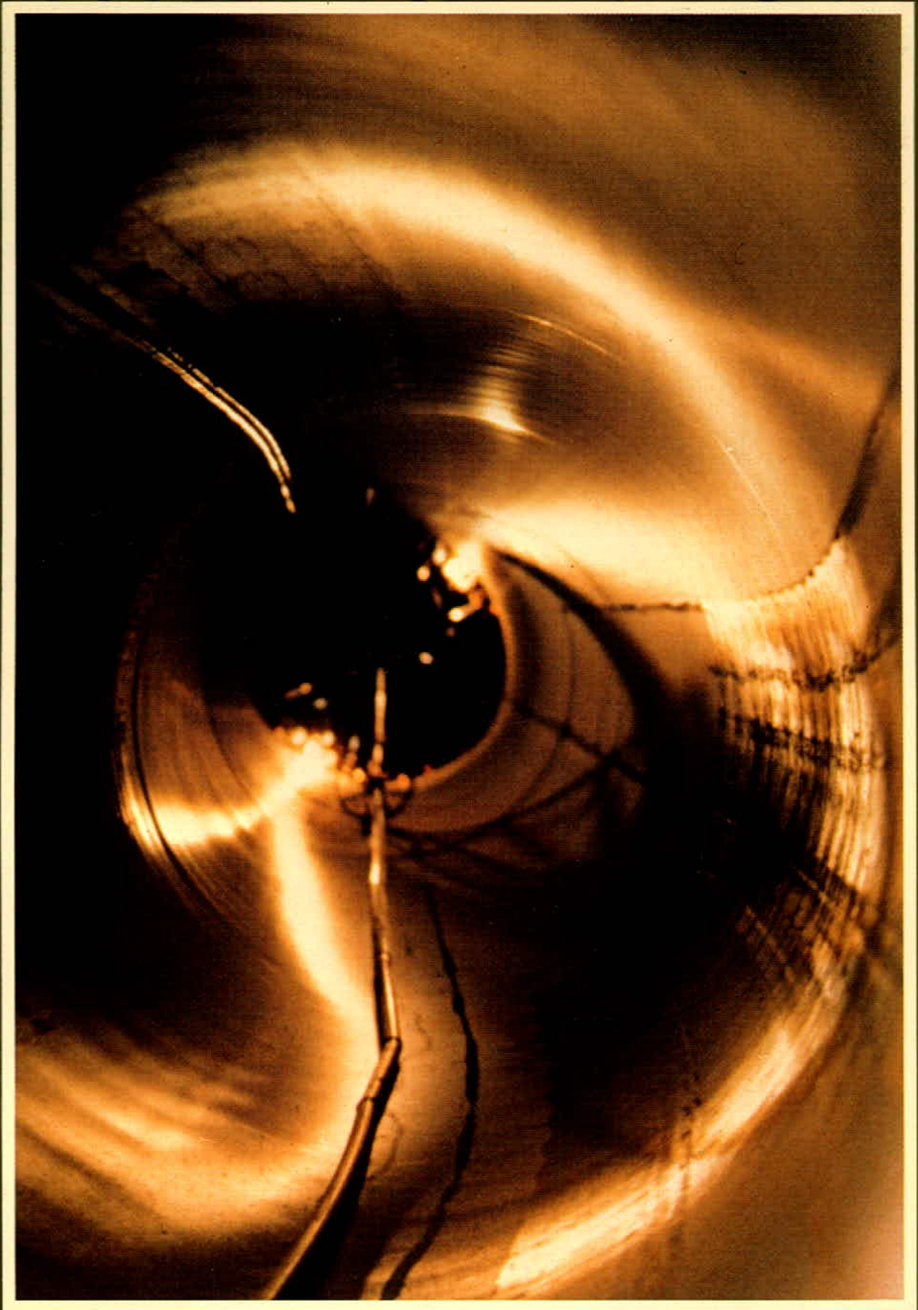
1980 ANNUAL REPORT



Westcoast Transmission Company Limited

Westcoast, its Employees and the Community

The fortunes of the community, a large industry and its employees are inseparably intertwined. Westcoast is the operator of one of British Columbia's province-wide industrial enterprises, and its activities inevitably bring it into contact with both local and remote communities, their institutions, their recreation and their everyday pursuits. There is also the involvement in provincial and national community interests. There exists as well a special relationship between the employees of a company and their employer.

Of necessity, a large company must, as a corporate citizen, become a part of the community at large as its employees already are. It must share the community's aspirations, problems, successes and life style.

It has been Westcoast's privilege to share in, and contribute to, the activities of many British Columbia communities for three decades. It has also been Westcoast's obligation to share in these activities, particularly in the relatively remote areas in which it operates and in so doing to repay in some small measure the loyalty and dedication of its employees in those remote communities.

To acknowledge this interdependence of the community, the Company and its employees, the Annual Report this year pictorially features this relationship.

Contents

Cover Photo:

View of a "line-up clamp" inside a section of large diameter pipe during construction of a pipeline. The clamp holds the ends of two sections of pipe together from the inside while welders join the two sections from the outside.

Opposite:

Chetwynd, B.C. . . . one of many communities which serve, and are served by, Westcoast Transmission through an industry-employee-community relationship.

The Company

Westcoast Transmission Company Limited is in its third decade of operation as a major supplier of energy to the west coast of North America. The Company is incorporated by federal statute and its operations are based in the Province of British Columbia. Through its integrated pipeline system it draws natural gas from British Columbia, Alberta, the Yukon Territory and the Northwest Territories and this gas ultimately serves residential, commercial and industrial consumers throughout British Columbia and as far south as California.

Through subsidiaries the Company is engaged in the exploration for, and the production of natural gas and oil in western Canada, and in the direct distribution of natural gas to consumers in west-central B.C. Westcoast also is a co-sponsor of the Alaska Highway Gas Pipeline Project and has an equity position in a number of large petrochemical and other natural gas-related projects which are scheduled to proceed in the 1980's.

Westcoast shares are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada and on the New York and Pacific Coast Stock Exchanges in the United States.

At December 31, 1980 the Company had 13,278 common shareholders of record and approximately 96 percent of its shares were held in Canada.

Annual Meeting

The Annual Meeting of the Shareholders of Westcoast Transmission Company Limited will be held in the Social Suites East and West of the Hotel Vancouver, in the City of Vancouver, British Columbia, on Wednesday, April 29, 1981 at 10 a.m. PST.

Information

This report has been prepared for our shareholders, securities regulatory agencies and the stock exchanges. However, it is hoped it may provide a convenient and useful source of information to members of the public and investors. We have attempted to provide all basic and practical material relating to Westcoast's operations in 1980. If further information is required we invite you to write either the Secretary of the Company or the Information Services Department —

