gulf Islands to a point near Nanaimo.

If the Company's proposal is selected, application will be made to the National Energy Board for the necessary federal approvals.

### Diversification Projects

#### Nitrogen-Fertilizer Complex

Westcoast is a member of a consortium which in late 1981 submitted to the provincial government a project proposal for a nitrogen-fertilizer complex at a B.C. coastal site. Powell River is the preferred location. The world-scale facility would include a plant with daily capacity of 1 600 tonnes of ammonia, a second plant with daily capacity of 1 600 tonnes of urea, a shipping terminal and storage area. Depending on an early and favourable decision by the provincial government, the complex could be in production by the third quarter of 1985. Its raw material or feedstock requirement would be 1 728 thousand cubic metres (61 million cubic feet) a day of B.C. natural gas.

The market for the products would be the Pacific Basin, primarily the U.S. west coast. Estimated project cost is \$675 million, on the assumption construction would be completed by the third quarter of 1985.

Westcoast's partners are British Columbia Resources Investment Corporation of Vancouver, Chieftain Development Co. Ltd. of Alberta and Union Chemicals Division of Union Oil Company of California. Each of the four partners will have an equal share in the project. In view of Union Oil's extensive U.S. and international marketing and distribution system, it will have responsibility for marketing outside Canada. Westcoast would have operating responsibility on behalf of the partnership.

The choice of Powell River as the preferred site is contingent upon the provincial government's selection of the Westcoast northern route for the Vancouver Island pipeline.

#### B.C. Petrochemical Project

In concert with two Canadian and four Japanese companies, Westcoast filed a proposal with the British Columbia government in late 1981 for the construction of a large petrochemical complex in the province. The companies would construct an extraction plant in the Fort St. John-Chetwynd area, and an ethylene manufacturing plant, plus three downstream petrochemical plants at a site yet to be selected. The lower mainland and Prince Rupert are being considered as sites for the latter plants. The extraction plant would remove and separate natural gas liquids from the raw gas stream taken from the Westcoast mainline and the coastal





*Fort Nelson Gas Processing Plant*



plants would upgrade the liquids and other raw materials to produce petrochemicals.

The Company's partners in the project are Canadian Occidental Petroleum Ltd., Dome Petroleum Ltd., Mitsubishi Chemical Industries Limited, Mitsubishi Petrochemical Company Limited, Mitsubishi Corporation and Asahi Glass Co. Ltd. The products would be marketed in Japan, southeast Asia, the western United States and British Columbia.

An Energy Project Certificate will be required from the provincial government; and final decisions are required as to the products which will be manufactured and location of the plants.

#### Coal-Methanol-Slurry Project

In 1981 Westcoast became a member of one of two groups which jointly are examining yet another energy project with immense potential. The broad concept is 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. The mixture could be used directly as a fuel or the coal and methanol could be separated at destination. The feasibility of exporting methanol alone as a short first phase of the project, followed closely by the transport of slurry, is also being evaluated. Although methanol will at first be manufactured from natural gas, conversion to production from coal could come at a later date.

Chieftain Development Co. Ltd., Westcoast and the Alberta government are equal partners in the Canadian group engaged in the project. The second group consists of 15 Japanese companies represented by Mitsui Mining Company Limited. (The Japanese companies are involved in the transportation of coal and its utilization, mining, petrochemicals, ship building, construction, steel manufacturing and automobile production).

A preliminary feasibility study, primarily an economic and technical evaluation, will be completed by mid-1982. If the results are encouraging this will be followed by a specific and extensive project design and engineering for a pilot plant which is estimated to cost in the order of \$1.5 billion.

Indicative of the magnitude of the project is that the required facilities could ultimately require the expenditure of \$18 billion. Westcoast and others associated with the project view its prospects with enthusiasm.

#### Rim Gas (LNG) Project

The Company's partners in another megaproject, known as the Rim Gas Project, are Petro-Canada and Mitsui & Co. Ltd. of Japan. Westcoast and Petro-Canada each have a 40 percent interest and Mitsui a 20 percent interest in the project. The capital cost is estimated at \$2.3 billion based on a completion date of 1987 and the projected export volume would be 5 200 tonnes of liquefied natural gas (LNG) a day, the equivalent of 270 million cubic feet a day.

The consortium filed its project proposal with the provincial government in November 1981. Before launching the project the consortium would require, in addition to provincial approval, a licence from the National Energy Board to export the gas. Along with provincial government approval, the companies would need commitments assuring sufficient gas supply and the basis of a pricing agreement, as is the case with all large projects now being studied by provincial authorities.

#### Coal Liquefaction Study

Westcoast is also a member of a study team which is exploring the feasibility of a coal liquefaction facility in British Columbia. Other team members are Petro-Canada, British Columbia Resources Investment Corporation and the federal Department of Energy, Mines and Resources. It entails the conversion of coal to crude oil, and the group envisages a facility with a production capacity of 3 970 to 7 944 cubic metres (25 - 50,000 barrels) a day. A start-up date of approximately 1990 is foreseen. Up to 4 249.2 thousand cubic metres per day (150 million cubic feet) of natural gas and six million tonnes of coal a year may be required as raw materials.

A preliminary feasibility study is underway regarding the specific liquefaction process which would be employed and technical matters relating to the production and transportation of fuels from bituminous coal reserves. Petro-Canada owns extensive coal reserves in the Monkman area in northeast B.C. and British Columbia Resources Investment Corporation holds large reserves in the Sparwood area of southeast B.C. The crude oil would be sold to British Columbia refineries.





*Sulphur Recovery Facility at Pine River Gas Processing Plant*



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**WESTCOAST TRANSMISSION COMPANY LIMITED** (Incorporated under the laws of Canada)  
**CONSOLIDATED BALANCE SHEETS**

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**FOR THE YEARS ENDED DECEMBER 31**

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	1981	1980
	(in thousands)	
<b>Assets</b>		
Plant, property and equipment (Note 1)	<b>\$1,602,442</b>	\$1,368,720
Less accumulated depreciation and depletion	<b>410,092</b>	358,235
	<b>1,192,350</b>	1,010,485
<b>Current assets:</b>		
Temporary cash investments	<b>2,620</b>	13,351
Deposits with trustees	<b>3,199</b>	3,483
Accounts receivable	<b>157,948</b>	167,012
Materials and supplies	<b>10,497</b>	8,040
Line pack gas	<b>8,001</b>	8,964
Prepayments	<b>1,617</b>	1,094
Deferred operating expenses (Note 2)	<b>2,849</b>	10,416
	<b>186,631</b>	212,360
<b>Deferred charges:</b>		
Debt discount, premium and expense	<b>8,229</b>	8,805
Northern pipeline projects (Note 3)	<b>85,014</b>	71,354
Other	<b>13,943</b>	5,537
	<b>107,186</b>	85,696
	<b>\$1,486,167</b>	\$1,308,541

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**Auditors' Report**

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**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, 1981 and 1980 and the consolidated statements of operations, retained earnings and changes in financial position for the three years ended December 31, 1981. 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, 1981 and 1980 and the results of its operations and the changes in its financial position for the three years ended December 31, 1981 in accordance with generally accepted accounting principles consistently applied, except for the changes in 1979, with which we concur, in the depreciation policy and the basis of accounting for income taxes as described in the accounting policies.