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

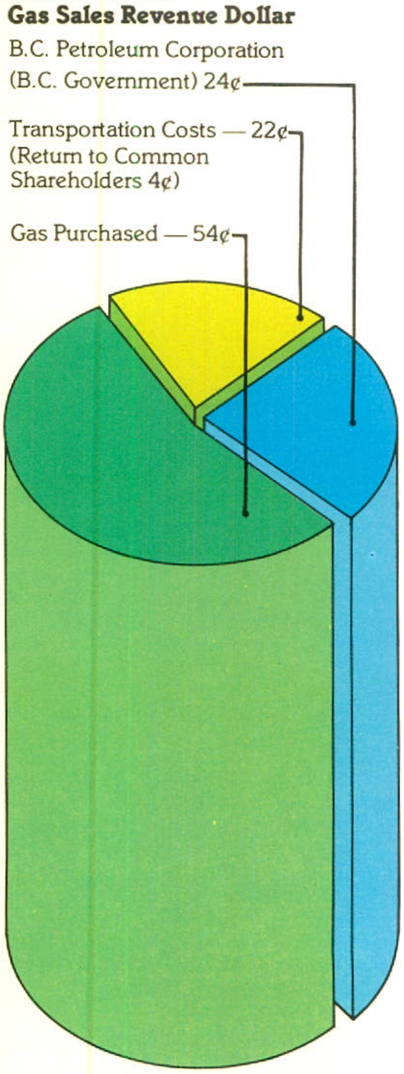
Results in Brief*	1980	1979	1978
Financial			
Total Operating Revenues	**$1,217,775,000**	$1,098,401,000	$843,902,000
Net Income	**51,826,000**	49,870,000	46,359,000
Net Income Applicable to Common Shares	**48,661,000**	46,471,000	42,959,000
per share	**1.37**	1.33	1.25
Cash Flow	**147,415,000**	97,888,000	81,500,000
per share	**4.15**	2.79	2.37
Total Assets	**1,334,078,000**	1,148,313,000	963,781,000
Common Shareholders' Equity	**379,819,000**	352,353,000	327,089,000
per outstanding share	**10.50**	9.95	9.44
Common Shares – weighted average	**35,571,129**	35,043,940	34,408,106
Operating			
Total Gas Sales, Mcf	**305,538,000**	383,598,000	344,449,000
Total Gas Sales, 10^3m^3	**8 655 205**	10 866 503	9 757 496
Average Daily Sales, Mcf	**834,803**	1,050,953	944,000
Average Daily Sales, 10^3m^3	**23 648**	29 771	26 741
Peak Day Sales, Mcf	**1,392,161**	1,406,006	1,369,000
Peak Day Sales, 10^3m^3	**39 437**	39 829	38 781

Mcf means one thousand cubic feet, and all gas volumes are expressed at a base pressure of 14.73 pounds per square inch absolute and at a base temperature of 60 degrees Fahrenheit.

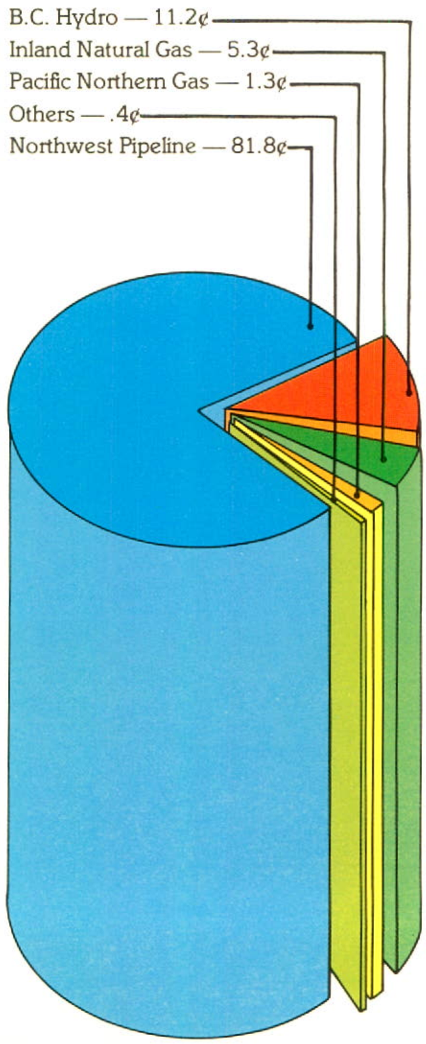
10^3m^3 means one thousand cubic meters, and all gas volumes are expressed at a standard temperature of 15 degrees Celsius, and at a standard absolute pressure of 101.325 kilopascals.

*Restated to reflect a prior period adjustment and 1980 presentation.

Distribution of Gas Sales Revenue Dollar



Source of Gas Sales Revenue Dollar



Employees in action . . . skilled Westcoast people engage in their varied day-to-day activities which contribute to the payrolls, economic activity and stability of the communities in which they live.

To Our Shareholders

Unquestionably the most significant occurrence in the affairs of the Company in 1980 was the actual start of the construction of the Foothills Alaska Highway Natural Gas Pipeline. As far as Westcoast is concerned, the first planning for such a project commenced in 1968. Natural gas had been discovered in Alaska that year. Twelve years later, the first pipe was laid in Phase One of the overall project which is expected to be completed in the winter of 1985-1986.

Westcoast is a fifty-fifty partner, with Nova, an Alberta Corporation, in Foothills Pipe Lines (Yukon) Ltd. Foothills is building the Canadian portion of the Alaska Highway Natural Gas Pipeline which will eventually run from the North Slope of Alaska to California and Illinois. This international project will require a total of 4,790 miles of big-inch, high-pressure pipeline.

After many years of speculative expenditures totalling approximately $70 million to date, a modest financial return continued to accrue to Westcoast in 1980. No cash was generated but the allowance for funds capitalized by Westcoast during 1980 added $7.9 million to net income.

When Phase Two of the Project is completed and natural gas is flowing from Alaska, Westcoast's asset base will increase by approximately $4 billion, representing its total share of the investment in the various Foothills' subsidiaries. This should be viewed in the perspective of the Company's asset base of $1.3 billion at 1980 year end.

Another important event of the year was the improvement in gas supply. This had two beneficial results. Firstly, it is now possible to supply in full the export contract which had suffered curtailment for seven consecutive winter seasons. This shortfall resulted from losing thirty percent of the Company's total gas supply by the sudden failure of the Beaver River and Pointed Mountain gas fields in 1973. Secondly, a variety of petrochemical related projects, which had been necessarily shelved in 1973, were revived for feasibility studies as to markets, engineering and capital costs.

Elsewhere in this annual report, the renewed diversification activity of the Company will be portrayed in some detail. Optimism permitted by the improved British Columbia gas-supply situation is supported by the acquisition of several outstanding Canadian and foreign companies as participants in the new ventures. Prominent among these are the two major shareholders of Westcoast Transmission, Petro-Canada and B.C. Resources Investment Corporation.

Four executive appointments were approved by the Board of Directors during the year. The President and Chief Executive Officer, Edwin C. Phillips, was appointed Chairman of the Board and Chief Executive Officer; John Anderson, formerly Executive Vice President and Chief Operating Officer, was appointed President; Gordon W. Lade joined the Company as Vice President, Secretary and General Counsel; and Arthur H. Willms, previously Group Manager, Supply and Sales, became Vice President, Supply and Sales.

William H. Tye did not stand for re-election to the Board of Directors at the annual meeting of shareholders in April and the Directors gratefully acknowledge his many contributions to the success of the Company during the ten years he served on the Board.

During the year, diversification planning and an increasing number of regulatory hearings created a need for added staff and imposed a considerably heavier work load on every discipline within the Company. The Directors, on behalf of the shareholders, have expressed their gratitude for the year's performance to this fine group of employees, now numbering 739.

On behalf of the Board of Directors,

E. C. Phillips
Chairman and Chief
Executive Officer

Vancouver, British Columbia
Canada. March 4, 1981

Report on Operations

The year 1980 was one of great promise for the Company's medium and long-term prospects, tempered to a substantial degree by the severe impact on the natural gas industry of the reduced demand in the United States for Canadian gas and the adverse reaction to the federal government's new National Energy Program, which already is evident in the Company's gas supply areas.

Export sales were off 34 percent in 1980, representing lost revenue in excess of $400 million to the Province of British Columbia and the gas producers. We take little solace in the fact that the Company's cost-of-service tariff shielded its income flow from the effect of reduced sales revenue.

Operations were severely curtailed throughout the pipeline system in 1980 and the new $100 million Pine River plant was shut down for four months due to a lack of markets for natural gas. Exploration activity in northeastern British Columbia dropped markedly in the winter of 1980-81, as compared with the previous five winters. This was brought about by the double impact of reduced markets and the producers' perception of the negative aspects of the National Energy Program.

We believe the drop in U.S. demand for Canadian gas is clearly temporary, perhaps as short as two or three years duration. However, with increasing gas supplies available in British Columbia and Alberta beyond Canada's needs for the foreseeable future, it has become apparent that Canada would be better served if the industry were to diversify its exports of gas instead of relying solely on the U.S. market. Your Company also believes that British Columbia would benefit greatly from the domestic use of natural gas as a feedstock for upgrading into petrochemical and other products in plants based in the Province.

To this end, the Company announced during the year its participation in three B.C. based megaprojects. The total cost of the projects is approximately $4.7 billion and when in operation more than 1,600 permanent new jobs will be provided in B.C.

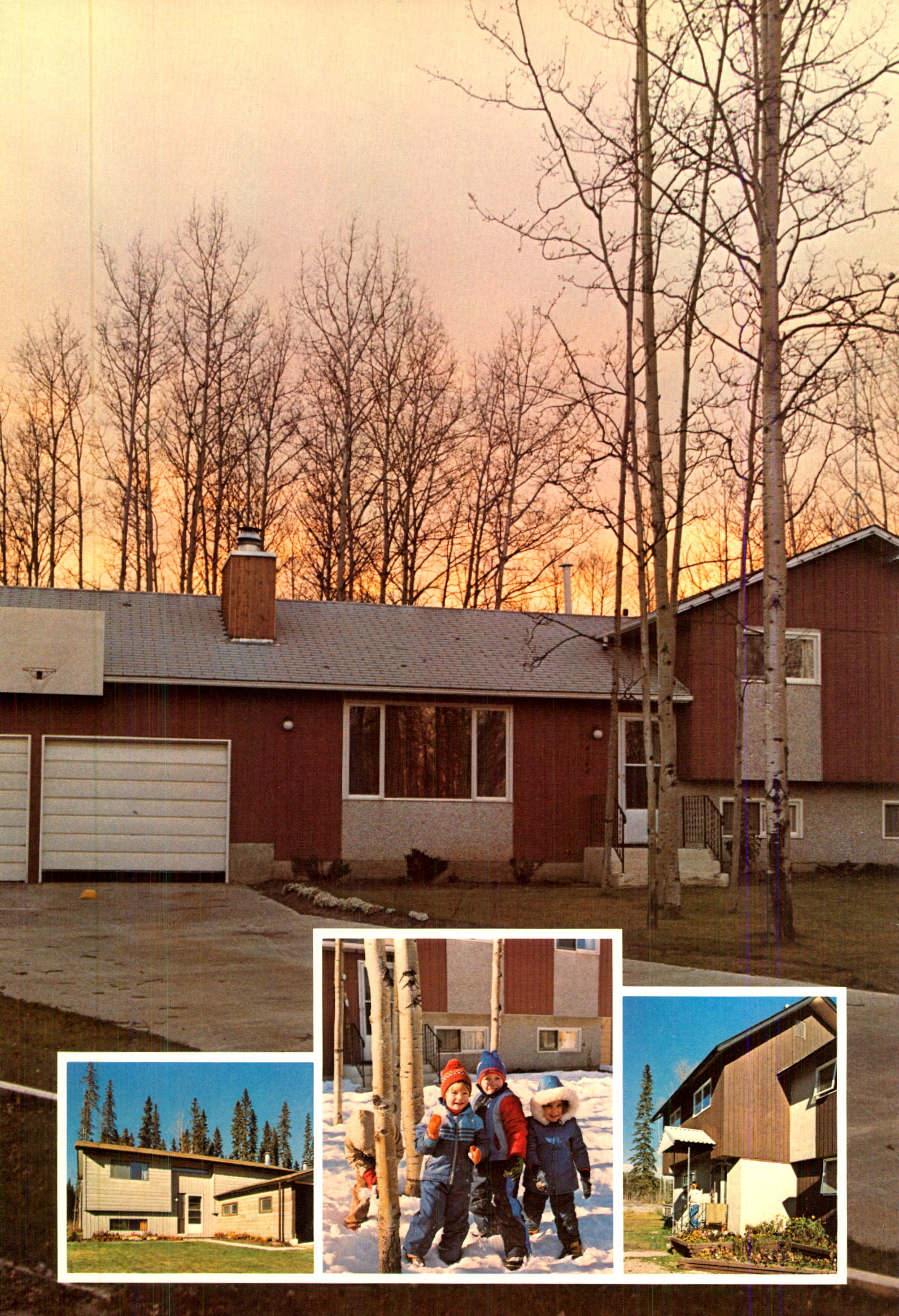
The Company was extremely disappointed by the decision of the provincial government to have the Vancouver Island natural gas pipeline built via the southern route by the British Columbia Hydro and Power Authority. Westcoast's plan for a northern route, which it considers superior from a number of vital points of view, was rejected. In company with associates, Westcoast had planned to establish a $670 million ammonia-fertilizer industrial complex at Powell River, astride the northern route, and together the pipeline and complex would have provided substantially greater economic benefits to British Columbians than the southern pipeline. The viability of the complex has become questionable as a result of the government decision and the Company and its associates are re-examining the feasibility of such a multi-plant complex at other locations in British Columbia.

Finally, and on a more positive note, the National Energy Board, in a decision on Westcoast's rate application handed down at year end, awarded the Company an increased return on equity and altered a prior decision relating to the allocation of certain income-tax deductions. The earlier decision had the effect of limiting the Company's ability to enlarge its non-utility business.

The projects Westcoast has embarked upon will, when brought to fruition, change the principal thrust of the Company's business. I am confident that in the decade of the eighties the unique opportunities which we have to diversify our operating base will be very rewarding for our shareholders and our employees.

John Anderson
President

Vancouver . . . the master control centre from which massive flows of natural gas are monitored and directed to market through thousands of miles of pipeline. Above, left, Chairman and Chief Executive Officer E.C. Phillips and President John Anderson.



ANNUAL REVIEW

Financial Results

Total net income, net income per common share, operating revenues and cash flow reached record levels in 1980 for the 10th consecutive year. Net income was $51,826,000 compared with $49,870,000 in the previous year. Total operating revenues increased approximately six percent to $1,217,775,000 from $1,098,401,000. Net income per common share was $1.37 compared with $1.33 in 1979. Capital expenditures totalled $153 million during 1980. Dividends were 80 cents per common share, the same as in 1979. Cash flow increased 50.6 percent to $147,415,000 from $97,888,000 due mainly to the collection of normalized income taxes and higher depreciation rates authorized by the National Energy Board in a ruling effective November 1, 1979,

In the third quarter the company sold $100 million of 12¼ percent 20 year debentures. The proceeds were used to repay interim bank borrowings.

Rate Increase Granted

Although earnings were higher than in the previous year, they were restrained by the higher cost of borrowed funds. However, the Company's capacity to increase earnings in the future has been improved by a National Energy Board decision dated November 1980 on Westcoast's application for a rate increase. Effective January 1, 1981 the Board granted a before-income tax return on rate base of 17.65 percent which is intended to allow the Company to earn a return on equity of 15 percent.

During 1980 the previously authorized return on rate base produced only a 13 percent return on equity.