Vancouver, Canada,  
February 5, 1982

CLARKSON GORDON  
Chartered Accountants

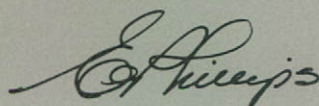


	1981	1980
	(in thousands)	
<b>Common Shareholders' Equity</b>		
Common stock (Note 4):		
Authorized — 75,000,000 common shares without nominal or par value		
Issued — 40,614,998 common shares (1980 — 36,189,581 common shares)	\$ 232,588	\$ 189,716
Contributed surplus (Note 9)	1,642	1,561
Retained earnings	217,515	188,542
	451,745	379,819
<b>Preferred Shareholders' Equity</b>		
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
<b>Liabilities</b>		
Long term debt (Note 10)	595,880	525,822
Deferred income taxes (Note 11)	147,829	90,274
<b>Current liabilities:</b>		
Bank indebtedness	16,305	17,979
Accounts payable	128,627	159,436
Income taxes payable	4,261	1,281
Sundry taxes	4,248	3,473
Interest on debt	15,306	15,181
Long term debt due within one year	19,322	15,580
	188,069	212,930
<b>Minority interest in subsidiary companies:</b>		
Preferred shares	7,777	8,370
Common shares	57,901	54,360
	65,678	62,730
<b>Contingencies and commitments (Note 14)</b>		
	\$1,486,167	\$1,308,541

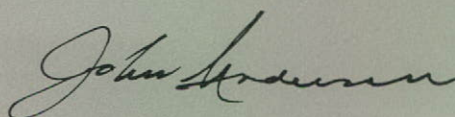
(See accompanying accounting policies and notes)

On behalf of the Board:

Director



Director





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

	1981	1980	1979
	(in thousands)		
<b>Operating revenues:</b>			
Gas and by-product sales	<b>\$1,252,530</b>	\$1,205,915	\$1,087,048
Other	<b>17,800</b>	11,685	11,601
	<b>1,270,330</b>	1,217,600	1,098,649
<b>Operating revenue deductions:</b>			
Cost of gas sold	<b>867,712</b>	915,701	861,311
Operation and maintenance (Note 2)	<b>106,384</b>	77,588	76,992
Depreciation and depletion	<b>57,507</b>	52,474	37,583
Taxes — other than income taxes	<b>74,273</b>	25,889	23,440
	<b>1,105,876</b>	1,071,652	999,326
<b>Operating income</b>	<b>164,454</b>	145,948	99,323
<b>Other income:</b>			
Allowance for funds used during construction (including funds capitalized on northern projects)	<b>34,858</b>	11,910	11,868
Investment and other income	<b>5,987</b>	3,215	2,438
	<b>205,299</b>	161,073	113,629
<b>Income deductions:</b>			
Interest on long term debt	<b>68,015</b>	46,187	36,317
Debt discount, premium and expense	<b>722</b>	702	591
Other interest and amortization	<b>434</b>	6,124	4,504
	<b>69,171</b>	53,013	41,412
<b>Income before income taxes and minority interest</b>	<b>136,128</b>	108,060	72,217
<b>Income taxes (Note 11):</b>			
— current	<b>4,566</b>	2,025	1,033
— deferred	<b>57,555</b>	48,911	15,666
	<b>62,121</b>	50,936	16,699
<b>Income before minority interest</b>	<b>74,007</b>	57,124	55,518
<b>Minority interest</b>	<b>5,314</b>	5,298	5,648
<b>Net income</b>	<b>68,693</b>	51,826	49,870
<b>Provision for dividends on preferred shares</b>	<b>3,142</b>	3,165	3,399
<b>Net income applicable to common shares</b>	<b>\$ 65,551</b>	\$ 48,661	\$ 46,471
<b>Common shares outstanding — weighted average</b>	<b>39,247</b>	35,571	35,044
<b>Per common share — weighted average (Note 5)</b>	<b>\$1.67</b>	\$1.37	\$1.33
— fully diluted (Note 5)	<b>\$1.61</b>	\$1.28	\$1.28
<b>Dividends per common share</b>	<b>\$ .92</b>	\$ .80	\$ .80

(See accompanying accounting policies and notes)



**WESTCOAST TRANSMISSION COMPANY LIMITED**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**



FOR THE YEARS ENDED DECEMBER 31

	1981	1980	1979
	(in thousands)		
<b>Unappropriated retained earnings:</b>			
Balance, beginning of year	\$ 151,576	\$ 128,789	\$ 114,047
Net income	68,693	51,826	49,870
	<b>220,269</b>	<b>180,615</b>	<b>163,917</b>
Deduct dividends paid:			
Common shares	36,578	28,494	28,122
Preferred shares	3,142	3,183	3,402
	<b>39,720</b>	<b>31,677</b>	<b>31,524</b>
	<b>180,549</b>	<b>148,938</b>	<b>132,393</b>
Transferred from appropriated retained earnings	—	2,638	(3,604)
Balance, end of year	<b>180,549</b>	<b>151,576</b>	<b>128,789</b>
<b>Appropriated retained earnings (Note 7):</b>			
Reserve for redemption of preferred shares			
Balance, beginning of year	36,966	39,604	36,000
Transferred from unappropriated retained earnings	—	—	4,000
Transferred to unappropriated retained earnings	—	(2,638)	(396)
Balance, end of year	<b>36,966</b>	<b>36,966</b>	<b>39,604</b>
<b>Retained earnings, end of year</b>	<b>\$ 217,515</b>	<b>\$ 188,542</b>	<b>\$ 168,393</b>

(See accompanying accounting policies and notes)



**WESTCOAST TRANSMISSION COMPANY LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**



FOR THE YEARS ENDED DECEMBER 31

	1981	1980	1979
	(in thousands)		
<b>Funds derived from:</b>			
Operations —			
Net income	\$ 68,693	\$ 51,826	\$ 49,870
Add (deduct) items not involving a flow of funds:			
Minority interest	5,314	5,298	5,648
Deferred income taxes	57,555	48,911	15,666
Depreciation, depletion and amortization	57,481	52,588	37,982
Debt discount, premium and expense	722	702	591
Allowance for equity funds used during construction (including equity funds capitalized on northern projects)	(17,066)	(4,394)	(4,780)
	172,699	154,931	104,977
Common shares issued	42,872	7,117	6,836
Additional long term debt (net of financing costs)	98,769	130,091	73,329
	\$ 314,340	\$ 292,139	\$ 185,142
<b>Funds used for:</b>			
Additions to plant, property and equipment	\$ 233,147	\$ 155,620	\$ 152,603
Long term debt retirement (including exchange)	28,711	22,225	32,822
Long term debt converted to common shares	—	1,614	837
Dividends	39,720	31,677	31,524
Dividends paid by subsidiaries to minority interests	1,097	745	717
Investment in Westcoast Petroleum Ltd.	2,115	—	—
Northern pipeline projects	1,752	20,092	19,993
Redemption of preferred shares	—	2,638	396
Other	8,666	960	2,274
Working capital increase (decrease)	(868)	56,568	(56,024)
	\$ 314,340	\$ 292,139	\$ 185,142
<b>Changes in working capital components:</b>			
Temporary cash investments	\$ (10,731)	\$ (216)	\$ (2,253)
Deposits with trustees	(284)	(863)	(487)
Accounts receivable	(9,164)	15,863	41,763
Materials and supplies	2,457	2,506	400
Line pack gas	(963)	2,140	2,168
Prepayments	523	473	(99)
Deferred operating expenses	(7,567)	10,416	—
Bank indebtedness	1,674	44,733	(48,511)
Accounts payable	30,809	(16,807)	(36,825)
Income taxes payable	(2,980)	(1,281)	—
Sundry taxes	(775)	(618)	(218)
Interest on debt	(125)	(4,708)	(3,460)
Long term debt due within one year	(3,742)	4,930	(8,502)
Working capital increase (decrease)	\$ (868)	\$ 56,568	\$ (56,024)

(See accompanying accounting policies and notes)



**WESTCOAST TRANSMISSION COMPANY LIMITED**  
**CONSOLIDATED STATEMENTS OF LONG TERM DEBT**



FOR THE YEARS ENDED DECEMBER 31

	Due Date	1981		1980	
		United States Dollars	Canadian Dollars	United States Dollars	Canadian Dollars
(in thousands)					
<b>Westcoast Transmission Company Limited</b>					
First Mortgage Pipe Line Bonds					
5¾% Series D	1984	\$	\$ 9,115	\$	\$ 12,113
5¾% Series E	1984		3,429		4,491
7% Series F	1988	26,707	28,779	30,788	33,176
8% Series G	1991		70,750		74,600
Less purchase in advance of repayment requirements			(3,984)		(5,041)
9¾% Series H	1996	45,500	44,798	47,750	47,013
Debentures					
7½% Debentures, First Series	1991		684		723
8½% Debentures, 1993 Series	1993		40,697		41,006
Less purchase in advance of repayment requirements			(228)		(228)
9¾% 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
Subordinate Debentures					
5½% Series A	1988	9,974	9,928	12,045	11,989
Less purchase in advance of repayment requirements		(411)	(410)	(623)	(620)
5½% Series B	1988	915	877	915	877
Less purchase in advance of repayment requirements		(83)	(80)	(56)	(54)
5½% Series C	1988	1,630	1,566	1,865	1,792
Less purchase in advance of repayment requirements		(4)	(4)	(156)	(149)
<b>Westcoast Transmission Housing Ltd.</b>					
Housing Mortgages, 7%	1993		—		49
<b>Vancal Properties Ltd.</b>					
7½% Secured Notes	1994	3,670	3,937	3,831	4,110
<b>Westcoast Petroleum Ltd.</b>					
Term Bank Loan	1982/84		1,592		6,692
Sinking Fund Debentures 10%, First Series	1993		18,750		20,000
Subordinate Debentures, 6½% Series A	1981		—		975
<b>Saratoga Processing Company Limited</b>					
Subordinated Debentures, 6% Series A	1981		—		437
8½% Promissory Note	1981		—		20
<b>Pacific Northern Gas Ltd.</b>					
Term Construction Loan	1995		663		676
First Mortgage Pipe Line Bonds					
7¾% Series A	1988	6,937	7,458	7,863	8,452
9¼% Series B (Note 10)	1991	1,850	1,865	2,035	2,052
Bank Loan	1983		32,200		—
<b>Foothills Pipe Lines (Yukon) Ltd.</b>					
Term Bank Loans	1987		92,820		26,251
			615,202		541,402
Deduct long term debt due within one year			19,322		15,580
			<b>\$595,880</b>		<b>\$525,822</b>

(See accompanying accounting policies and notes)



DECEMBER 31, 1981

**Accounting Principles:**

The Company prepares its accounts in accordance with generally accepted accounting principles followed in Canada.

**Principles of Consolidation:**

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

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

Westcoast Transmission Housing Ltd. (100% owned, wound up on March 31, 1981)

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, 1981 - 58.3% owned including 57.3% of the voting shares, December 31, 1980 - 57.4% owned including 56.2% of the voting shares, December 31, 1979 - 58.1% owned including 56.6% of the voting shares)

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 associated with the operation of the utility system including expenses for operating, maintenance, administration, depreciation and taxes other than income taxes and it receives a return on its utility rate base (primarily the undepreciated portion of plant, property and equipment). The Company is reimbursed for that portion of the foreign exchange gains or losses on foreign debt repayments and foreign interest payments which is allocated to the financing of its utility rate base and construction work in progress.

The Company's reimbursement of its operating, maintenance and administration expenses pertaining to its utility system is limited to the amounts approved from time to time by the National Energy Board. Expenses exceeding the approved amounts and the related carrying costs will be deferred pending the Board's decision on their inclusion in the Company's cost of service. Any amounts not allowed to be included in cost of service will 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 on rate base of 17.90% which is based on an after-tax rate of 11.51% which allows for income taxes on the tax allocation basis. For the seven months ended July 31, 1981, the Company's approved rate of return on rate base was 17.65% which the National Energy Board based on an after-tax rate of 11.51%. For the year 1980 and the two months ended December 31, 1979, the approved rate was 16.94% which was based on an after-tax rate of 10.88%. For the ten months ended October 31, 1979, the Company's approved rate of return on rate base was 11% with no allowance for income taxes required.

**Plant, Property and Equipment:**

Plant, property and equipment are valued at cost.

**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, with the exception of long term debt due within one year, have been translated to Canadian dollars at the exchange rates prevailing at the end of the fiscal years and the resulting gains or losses have been reflected in income. Long term debt and capital stock issued in United States funds have been translated at the exchange rates prevailing at the respective dates of issue.

**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 4.5% for the year ended December 31, 1981 (for the years ended December 31, 1980 - 4.3%, December 31, 1979 - 3.6%).

Effective November 1, 1979, the National Energy Board directed the Company to commence calculating depreciation in the month following the in-service date of the assets and to amend certain straight-line depreciation rates. For the ten months ended October 31, 1979, depreciation was calculated on the assets in service at the commencement of the fiscal period.

Depletion is calculated using the full cost method of accounting wherein all costs related to the acquisition, exploration for and development of oil and gas reserves are capitalized and depleted by a composite unit-of-production method based on total estimated proven reserves.

**Capitalization and Maintenance:**

Maintenance and repairs are charged to expense accounts when incurred and betterments which extend the useful life of properties are capitalized. Upon retirement or sale of items of property, the original cost of such items is charged against the applicable accumulated depreciation accounts 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 and the two months ended December 31, 1979 - 10.88%, for the ten months ended October 31, 1979 - 11.50%).

For northern pipeline projects the Company recorded an allowance for funds advanced at rates ranging from 12.90% to 17.90% for the year ended December 31, 1980, and at a rate of 11.50% for the year ended December 31, 1979. In 1981 the related amount is recorded by proportionate consolidation of the allowance for funds used during construction of Foothills Pipe Lines (Yukon) Ltd. at rates which reflect the actual costs of variable rate debt and include an equity component at rates of return ranging from 17.50% to 17.90%.



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In the accompanying consolidated statement of changes in financial position the equity component of the allowance for funds used during construction has been deducted from operations. Comparative figures for all periods have been reclassified to conform to this presentation.

**Income Taxes:**

The National Energy Board directed the Company to adopt, effective November 1, 1979, the tax allocation basis under which provision is made for income taxes deferred through claiming capital cost and other allowances in excess of amounts recorded in the accounts. For the ten months ended October 31, 1979 the Company provided for income taxes on the taxes payable basis under which no provision is made for income taxes deferred through claiming such allowances.