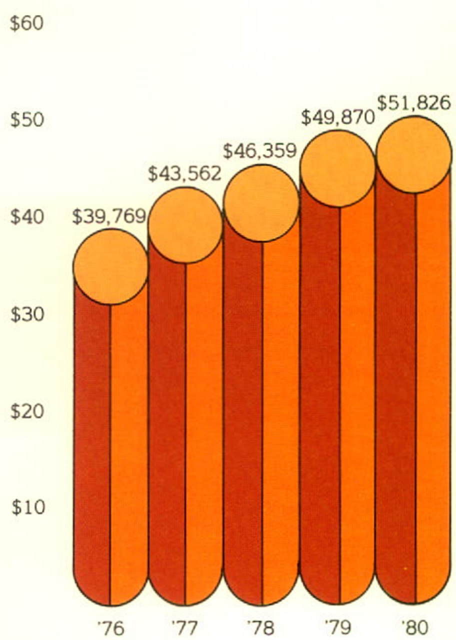
In its December 1980 decision the Board also revised the method of calculating income taxes on the Company's utility system by eliminating the income tax benefit sharing between the Company's non-utility and utility operations. In the future the Company will be able to utilize non-utility tax deductions to lower total income taxes paid without sharing such deductions with its utility customers who do not share any of the business or financial risks inherent in the Company's non-utility businesses.

Housing . . . the provision of comfortable homes for employees in remote communities such as Fort Nelson is a continuing Company policy.

Cost-of-Service

The Company continued during the year to operate under a cost-of-service contract with the British Columbia Petroleum Corporation (BCPC). Its terms provide for the purchase by the BCPC of all B.C. gas at the wellhead. Westcoast in turn purchases the gas from BCPC, and then gathers, processes, transports and sells it to B.C. distributors and into the export market. B.C. gas supplies are augmented by direct Company purchases of gas from Alberta, the Yukon Territory and the Northwest Territories. The non-B.C. gas constitutes about 18 percent of the total supply.

***Net Income**
(In Millions)



*Restated to reflect a prior period adjustment

As payment for all B.C. gas, the Company remits to the BCPC the gross sales revenue remaining after deducting its costs and its regulated rate of return. The costs include operating, maintenance and administrative expenses, depreciation and taxes. Earnings are determined by a percentage rate of return on rate base, established through public hearings before the National Energy Board. The rate base consists essentially of the Company's investment in plant, property and equipment.

Natural Gas Sales

Total sales of natural gas during the year were 306 billion cubic feet, a 20 percent decline from 1979 sales of 384 billion cubic feet. Sales to the United States were reduced by 34 percent to 155 billion cubic feet, while sales to British Columbia distribution utilities increased by 2.4 percent to 151 billion cubic feet. The sharp decline in export sales was attributable to two factors: the higher price of Canadian gas enabled lower-priced residual oil in the United States Pacific Northwest, the Company's traditional market, to displace Canadian gas; and lower-priced United States natural gas which became available on a short-term basis during the year displaced Canadian gas in newer markets, such as California, where sales gains were being made.

The export price of Canadian gas was increased to $4.47 U.S. ($5.20 Canadian) per thousand cubic feet as of February 17, 1980 and will rise to $4.94 U.S. ($5.75 Canadian) on April 1, 1981. In 1980 Westcoast's export customer, Northwest Pipeline Corporation, was unable to compete with lower-priced residual oil in sales to large industrial consumers who buy on an interruptible basis and are able to switch from gas to oil and back again. Consequently large industrial loads totalling approximately 50 billion cubic feet were lost. This has been an alternating situation as Northwest had recaptured much of this industrial load in 1979 when Canadian gas had a price advantage over United States residual oil. The United States customer also lost special sales, including British Columbia gas to Pacific Interstate Transmission Company and Southwest Gas Corporation, when lower priced intra-state gas became available in the southern states. These special sales of British Columbia gas amounted to only 12 billion cubic feet in 1980 compared to 42 billion cubic feet in the previous year.

Gas Conversions Continue

In the domestic market the continuing strong preference for natural gas was evidenced by the large number of residential and commercial conversions to gas from more expensive heating oil. But as observed a year ago, consumers continue to be increasingly conscious of the need for energy conservation. As a result, while more consumers opted for gas, sales on a per-residence basis were reduced.

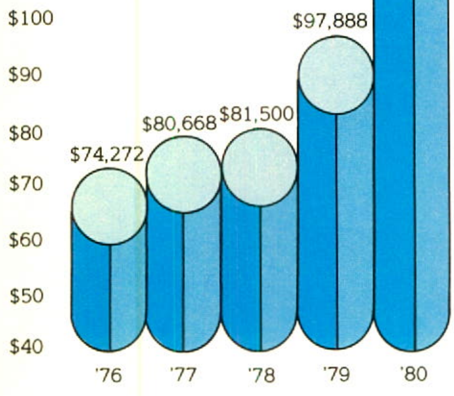
The British Columbia Hydro and Power Authority increased its purchases by four percent to 89.3 billion cubic feet, primarily due to consumer conversions to gas and increased use of gas in its Burrard thermal generating station. Purchases by Inland Natural Gas Co. Ltd. were virtually unchanged at 45.3 billion cubic feet. Pacific Northern Gas Ltd. increased purchases by six percent to 11.5 billion cubic feet largely as a result of growth in industrial sales.

Major Energy Hearings Underway

Both the British Columbia Utilities Commission (BCUC) and the National Energy Board (NEB) began inquiries in 1980 into important aspects of energy prices, demand and supplies. The BCUC is studying the level and structure of wellhead gas prices paid to producers by the British Columbia Petroleum Corporation. Following the last provincial inquiry into producer prices for old and new gas, the base prices were maintained at 78 cents and $1.03 per thousand cubic feet respectively. These prices have not been increased since November 1, 1977. During the first phase of the inquiry in 1980, submissions were concerned with producer netbacks and field prices. During the second phase in February 1981 the level and structure of wholesale prices were studied. The domestic wholesale prices paid by Westcoast's customers, which are changed at the initiative of the B.C. government, have not been increased since 1978. The present average wholesale price is approximately $1.17 per thousand cubic feet and the average residential retail price is approximately $2.70 per thousand cubic feet.

The NEB, for the first time, is conducting a major inquiry into the overall energy situation in Canada, embracing the domestic supply of and demand for all forms of energy, including natural gas, oil, other hydrocarbons and electricity. The inquiry has provided a forum in which the impact of the latest federal budget and the National Energy Program can be analyzed and in particular their effect on the exploration and production activities of the industry can be assessed. The findings of this inquiry are expected to be announced by the summer of 1981.

***Cash Flow**
(In Millions)



*Restated to reflect a prior period adjustment and 1980 presentation.

Adequate Gas Supplies Seen

In its submission to both the BCUC and NEB hearings, Westcoast provided its forecasts of gas supply and demand to 1999 and stressed that proven reserves were adequate in its supply areas to meet both domestic and export demand well into the 21st century.

Due to uncertainties regarding the pricing of Canadian export gas and conditions of sale, such as load factor or minimum sales requirements, the Company was unable to proceed with two new export agreements as planned in 1980 as approvals were not obtained by the export customers to import the gas into the United States. These were the sale of 60 million cubic feet per day to El Paso Natural Gas Company, scheduled to begin November 1, 1980, and the transportation through Westcoast facilities of 40 million cubic feet a day from the Yukon Territory to the export point at Huntingdon, British Columbia for Columbia Gas Development of Canada Limited. It is expected that discussions will be held by Canadian and United States officials early in 1981 and it is hoped that the difficulties can be resolved, permitting the agreements to be implemented late in 1981.