Westcoast Petroleum Ltd., Pacific Northern Gas Ltd., and Foothills Pipe Lines (Yukon) Ltd. provide for income taxes on the tax allocation basis. Saratoga Processing Company Limited and Westcoast Transmission Company (Alberta) Ltd. provide for income taxes on the taxes payable basis.

If all the companies had used the tax allocation basis to provide for income taxes for the year ended December 31, 1981, the provision for the year would have decreased by \$412,500 (decrease for the year ended December 31, 1980 — \$298,500, increase for the year ended December 31, 1979 — \$18,200,000) and the accumulated provision to December 31, 1981 would have been \$162,389,000 (December 31, 1980 — \$162,801,500, December 31, 1979 — \$163,100,000).

The deferred income tax expense of the Company does not include a provision of \$1,698,000 for the Federal corporate surtax. 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.

**Debt Discount, Premium and Expense:**

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

**Pension Plan:**

The Company has a non-contributory pension plan covering substantially all employees. The Company contributed and charged to operations \$1,638,641 during the year ended December 31, 1981 (for the years ended December 31, 1980 — \$1,534,027, December 31, 1979 — \$1,559,414). 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 will be performed during 1982.

**Comparative Figures:**

The 1980 and 1979 comparative figures have been reclassified to conform to the 1981 presentation.

**1. Plant, Property and Equipment:**

	1981	1980
<b>Westcoast Transmission Company Limited and Utility Subsidiaries</b>		
Gathering plant	\$ 275,912,667	\$ 264,067,108
Products extraction plant	242,369,238	224,531,827
Transmission plant	529,552,620	502,180,194
Miscellaneous plant and equipment	34,246,984	27,992,257
Construction work in progress	13,671,471	24,865,322
	1,095,752,980	1,043,636,708
<b>Westcoast Petroleum Ltd.</b>		
Transmission plant	41,174,000	41,083,000
Oil and gas properties	218,301,000	190,450,000
	259,475,000	231,533,000
<b>Foothills Pipe Lines (Yukon) Ltd.</b>		
Transmission plant and equipment	45,640,900	731,000
Construction work in progress	99,152,800	28,073,000
	144,793,700	28,804,000
<b>Other Subsidiaries</b>		
Gathering plant	5,077,355	5,077,355
Products extraction plant	6,447,090	6,452,353
Transmission plant	34,793,866	33,148,596
Distribution plant	13,540,302	11,889,907
Miscellaneous plant and equipment	8,881,743	7,931,219
Construction work in progress	33,679,392	246,983
	102,419,748	64,746,413
<b>Total plant, property and equipment</b>	<b>1,602,441,428</b>	<b>1,368,720,121</b>
<b>Deduct:</b>		
Accumulated depreciation		
Westcoast Transmission and Utility Subsidiaries	309,172,741	270,966,887
Westcoast Petroleum Ltd.	41,343,000	38,081,000
Foothills Pipe Lines (Yukon) Ltd.	1,751,600	—
Other Subsidiaries	22,216,477	19,876,478
	374,483,818	328,924,365
Accumulated depletion		
Westcoast Petroleum Ltd.	35,608,000	29,311,000
<b>Total accumulated depreciation and depletion</b>	<b>410,091,818</b>	<b>358,235,365</b>
	<b>\$1,192,349,610</b>	<b>\$1,010,484,756</b>

**2. Deferred Operating Expenses:**

As at December 31, 1981, the Company has not charged to the cost of service an amount of \$2,781,000 which represents the portion of operating expenses incurred in excess of budgeted expenditures approved by the National Energy Board plus carrying charges accrued thereon of \$68,000 for the year ended December 31, 1981. The Company has received approvals from the National Energy Board and has 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.

The Company will make an application for the recovery of deferred expenses for the year ended December 31, 1981 of \$2,781,000 and the accrued carrying charges 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.

### 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 the western leg of Phase I and gas commenced to flow in October 1981.

The financial statements include the proportionate share of the accounts of Foothills Pipe Lines (Yukon) Ltd. and its subsidiaries for the years ended December 31, 1981 and 1980. A summary of these amounts is as follows:

	1981	1980
		\$000
Net plant, property and equipment	\$143,042	\$ 28,804
Current assets	905	2,781
Deferred charges	85,015	71,354
	<b>\$228,962</b>	\$102,939
Long term debt	\$ 87,593	\$ 26,251
Deferred income taxes	584	—
Current liabilities	15,610	6,456
Retained earnings	16,678	—
	<b>120,465</b>	<b>32,707</b>
Westcoast contribution	108,497	70,232
	<b>\$228,962</b>	<b>\$102,939</b>
Operating revenue	\$ 4,641	\$ —
Operating revenue deductions	2,026	—
	<b>2,615</b>	—
Allowance for funds used during construction	30,524	808
Other income	27	—
	<b>33,166</b>	<b>808</b>
Interest on debt	15,904	808
	<b>17,262</b>	—
Deferred income taxes	584	—
Net income	\$ 16,678	\$ —

### 4. Common Stock:

- (a) During 1981 the Company issued:
- 4,058,217 common shares on Share Purchase Warrants exercised at a price of \$9.44 per share, increasing capital stock by \$38,309,568; and
  - 367,200 common shares on options exercised at option prices ranging from \$6.458 to \$15.00 per share, increasing capital stock by \$4,562,048.
- (b) During 1980 the Company issued:
- 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 \$1,613,537. The convertible feature of these debentures expired on December 31, 1980;
  - 572,865 common shares on Share Purchase Warrants exercised at a price of \$9.44 per share, increasing capital stock by \$5,407,846; and
  - 15,400 common shares on options exercised at option prices ranging from \$5.625 to \$13.50 per share, increasing capital stock by \$96,525.
- (c) Common share reservations and options are as follows:
- Included in the common shares reserved for outstanding options, as set out below are 166,000 common shares optioned to directors and officers (December 31, 1980 — 335,000 common shares);

Expiry date	Option price per share	Number of shares at December 31	
		1981	1980
October 16, 1983	\$ 5.166	15,000	15,000
July 29, 1984	\$ 6.458	22,500	30,000
April 20, 1986	\$ 7.875	113,500	135,000
April 19, 1989	\$13.500	93,600	161,600
February 5, 1990	\$14.500	16,000	131,000
February 10, 1991	\$15.000	66,000	—
October 28, 1991	\$11.500	9,000	—

- 85,425 common shares are reserved for options which have not been allocated.

### 5. Earnings per Common Share:

Fully diluted earnings per common share calculations assume the conversion of the convertible debt and the exercise of share purchase options and warrants. Funds derived from the exercise of options and warrants were assumed to have been invested to produce an annual after-tax return of 8% for the year ended December 31, 1981 (for the years ended December 31, 1980 — 8%, December 31, 1979 — 11%).

The earnings per common share are computed as follows for the years ended December 31, 1981, 1980 and 1979:

	1981		
	Outstanding	Weighted Average	Fully Diluted
Number of shares (000)			
Beginning balance	36,190	36,190	36,190
Changes due to:			
Warrants exercised	4,058	2,896	4,058
Options exercised	367	161	703
Ending balance	40,615	39,247	40,951
Net income applicable to common shares (\$000)		\$ 65,551	\$ 65,847
Earnings per common share		\$ 1.67	\$ 1.61



	1980		
	Outstanding	Weighted Average	Fully Diluted
Number of shares (000)			
Beginning balance	35,408	35,408	35,408
Changes due to:			
Warrants exercised	573	41	4,767
Options exercised	15	8	487
Conversions of debt	194	114	281
Ending balance	36,190	35,571	40,943
Net income applicable to common shares (\$000)		\$ 48,661	\$ 52,312
Earnings per common share		\$ 1.37	\$ 1.28

	1979		
	Outstanding	Weighted Average	Fully Diluted
Number of shares (000)			
Beginning balance	34,663	34,663	34,663
Changes due to:			
Warrants exercised	617	287	5,402
Options exercised	27	19	386
Conversions of debt	101	75	381
Ending balance	35,408	35,044	40,832
Net income applicable to common shares (\$000)		\$ 46,471	\$ 52,287
Earnings per common share		\$ 1.33	\$ 1.28

## 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 \$52.75 if redeemed on or before December 31, 1982 to \$50.50 if redeemed after December 31, 1984.

The Company, during the six month period ending December 31, 1984, will 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, 1981 is \$113,000,000 (December 31, 1980 - \$92,000,000).

## 9. Contributed Surplus:

Contributed surplus increased by \$81,342 for the year ended December 31, 1981 from contributions in aid of construction received (for the year ended December 31, 1980 - \$199,903).

## 10. Long Term Debt:

Long term debt payments required in the five years ending December 31, 1986 are:

1982 - \$19,321,958 1983 - \$67,228,714 1984 - \$39,590,343  
1985 - \$41,169,911 1986 - \$41,281,797

Pacific Northern's 9¼% First Mortgage Pipe Line Bonds, Series B include detachable warrants to purchase 50,000 Class A common shares of Pacific Northern 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 including the portion due within one year to \$631,144,650 (December 31, 1980 - \$585,245,214). If followed, generally accepted accounting principles used in the United States for translation of foreign currencies would increase net income by \$2,363,092 (for the years ended December 31, 1980 - decrease net income by \$1,562,642, December 31, 1979 - increase net income by \$3,359,063).

The Company has lines of credit with two Canadian chartered banks which allow the Company to borrow at the banks' prime lending rate or issue bankers' acceptances to an aggregate limit of \$200,000,000. The 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.

## 11. Income Taxes:

Income tax expense was \$62,121,000 for the year ended December 31, 1981 and \$50,936,000 for the year ended December 31, 1980 with effective rates of 45.6% and 47.1% respectively on income before minority interest and income taxes. 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 51.4% and 50.8% respectively to income before minority interest and income taxes for the following reasons:

	1981		1980	
	\$000	% of income before minority interest and income taxes	\$000	% of income before minority interest and income taxes
Computed income tax expense	\$69,970	51.4%	\$54,894	50.8%
Increase (decrease) in income taxes resulting from:				
Equity portion of allowance for funds capitalized	(8,328)	(6.1)	(3,204)	(3.0)
Petroleum and natural gas activities	(1,317)	(1.0)	(1,002)	(.9)
Other	1,796	1.3	248	.2
Provision for income taxes	\$62,121	45.6%	\$50,936	47.1%

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, 1981 and 1980:



	1981	1980
		\$000
Capital cost allowance claimed for income tax purposes in excess of depreciation and amortization	\$34,420	\$29,052
Depletion allowance claimed for income tax purposes in excess of that recorded for accounting purposes	4,741	7,951
Allowances and intangibles claimed for income tax purposes in excess of that recorded for accounting purposes	18,257	11,525
Other	137	383
Deferred income taxes	\$57,555	\$48,911

At December 31, 1981, the Company had unclaimed investment tax credits of \$14,225,667 available to reduce future Federal income taxes payable. These credits expire as follows:  
 1982 — \$ 651,328    1984 — \$3,294,172    1986 — \$1,760,163  
 1983 — \$5,194,752    1985 — \$3,325,252

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

The aggregate remuneration paid to directors and senior officers in their capacity as directors or officers for the year ended December 31, 1981 was \$1,444,333 (for the years ended December 31, 1980 — \$1,175,000, December 31, 1979 — \$837,000).

## 15. Selected Quarterly Data (unaudited):

	1981			
	March 31	For the three months ended		Dec. 31
		June 30	Sept. 30	
		\$000		
Operating revenues	\$371,903	\$274,386	\$259,147	\$364,894
Operating revenue deductions	330,349	234,478	221,527	319,522
Operating income	41,554	39,908	37,620	45,372
Other	9,182	7,076	8,360	9,022
Income before income taxes	32,372	32,832	29,260	36,350
Provision for income taxes	15,660	15,881	14,262	16,318
Net income	16,712	16,951	14,998	20,032
Provision for preferred dividends	785	786	786	785
Net income applicable to common shares	\$ 15,927	\$ 16,165	\$ 14,212	\$ 19,247
Per common share:				
Weighted average	\$ .43	\$ .41	\$ .35	\$ .48
Fully diluted	\$ .40	\$ .40	\$ .35	\$ .46

	1980			
	March 31	For the three months ended		Dec. 31
		June 30	Sept. 30	
		\$000		
Operating revenues	\$436,986	\$232,098	\$174,012	\$374,504
Operating revenue deductions	398,626	196,105	137,713	339,208
Operating income	38,360	35,993	36,299	35,296
Other	11,913	10,611	11,783	8,879
Income before income taxes	26,447	25,382	24,516	26,417
Provision for income taxes	13,719	12,760	12,461	11,996
Net income	12,728	12,622	12,055	14,421
Provision for preferred dividends	808	786	786	785
Net income applicable to common shares	\$ 11,920	\$ 11,836	\$ 11,269	\$ 13,636
Per common share:				
Weighted average	\$ .34	\$ .33	\$ .32	\$ .38
Fully diluted	\$ .32	\$ .32	\$ .30	\$ .34

## 13. Segmented Information:

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

	1981	1980	1979
		\$000	
Canada	\$ 285,133	\$ 233,258	\$ 237,173
United States — Sales to Northwest Pipeline Corporation	985,197	984,342	861,476
Total Revenue	\$1,270,330	\$1,217,600	\$1,098,649

## 14. 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.



**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 regulation. Under the agreement, the Company is reimbursed for its operating expenses, including 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 and dividend 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. (Foothills) obtained long term bank financing of approximately \$262 million during 1981 for the construction of Phase I of the Alaska Highway Natural Gas Pipeline Project of which \$66 million was reflected in the Company's financial statements on 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, 1981.

The Company anticipates no unusual events or significant economic changes adversely affecting income from continuing operations over the foreseeable future. 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, did not directly affect the Company's net income.

The Company had available lines of credit with two Canadian chartered banks which allowed the Company to borrow at the banks' prime lending rate or issue bankers' acceptances to an aggregate limit of \$200 million.

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 for the year ended June 30, 1980 of \$7 million and for the six months ended December 31, 1980 of \$4 million. These amounts were the portion of operating expenses incurred in excess of the National Energy Board approved budgeted expenses for those periods. The 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 amount to \$2.8 million. The Company will make an application to the National Energy Board for its recovery. The increase 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 appreciably 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. However, any amount not allowed to be included in the cost-of-service as directed by the National Energy Board for the expenses deferred will result in a reduction of the Company's net income.