When Canadian export prices increase to $4.94 U.S. from $4.47 U.S. on April 1, 1981 it is probable that further United States sales resistance will be encountered. The financial burden of lower revenues falls on the gas producers and the provincial treasury because Westcoast operates under its cost-of-service contract. By the same token, however, the benefits of higher revenues accrue to the producers and the provincial treasury and not to Westcoast.

Gas Supply

One of 1980's most encouraging developments was the increase in available gas supplies to their highest level in the Company's history. This was achieved through the expansion of system facilities. During 1980 the Grizzly Valley gathering system and the Pine River process plant were available for full service, which added 142 million cubic feet a day to supply. The new Junior-Sierra gathering system also was completed, making available an additional 122 million cubic feet a day, and the year's looping program increased mainline capacity to 1.449 billion cubic feet a day. As a consequence, peak sales in a single day in 1980 were 1.394 billion cubic feet and available gas supply in December 1980 was at a record 1.7 billion cubic feet a day.

A major benefit of the improvement in supply was that for the first time in seven years the Company will be able to meet the full contract requirements of its United States customer, Northwest Pipeline Corporation, whose supply has been curtailed during the past seven peak winter seasons. This was largely the result of a 30 percent reduction in the Company's gas supply in 1973 caused by water intrusion into the Beaver River and Pointed Mountain gas fields, near the B.C.-Yukon boundary and in the Northwest Territories. Furthermore several diversification projects which had to be postponed due to gas supply limitations were revived. (These are discussed later in the report.)

Gas Reserves Increase

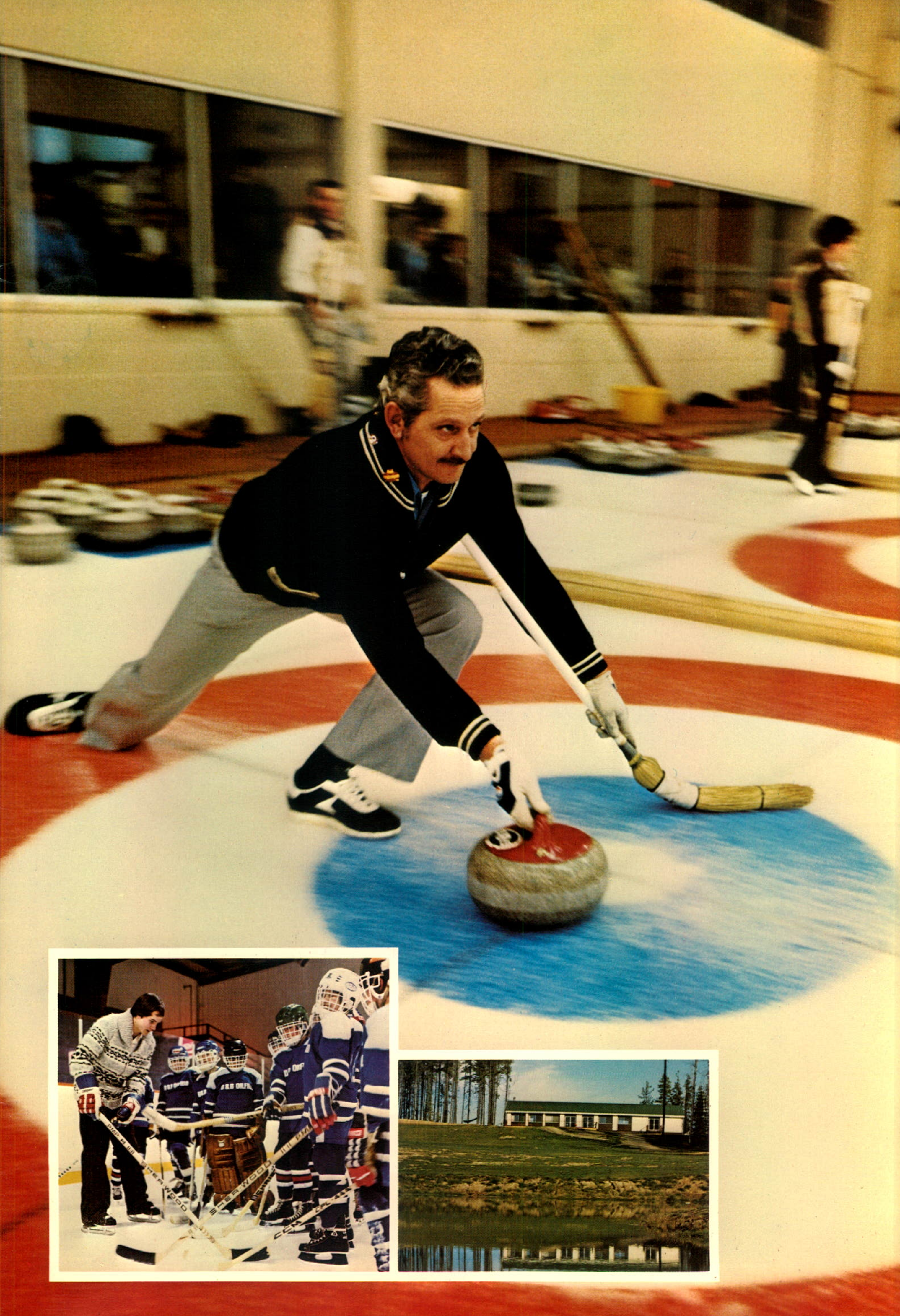
It was also an encouraging year with respect to long-term gas supply or reserves. Remaining gas reserves in the Company's supply area were 8.2 trillion cubic feet as at January 1, 1980. This was an increase from 7.8 trillion cubic feet a year earlier and further confirmation that reserves are adequate to meet the Company's existing domestic requirements and export commitments as well as to supply new markets and new industrial ventures which the Company has under study. In addition to these reserves, substantial volumes of Alberta gas are available to Westcoast under contract.

Active Drilling Year

Land sales, drilling activity and discovery rates in British Columbia continued at high levels in 1980. The statistical record shows that a total of 378 wells were drilled which resulted in 209 gas wells and 32 oil wells. Of this total of 378 wells, 253 were exploratory wells, which resulted in 99 gas discoveries and four oil discoveries. This represents a 24 percent increase in the number of exploratory wells.

Seven British Columbia land sales were held during the year providing bonus payments to the provincial treasury of $181 million which compares to the record of $191 million received in 1979. The decrease in revenue appeared to be the industry's initial reaction to reduced export volumes resulting from the high price of Canadian export gas and a lower netback to British Columbia producers as compared with the amount paid to Alberta gas producers.

Recreation . . . whether it be curling, golf or hockey, Westcoast and its people are involved, providing financial support — and coaching for young athletes, which contributes to the community's leisure and life style.

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AMBULANCE

Construction

The Company's 1980 utility construction program totalled $81 million and included a sulphur-plant expansion, construction of the Junior-Sierra pipeline gathering system east of Fort Nelson, five sections of 36-inch pipeline looping, installation of new energy-efficient compressor turbines and various upgrading undertakings.

Expansion of the Taylor sulphur plant was completed and at the year end only final connections remained to be made. The sulphur extraction capacity has been increased to 460 long tons from 325 long tons per day at a cost of approximately $12 million.

The new turbines which were installed at compressor stations 4A and 6A at a cost of $8.5 million are 50 percent more efficient than the units they replaced in terms of fuel consumption. Four more of these turbines are scheduled to be installed at other stations in 1981-82.