Operating income increased largely as a result of an increase in the average utility rate base (5.2%) and the increase of the approved rate of return on rate base from 16.94% in 1980 to 17.65% in January 1, 1981 and 17.90% effective August 1, 1981.

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 the interest earned on excess funds on hand during the year.

Interest on long term debt increased over 1980 due to the increase in financing by Pacific Northern and Foothills.

Other interest and amortization decreased from 1980 due to reduced short term borrowing activities during 1981. 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 regulation. Under this agreement, the Company is reimbursed for its operating expenses, including a prescribed rate of return on its utility rate base assets. With this agreement, 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, did not directly affect the Company's net income.

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 were used to meet the Company's long term debt retirement and dividend requirements, as well as to contribute to the Company's growth and expansion through its capital projects. The balance of the Company's funding requirements for 1980 was obtained through the issuance of \$100 million in debentures on July 15, 1980 at 12¼% maturing in 2000.

The Company had available lines of credit with two Canadian chartered banks which allowed the Company to borrow at the banks' prime lending rate or issue bankers' acceptances to an aggregate limit of \$200 million.

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 budgeted expenses approved by the National Energy Board, was deferred. 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 appreciably 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. However, any amount not allowed to



be included in the cost-of-service for the expenses deferred will result in a reduction of the Company's net income.

Operating income increased largely as a result of an increase in the average utility rate base (16.2%) and the inclusion of a provision for income taxes in the rate of return on rate base effective November 1, 1979.

Allowance for funds used during construction projects 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 rate used and the increase in the amount advanced.

Interest on long term debt increased over 1979 due to the issuance of the 10½% debentures on August 1, 1979 and the issuance of the 12¼% debentures on July 15, 1980.

Other interest and amortization increased over 1979 due to increased short term borrowing activities, coupled with higher interest rates, particularly during the first half of 1980. 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.

#### **Year ended December 31, 1979**

Substantially all of the Company's funds generated from operations resulted from its utility operations, which are subject to a gas purchase agreement with the British Columbia Petroleum Corporation and to National Energy Board regulation. Under this agreement, the Company is reimbursed for its operating expenses, including a prescribed rate of return on its utility rate base assets.

As the Company's income from utility operations was 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, did not directly affect the Company's net income.

In 1979, funds generated from operations increased by approximately 24% to \$105 million, primarily due to the inclusion of deferred income tax expenses in the Company's cost-of-service and the amendment of certain depreciation rates for the determination of depreciation expenses for the last two months in 1979. The cash flow generated from operations was used to meet the Company's long term debt retirement and dividend requirements, as well as to contribute to the Company's growth and expansion through its capital projects. The balance of the Company's funding requirements for 1979 was obtained through the issuance of \$75 million in debentures on August 1, 1979 at 10½% maturing in 1999.

The Company had available lines of credit with two Canadian chartered banks which allowed the Company to borrow at the banks' prime lending rate or issue bankers' acceptances to an aggregate limit of \$100 million.

Substantial increases in operating revenue and operating revenue deductions over 1978 resulted from an increase of 17% in average price of gas sold and from an increase of 12% in volume of gas sold. Operating and maintenance expenses increased over 1978 as a result of increases in maintenance and fuel consumed in operations. Increases in depreciation and depletion over 1978 resulted mainly from additions to depreciable assets during the year. Taxes other than income taxes increased over 1978 primarily due to increases in property taxes and in taxes paid on fuel consumed in operations. The net income of the Company was not ap-

preciably affected by the variances described above because the Company's income from utility operations is based on the gas purchase agreement with the British Columbia Petroleum Corporation.

Operating income increased because of an increased average utility rate base (11.3%) and the inclusion of a provision for deferred income taxes in the rate of return on rate base effective November 1, 1979 and the increase in operating income of Westcoast Petroleum Ltd.

Allowance for funds used during construction increased relative to 1978 primarily due to the increase in construction activity.

Allowance for funds advanced for the northern pipeline projects increased relative to 1978 due to increase in the amount advanced.

Interest on long term debt increased over 1978 due to the issuance of the 9½% debentures on September 1, 1978, the issuance of the 10½% debentures on August 1, 1979 and increased foreign exchange on interest on debt payable in U.S. funds.

Other interest and amortization increased over 1978 due to interest on increased bank borrowings.

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



**Segmented Statement of Operations\*** Years ended December 31

	Westcoast Transmission Company Limited and Utility Subsidiaries**	Westcoast Petroleum Ltd.	Other Subsidiaries	Consolidated
	\$000			
<b>1981</b>				
Operating revenues	\$1,205,759	\$38,587	\$25,984	\$1,270,330
Operating revenue deductions	1,071,113	21,914	12,849	1,105,876
Operating income	134,646	16,673	13,135	164,454
Other income	8,602	740	31,503	40,845
	143,248	17,413	44,638	205,299
Income deductions	48,137	3,084	17,950	69,171
	95,111	14,329	26,688	136,128
Income taxes	48,836	7,600	5,685	62,121
Income before minority interest	46,275	6,729	21,003	74,007
Minority interest	—	2,806	2,508	5,314
Net income	\$ 46,275	\$ 3,923	\$18,495	\$ 68,693
<b>1980</b>				
Operating revenues	\$1,172,175	\$33,220	\$12,205	\$1,217,600
Operating revenue deductions	1,050,874	15,711	5,067	1,071,652
Operating income	121,301	17,509	7,138	145,948
Other income	14,461	558	106	15,125
	135,762	18,067	7,244	161,073
Income deductions	48,526	2,726	1,761	53,013
	87,236	15,341	5,483	108,060
Income taxes	40,978	6,500	3,458	50,936
Income before minority interest	46,258	8,841	2,025	57,124
Minority interest	—	3,766	1,532	5,298
Net income	\$ 46,258	\$ 5,075	\$ 493	\$ 51,826
<b>1979</b>				
Operating revenues	\$1,057,098	\$31,228	\$10,323	\$1,098,649
Operating revenue deductions	982,925	15,145	1,256	999,326
Operating income	74,173	16,083	9,067	99,323
Other income	13,154	986	166	14,306
	87,327	17,069	9,233	113,629
Income deductions	35,700	2,463	3,249	41,412
	51,627	14,606	5,984	72,217
Income taxes	7,496	6,000	3,203	16,699
Income before minority interest	44,131	8,606	2,781	55,518
Minority interest	—	3,948	1,700	5,648
Net income	\$ 44,131	\$ 4,658	\$ 1,081	\$ 49,870

\*Restated to reflect 1981 presentation.