Pipelines Extended

All pipeline construction scheduled for the year was complete with the exception of three sections in the 36-inch pipe looping program. The project includes 23 miles of pipeline at a total cost of $18.6 million. Upgrading work was completed on the 36-inch loop line at Dragon Lake, the 30-inch mainline in the Coquihalla Pass, and on the 26 and 18-inch gathering lines in the Fort St. John area. The largest of these jobs was the upgrading of the 26-inch line at a cost of $10.5 million.

Industrial Relations

A new Management Development Program for management and supervisory personnel was begun during the year and 175 employees completed Phase I of the comprehensive training program. Phase II will be conducted in 1981. The program is intended to upgrade management skills within the Company to meet the demands of its utility expansion and diversification activities.

In common with many companies in industry today, Westcoast is experiencing difficulty in attracting skilled workers. The implementation of the Management Development Program is a positive step in ensuring the necessary skills are available within the Company.

Relations with organized employees were harmonious throughout the year.

The total number of permanent employees was 739 at December 31, 1980 compared with 686 a year earlier.

Subsidiary Companies

Westcoast Petroleum Ltd.

The Company holds 3,822,000 or 58 percent of the oustanding shares of Westcoast Petroleum. This company is an oil and gas exploration and production company which also operates a 505-mile oil pipeline in British Columbia.

Westcoast Petroleum reported net income available to common shareholders of $8,841,000 or $1.36 per common share in 1980 as compared with $8,606,000 or $1.33 per common share in 1979.

Westcoast Petroleum participated in the drilling of 133 exploratory and development wells in 1980, resulting in 59 gas well completions and 16 oil well completions. Another 11 wells were cased for further evaluation.

At December 31, 1980 Westcoast Petroleum had proved and probable reserves of crude oil and liquids totalling 11,099,000 barrels and proved and probable natural gas reserves of 433,830,000 MCF. Its interest in land includes oil and gas lands in western Canada, the Yukon Territory, the Northwest Territories and the Arctic Islands.

Pacific Northern Gas Ltd.

The Company owns 45 percent of the common shares including all of the voting shares of Pacific Northern Gas, a utility which distributes natural gas in west-central British Columbia. PNG plans a major expansion in 1981-82 which will almost double system capacity to meet increasing demand for gas brought about by industrial growth in its service area. The expansion involves 68 miles of 12-inch pipeline looping, two new compressor stations and additional compression at two others, at a total cost of approximately $33 million.

During 1980 PNG reported net earnings of $2,190,216 compared with $2,289,295 in the previous year. After provision for preferred dividends, earnings per common share were $1.16, down from $1.22. Gas sales revenue increased to $23,296,564 up from $21,188,005 in 1979. Funds generated from operations were $4,281,973 or $2.68 per share compared with $5,522,261 or $3.45 per share. Total gas sales reached 11.4 billion cubic feet as compared with 10.7 billion cubic feet in 1979.

Saratoga Processing Company Limited

The Company owns 25 percent of Saratoga's common shares, including all of the voting shares. Saratoga owns and operates a natural gas gathering and processing system and a sulphur extraction plant based near Coleman, Alberta. With a daily capacity of 52 million cubic feet of raw gas, the facility processes Westcoast gas and other gas for sale in southeastern British Columbia and the United States.

In 1980 Saratoga had net income of $355,751 or 71 cents per common share compared with $350,311 or 70 cents per common share in 1979. Operating revenues totalled $4,069,145 compared with $3,663,742.

Alaska Highway Gas Pipeline Project

The Company is involved in the Canadian portion of the Alaska Natural Gas Pipeline Project through its 50 percent interest in the sponsoring company, Foothills Pipe Lines (Yukon) Ltd.

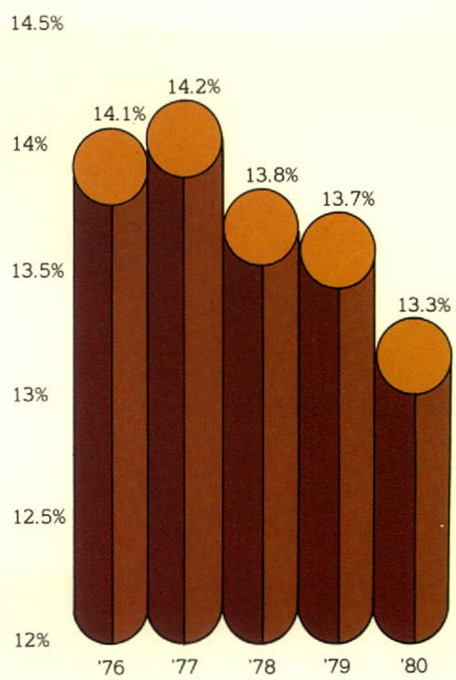
A series of hearings relating to the project by the National Energy Board culminated in approval by the Canadian Cabinet on July 17 of the construction of Phase I. The Cabinet also authorized the export of approximately 2.3 trillion cubic feet of Canadian gas to the United States over a seven-year period through the new facilities.

Construction Started in August

Immediately following these critical decisions Phase I work commenced. Clearing of the right-of-way for the western leg through southeast British Columbia and southwest Alberta began in August. This section runs from Caroline, Alberta to Kingsgate, British Columbia. By the end of 1980 the western leg was virtually complete. Pressure testing of the pipe with water began in November and will be completed early in 1981.

The western leg of the Canadian section of Phase I involves looping 132 miles of existing pipeline, namely four loops totalling 55 miles on the Alberta Natural

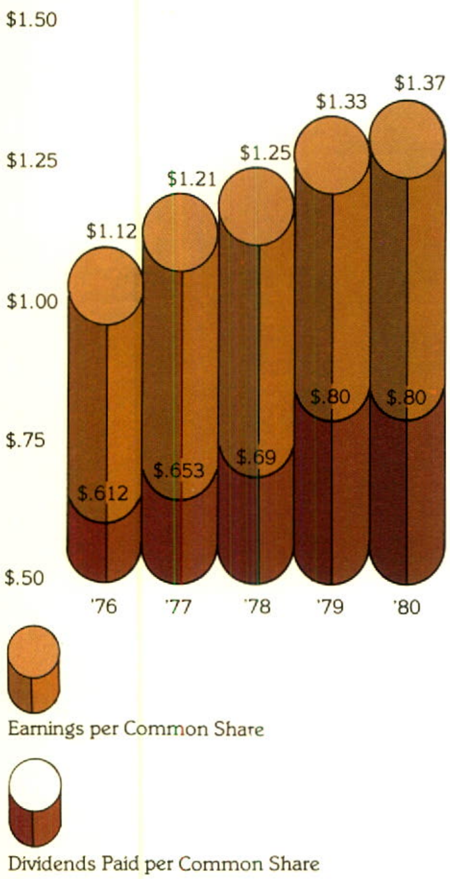
***Return on Average Common Shareholders' Equity**



*Restated to reflect a prior period adjustment

Public service . . . ambulance service, safety and first aid training, town planning, community councils and hospital boards . . . Westcoast people are involved in all facets of local activity.

***Earnings per Common Share & Dividends Paid per Common Share**



*Restated to reflect a prior period adjustment

Gas Co. system in southeast B.C. and three loops totalling 77 miles on Nova, an Alberta Corporation's system in Alberta. The first gas flow is expected to begin moving through this 36-inch loop from Alberta into the United States in the spring of 1981.

Construction of the Canadian portion of the eastern leg of Phase I from Caroline to Monchy, Saskatchewan will be carried out during 1981 and 1982 with gas flow scheduled to commence in November 1982.