\*\*Utility subsidiaries are:

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 – AND HISTORICAL COMPARISONS\***

(Dollar amounts are in thousands, except per share figures)

<b>Financial</b>	<b>Years Ended</b>				
	1981	1980	1979	1978	1977
<b>Operations:</b>					
Operating revenue	\$1,270,330	\$1,217,600	\$1,098,649	\$ 843,902	\$ 780,164
Operating income	164,454	145,948	99,323	79,337	74,978
Financial charges	68,737	46,889	36,908	29,548	27,398
Income before special items	68,693	51,826	49,870	46,359	43,562
Special items	—	—	—	—	—
Net income	68,693	51,826	49,870	46,359	43,562
Dividends on preferred shares	3,142	3,165	3,399	3,400	3,400
Net income applicable to common shares	65,551	48,661	46,471	42,959	40,162
Dividends on common shares	36,578	28,494	28,122	23,652	21,674
Cash flow	172,699	154,931	104,977	84,594	81,460
<b>Per Common Share:</b>					
Net income — weighted average	1.67	1.37	1.33	1.25	1.21
— fully diluted	1.61	1.28	1.28	1.21	1.15
Dividends	.92	.80	.80	.69	.653
Dividend payout ratio	55%	58%	60%	55%	54%
Cash flow	4.40	4.36	3.00	2.46	2.45
<b>Assets:</b>					
Plant, property and equipment	1,602,442	1,368,720	1,223,059	1,070,259	932,821
Accumulated depreciation and depletion	410,092	358,235	318,127	284,143	254,218
Net plant, property and equipment	1,192,350	1,010,485	904,932	786,116	678,603
Net additions to plant	233,722	145,661	152,800	137,438	50,427
Total assets	1,486,167	1,308,541	1,148,313	963,781	824,311
<b>Rate Base and Return**</b>					
Average utility rate base	742,780	706,156	607,821	546,579	529,758
Average return on utility rate base	11.7%	10.9%	10.9%	11.0%	11.0%
Average return on equity in utility rate base	15.4%	13.0%	14.0%	14.0%	14.5%
<b>Capitalization:</b>					
Long term debt	595,880	525,822	417,734	376,393	310,456
Preferred shareholders' equity	36,966	36,966	39,604	40,000	40,000
Common shareholders' equity	451,745	379,819	352,353	327,089	297,509
— per common share	11.12	10.50	9.95	9.44	8.84
Return on average common shareholders' equity	15.4%	13.3%	13.7%	13.8%	14.2%
<b>Capitalization Ratios:</b>					
Long term debt	54.9%	55.8%	51.6%	50.6%	47.9%
Preferred shareholders' equity	3.4%	3.9%	4.9%	5.4%	6.2%
Common shareholders' equity	41.7%	40.3%	43.5%	44.0%	45.9%
<b>Statistical</b>					
<b>Total gas sales —</b>					
Thousands of cubic meters	7 886 955	8 644 756	10 859 747	9 757 496	10 467 364
Millions of cubic feet	278,417	305,168	383,359	344,449	369,508
<b>Average daily sales —</b>					
Cubic meters	21 608 095	23 619 552	29 752 732	26 732 869	28 677 710
Thousands of cubic feet	762,786	833,792	1,050,299	943,696	1,012,351
<b>Peak day sales —</b>					
Cubic meters	40 016 303	39 436 900	39 829 100	38 774 354	37 395 270
Thousands of cubic feet	1,412,614	1,392,161	1,406,006	1,368,772	1,320,089
<b>System sales capacity —</b>					
Cubic meters per day	41 052 706	41 052 706	37 704 354	36 996 159	36 996 159
Thousands of cubic feet per day	1,449,200	1,449,200	1,331,000	1,306,000	1,306,000
Kilometers of transmission pipelines	2 330	2 330	2 294	2 253	2 253
Miles of transmission pipelines	1,448	1,448	1,425	1,400	1,400
Kilometers of gathering pipelines	2 103	2 103	1 968	1 935	1 593
Miles of gathering pipelines	1,307	1,307	1,223	1,203	990
Compressor kilowatts	337 966	337 966	337 966	337 966	333 492
Compressor horsepower	453,220	453,220	453,220	453,220	447,220
Shares outstanding at year end***	40,614,998	36,189,581	35,407,614	34,662,834	33,651,045
Number of common shareholders	13,396	13,278	12,660	12,496	9,870
Number of employees	829	772	727	638	573

\*Restated to reflect 1981 presentation.

\*\*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.



December 31					Years Ended March 31		
1976	1975	1974	1973	1972	1968	1963	1958
\$ 579,276	\$ 416,677	\$ 266,600	\$ 168,764	\$ 139,492	\$ 77,736	\$ 49,618	\$ 8,584
67,930	53,913	49,974	47,093	42,810	19,738	10,570	887
23,945	25,934	27,680	28,062	26,189	14,638	8,467	3,947
39,769	33,019	26,731	24,001	21,314	9,001	1,372	(828)
—	—	—	—	(470)	(189)	—	—
39,769	33,019	26,731	24,001	20,844	8,812	1,372	(828)
3,400	3,400	1,559	—	—	—	—	—
36,369	29,619	25,172	24,001	20,844	8,812	1,372	(828)
19,798	17,654	11,275	6,430	5,112	1,673	—	—
75,125	54,184	46,844	41,801	37,397	17,589	8,684	880
1.12	.99	.97	.93	.82	.44	.07	(.05)
1.05	.90	.83	.80	.76	.44	—	—
.612	.60	.433	.25	.20	.08	—	—
55%	61%	45%	27%	24%	19%	—	—
2.32	1.81	1.80	1.63	1.47	.88	.47	.05
882,394	736,752	699,954	653,223	618,071	388,540	217,437	208,476
227,669	167,632	149,212	131,826	115,262	67,064	27,087	1,740
654,725	569,120	550,742	521,397	502,809	321,476	190,350	206,736
36,977	36,798	46,731	35,152	53,302	43,435	1,541	124,088
768,150	675,189	664,999	614,217	571,584	352,766	216,776	227,428
516,738	499,092	493,404	—	—	—	—	—
10.5%	10.0%	9.5%	—	—	—	—	—
14.4%	14.2%	14.2%	—	—	—	—	—
317,275	308,037	367,105	386,960	371,098	174,702	144,705	169,822
40,000	40,000	40,000	—	—	—	—	—
269,183	247,670	190,668	174,332	156,508	86,819	57,481	50,315
8.26	7.72	7.33	6.78	6.09	4.32	3.09	2.84
14.1%	13.5%	13.8%	14.5%	16.5%	10.6%	2.5%	(1.7%)
50.6%	51.7%	61.4%	68.9%	70.3%	66.8%	71.6%	77.1%
6.4%	6.7%	6.7%	—	—	—	—	—
43.0%	41.6%	31.9%	31.1%	29.7%	33.2%	28.4%	22.9%
9 791 490	10 005 393	10 261 958	11 675 489	10 443 880	6 155 640	3 753 071	1 023 995
345,649	353,200	362,257	412,156	368,679	217,300	132,487	36,148
26 752 727	27 412 029	28 114 928	31 987 627	28 535 171	16 818 635	10 282 383	5 634 209
944,397	967,671	992,484	1,129,194	1,007,319	593,714	362,978	198,893
32 972 331	33 265 722	33 681 688	36 393 966	35 439 119	20 377 575	13 613 482	8 145 217
1,163,955	1,174,312	1,188,996	1,284,742	1,251,035	719,348	480,569	287,534
36 996 159	36 996 159	36 996 159	36 996 159	34 871 571	24 475 254	13 625 691	11 331 136
1,306,000	1,306,000	1,306,000	1,306,000	1,231,000	864,000	481,000	400,000
2 214	2 214	2 211	2 211	2 076	1 554	1 098	1 098
1,376	1,376	1,374	1,374	1,290	966	683	683
1 548	1 395	1 278	1 151	1 147	855	739	329
962	867	794	715	713	532	459	205
333 492	333 492	329 017	285 021	284 275	211 197	86 352	37 658
447,220	447,220	441,220	382,220	381,220	283,220	115,800	50,500
32,604,651	32,089,857	26,020,200	25,727,931	25,688,829	20,075,082	18,620,175	17,217,315
9,677	9,768	9,525	10,225	10,630	11,560	16,658	17,045
508	514	519	515	502	471	274	247



## 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.

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.

## Auditors

Clarkson Gordon  
P.O. Box 10101, Pacific Centre  
700 West Georgia Street, Vancouver, B.C.

## 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.

## 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  
1212 - One Palliser Square, Calgary, Alberta T2G 0P6

## Stock Market Price Ranges

(Common Shares)	New York		Toronto	
	Low	High	Low	High
	(U.S. Dollars)		(Canadian Dollars)	
January-March 1980	10	13¾	12	15¾
April-June 1980	10¼	12¾	12¾	15
July-September 1980	10¾	13	12½	14¾
October-December 1980	10½	13½	12½	15½
January-March 1981	12	12¾	14½	15¾
April-June 1981	11½	12¾	13½	15½
July-September 1981	9½	11¾	10¾	13¾
October-December 1981	9½	11½	10¾	13¾

## Earnings and Dividends Paid\*

(Common Shares)	1981		1980	
	Earnings	Divi- dends	Earnings	Divi- dends
January-March	\$0.43	\$0.23	\$0.34	\$0.20
April-June	0.41	0.23	0.33	0.20
July-September	0.35	0.23	0.32	0.20
October-December	0.48	0.23	0.38	0.20
	\$1.67	\$0.92	\$1.37	\$0.80

\* 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 10%.

## 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 Tuesday, April 27, 1982 at 10 a.m. (Local Time).



## Directors

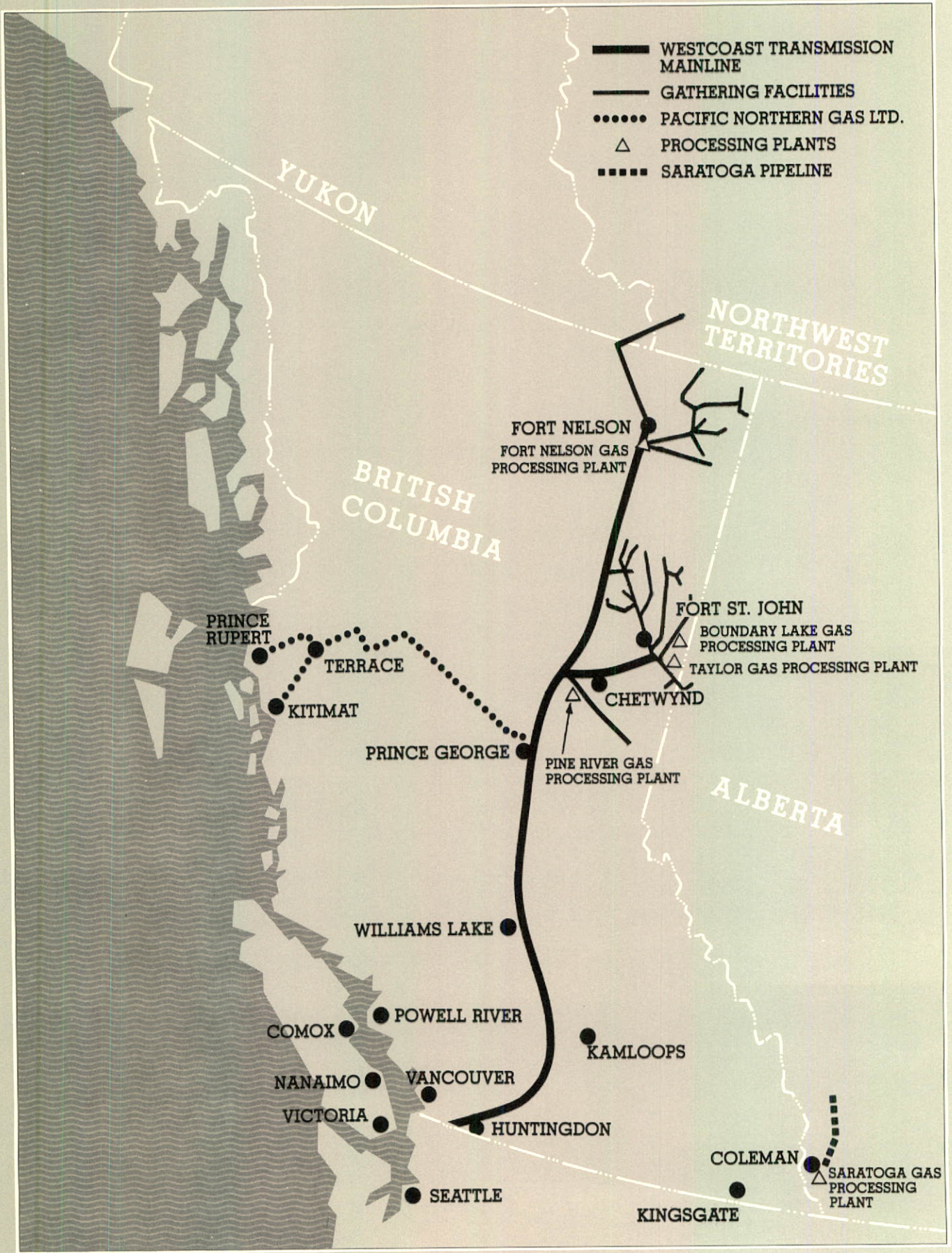
- \* **John Anderson**  
President  
Westcoast Transmission Company Limited  
Vancouver, British Columbia
- Joel Bell**  
Executive Vice President  
Petro-Canada  
A Crown energy corporation  
Calgary, Alberta
- †† **James S. Byrn**  
Chairman  
Schenley Canada Inc.  
Distillers  
Vancouver, British 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
- † **Andrew Janisch**  
Petroleum consultant  
Calgary, Alberta
- J. Taylor Kennedy**  
Director  
Canada Cement Lafarge Ltd.  
Cement manufacturer  
Montreal, Quebec
- \* **Edwin C. Phillips**  
Chairman and Chief Executive Officer  
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
- Frank M. McMahon**  
Chairman Emeritus of the Board  
Hamilton, Bermuda
- Norman R. Whittall**  
Honorary Director  
Vancouver, British Columbia

- \* Executive Committee
- † Audit Committee
- † Compensation Committee

## Officers

- Edwin C. Phillips**  
Chairman and Chief Executive Officer
- John Anderson**  
President
- D. H. Parkinson**  
Senior Vice President and Chief Financial Officer
- A. H. Willms**  
Senior Vice President
- W. B. Caswell**  
Vice President, Process
- A. J. Green**  
Vice President and Northern Pipelines Coordinator
- J. E. Johnson**  
Vice President, Operations
- J. A. Kavanagh**  
Vice President, Engineering
- G. W. Lade**  
Vice President, Secretary and General Counsel
- W. N. Collett**  
Treasurer
- J. H. Podmore**  
Comptroller
- P. G. Griffin**  
Associate General Counsel and  
Assistant Secretary
- J. W. Castelsky**  
Assistant Treasurer
- D. O. Hunter**  
Assistant Treasurer







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*"Our task is to plan and  
manage a future for this  
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**25** Years  
*of Energy*

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

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