United States Construction Advances

In the United States construction of Phase I of the western leg is well advanced and it is scheduled to be completed during 1981 at the same time as the Phase I section of the Canadian western leg. It runs between Kingsgate, British Columbia and Stanfield, Oregon. Construction of Phase I of the United States eastern leg from Monchy, Saskatchewan to Ventura, Iowa will begin in the spring of 1981 and is scheduled for completion in the fall of 1982. Construction of the remaining portions of the project in Canada and Alaska is scheduled to begin in the winter of 1982-83.

Regulatory Approvals Gained

Substantial progress has been made in the United States in securing regulatory approvals for the over-all project. The final cost certification for the Alaskan portion of the pipeline by the U.S. Federal Energy Regulatory Commission is expected in April 1981. A definitive cost estimate for the natural gas processing plant in Alaska also is expected in 1981, and outstanding matters relating to financing and construction of the Alaskan section are expected to be resolved by the third quarter of 1981.

In June 1980 two major agreements were signed by Arco, Exxon and Sohio, the North Slope gas producers and Northwest Alaskan Pipeline Company, principal sponsor of the Alaskan Section of the pipeline. The first was a $500 million co-operative agreement for the design and engineering of the pipeline and the processing plant in Alaska. The second accord commits the producers and Northwest Alaskan and its partners to work together expeditiously to develop a financing plan for the project. The objective is to finalize financing in time to allow for completion of construction in 1985.

The U.S. regulatory delays, primarily associated with matters relating to design and financing of the Alaskan portion of the project, have made it necessary to re-schedule completion of the project from late 1984 to late 1985. The delays also resulted in the estimated total cost of the Canadian portion being revised to $8.4 billion from $5.8 billion in dollars escalated to the date of construction. Later examination of the effects of inflation, scope changes and contingency allowances indicate the estimate of $8.4 billion will have to be increased again. The required detailed engineering and economic studies are now in progress.

With the continued positive support of the Canadian Cabinet and the United States Congress, Westcoast is confident that Phase II construction will commence as scheduled and that this massive international project will be completed by the winter of 1985-86.

Foothills Oil Line Maintains its Position

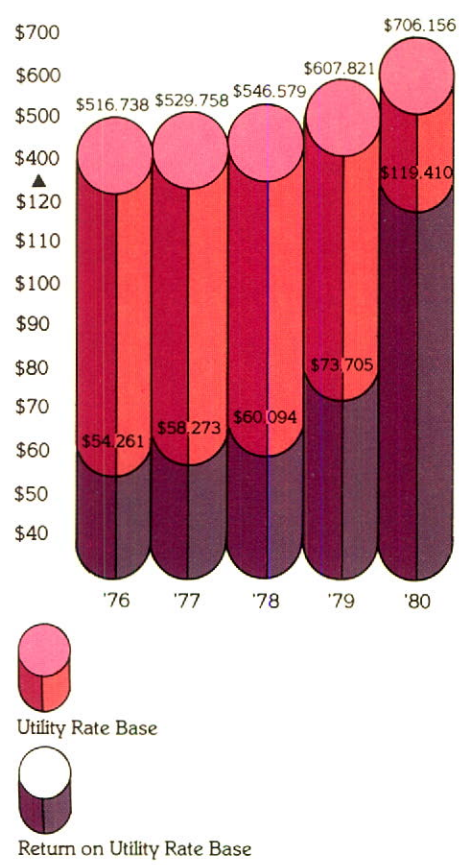
Foothills Oil Pipe Line Ltd. a company owned jointly by Westcoast and Nova continued as an active and committed intervenor to test the validity of two proposals to transport Alaska crude oil by tanker into the Strait of Juan de Fuca and then overland by pipeline into the north-central United States. Both proposals entail construction of a super-port in the Strait to receive the crude which would move by large tanker down the coast of British Columbia. Crude oil would be funnelled through the super-port by different overland routes to the intended U.S. market.

The Foothills all-land oil route enjoys the official support of the Government of British Columbia and the federal government. To honor that degree of confidence, Foothills is committed to retaining its proposal in a state of readiness to reactivate its regulatory application at the appropriate time.

Foothills' position is that a new west-to-east crude oil transportation system is not needed at this time because the surplus of Alaskan oil on the United States west coast is less than expected and the importations of foreign oil into the United States are declining steadily. When sufficient new oil discoveries are made in Alaska to justify a new transportation system, Foothills will renew its application before the NEB for an all-land route from Alaska to Edmonton, and from Edmonton into the U.S. utilizing existing pipelines. This route, through a connecting lateral along the Dempster highway, would also provide transport for Canadian oil discovered in the Beaufort Sea and the Mackenzie River Delta to markets in the south.

Utility Rate Base and Return on Utility Rate Base

(In Millions)



Working with youth . . . in many communities Westcoast people serve as counsellors with young organizations . . . Boy Scouts, Junior Achievement, the Big Brother movement.

Vancouver Island Pipeline

On February 20, 1981 the provincial government announced that it had selected the British Columbia Hydro and Power Authority to build a natural gas pipeline to Vancouver Island via a southern route, and that it had rejected Westcoast's proposal for a northern pipeline crossing. The government has stated that terms of reference for a public hearing on B.C. Hydro's application for the pipeline will be established, however, the scope and value of such a hearing obviously will be severely restricted because the major decisions have already been taken.

Fertilizer Complex

Westcoast, in association with partner companies, on February 12, 1981 proposed a large ammonia-fertilizer industrial complex at Powell River, astride its proposed northern route to the Island. The northern pipeline and the complex, in combination, comprised an industrial project which would have returned far greater benefits to British Columbians and the province than the southern pipeline in isolation, without an accompanying major industrial enterprise. Westcoast and its associates — British Columbia Resources Investment Corporation, Chieftain Development Company Limited and Union Oil Company of California — will re-examine the feasibility of the world-scale ammonia-fertilizer complex at alternative sites.

Petrochemical Complex Studied

On November 3, 1980 Westcoast, Dome Petroleum Limited of Calgary, Canadian Occidental Petroleum Limited of Calgary and the Mitsubishi group of companies of Japan announced that agreements in principle had been reached which are expected to lead to the development of a major petrochemical complex in British Columbia. It will entail construction of an extraction plant adjacent to the Westcoast mainline in the Fort St.John-Chetwynd area which would remove liquids from the natural gas, and transmission of those liquids by pipeline to tidewater where a fractionation plant and petrochemical units would produce a number of products. Ethane and some propane would be cracked to ethylene and subsequent processing would produce polyethylene. The coastal complex would include a chlor-alkali plant to provide chlorine which would enable production of vinyl chloride monomer and ethylene dichloride. A variety of products are derived from these intermediate compounds including plastics, paint, styrofoam, detergents and urethane foam.

The preliminary estimate of the total cost of the project is $2 billion in 1985 dollars and Westcoast's share will be approximately $720 million. The ethane and propane utilized in the complex would be the equivalent of 100 million cubic feet of natural gas per day and will thus require an additional 100 million cubic feet a day of B.C. gas to be produced to meet the Company's existing gas sales contracts.

Application to proceed with the project will be made to the provincial government in 1981. Given the necessary approvals and the setting of an acceptable price for the feedstock gas by the British Columbia government late this year, the complex would be on stream in late 1985.

During construction 7,700 man-years of employment would be required, and in operation the complex would ultimately employ 1,200 workers on a permanent basis.

Availability of petrochemical building blocks in British Columbia also would provide new business opportunities for west coast residents, such as plastic product manufacturing plants for the provincial and other markets.

LNG Facilities Possible

The feasibility of establishing liquified natural gas (LNG) facilities in B.C. is being studied by Westcoast along with other companies. Liquified natural gas would be exported to Japan in special refrigerated tankers and marketed to large Japanese utilities under a long-term contract.

The various units in British Columbia would include a new large diameter pipeline to a coastal port and a liquefaction plant and related facilities at tidewater.

Preliminary estimates of capital costs of the project are $2 billion in 1985 dollars.

Approval of both the National Energy Board and the provincial government would be required and submissions are being prepared. The tentative completion date for the project is early 1986.

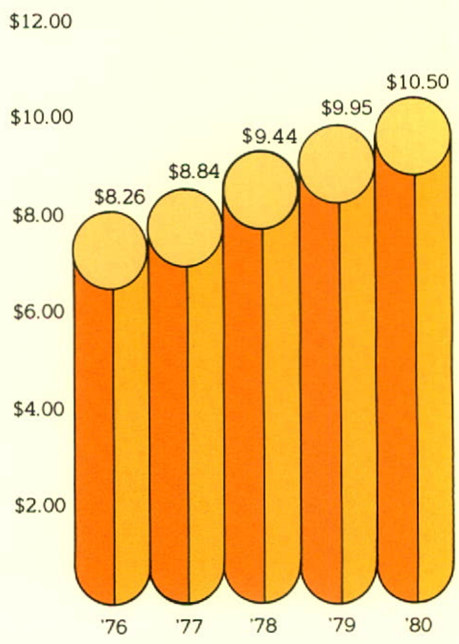
Coal Liquefaction Concept

In 1980 Westcoast initiated a study of a coal liquefaction project which would produce synthetic crude oil from coal. In view of the immense scope of the project a joint venture was decided upon and in December a letter of agreement was signed by the Company, British Columbia Resources Investment Corporation and Petro-Canada, committing each through 1981 to preliminary studies. As well, the federal Department of Energy, Mines and Resources is participating in the studies on a 50-50 cost basis.

Coal Transport Studies

Westcoast has also initiated coal transportation studies, including the conveyor belt method and slurry pipelines. Major utilization of the province's massive coal reserves is scheduled to commence in this decade and transportation techniques other than rail may become viable in certain regions.

***Shareholders' Equity per Common Share**



*Restated to reflect a prior period adjustment

Talent and technology . . . elements which are combined at Westcoast to ensure continued industrial success and resulting security of employment and community prosperity.

Consolidated Balance Sheet
December 31

Assets

	1980	1979
	(in thousands)	
Plant, property and equipment — at cost (Note 1)	$1,368,720	$1,223,059
Less accumulated depreciation and depletion	358,235	318,127
	1,010,485	904,932
Current assets:		
Temporary cash investments	13,351	13,567
Deposits with trustees	3,483	4,346
Accounts receivable	192,549	151,150
Materials and supplies — at cost	8,040	5,534
Line pack gas — at cost	8,964	6,824
Prepayments	1,094	621
Deferred operating expenses (Note 2)	10,416	—
	237,897	182,042
Deferred charges:		
Debt discount, premium and expense	8,805	7,671
Northern pipeline projects (Note 3)	72,592	49,239
Other	4,299	4,429
	85,696	61,339
	$1,334,078	$1,148,313

(See accompanying accounting policies and notes)

Westcoast Transmission Company Limited
(Incorporated under the laws of Canada)

Shareholders' Equity

	1980	1979
	(in thousands)	
Capital stock (Note 4):		
Authorized		
5,000,000 preferred shares without nominal or par value		
75,000,000 common shares without nominal or par value		
Issued		
739,322 $4.25 cumulative redeemable preferred shares series A (1979 — 792,080 preferred shares series A)	$ 36,966	$ 39,604
36,189,581 common shares (1979 — 35,407,614 common shares)	189,716	182,599
	226,682	222,203
Contributed surplus	1,561	1,361
Retained earnings	188,542	168,393
	416,785	391,957
Liabilities		
Long term debt (Note 7)	551,359	417,734
Deferred income taxes (Note 8)	90,274	41,363
Current liabilities:		
Bank indebtedness	17,979	62,712
Accounts payable	159,436	142,629
Income taxes payable	1,281	—
Sundry taxes	3,473	2,855
Interest on debt	15,181	10,473
Long term debt due within one year	15,580	20,510
	212,930	239,179
Minority interest in subsidiary companies:		
Preferred shares	8,370	9,199
Common shares	54,360	48,881
	62,730	58,080
	$1,334,078	$1,148,313

On behalf of the Board:

John Anderson

Director

E Phillips

Director

Consolidated Statement of Operations
For the years ended December 31

	1980	1979	1978
		(in thousands)	
Operating revenues:			
Gas and by-product sales	$1,190,788	$1,086,801	$832,749
Other	26,987	11,600	11,153
	1,217,775	1,098,401	843,902
Operating revenue deductions:			
Cost of gas sold	915,701	861,311	660,213
Operation and maintenance (Note 2)	77,588	76,992	56,364
Depreciation and depletion	52,474	37,583	30,189
Taxes — other than income taxes	25,889	23,440	17,799
	1,071,652	999,326	764,565
Operating income	146,123	99,075	79,337
Other income:			
Allowance for funds used during construction	3,972	8,271	4,305
Allowance for funds capitalized on northern projects	7,938	3,598	1,421
Investment and other income	3,040	2,685	2,523
	161,073	113,629	87,586
Income deductions:			
Interest on long term debt	46,187	36,317	29,032
Debt discount, premium and expense	702	591	516
Other interest and amortization	6,124	4,504	1,260
	53,013	41,412	30,808
Income before income taxes and minority interest	108,060	72,217	56,778
Income taxes (Note 8):			
— current	2,025	1,033	634
— deferred	48,911	15,666	5,685
	50,936	16,699	6,319
Income before minority interest	57,124	55,518	50,459
Minority interest	5,298	5,648	4,100
Net income	51,826	49,870	46,359
Provision for dividends on preferred shares	3,165	3,399	3,400
Net income applicable to common shares	$ 48,661	$ 46,471	$ 42,959
Common shares outstanding — weighted average	35,571	35,044	34,408
Per common share — weighted average (Note 4)	$1.37	$1.33	$1.25
— fully diluted (Note 4)	$1.28	$1.28	$1.21
Dividends per common share (Note 4)	$ .80	$ .80	$ .69

(See accompanying accounting policies and notes)

Consolidated Statement of Retained Earnings
For the years ended December 31

	1980	1979	1978
		(in thousands)	
Unappropriated retained earnings:			
Balance, beginning of year			
As previously reported	$126,346	$111,604	$101,718
Adjustment of prior years net income (Note 9)	2,443	2,443	1,022
As restated	128,789	114,047	102,740
Net income	51,826	49,870	46,359
	180,615	163,917	149,099
Deduct dividends paid:			
Preferred shares	3,183	3,402	3,400
Common shares	28,494	28,122	23,652
	31,677	31,524	27,052
	148,938	132,393	122,047
Transferred from (to) appropriated retained earnings	2,638	(3,604)	(8,000)
Balance, end of year	151,576	128,789	114,047
Appropriated retained earnings (Note 5):			
Reserve for redemption of preferred shares			
Balance, beginning of year	39,604	36,000	28,000
Transferred from unappropriated retained earnings	—	4,000	8,000
Transferred to unappropriated retained earnings for redemption (Note 4)	(2,638)	(396)	—
Balance, end of year	36,966	39,604	36,000
Retained earnings, end of year	$188,542	$168,393	$150,047

Consolidated Statement of Contributed Surplus
For the years ended December 31

	1980	1979	1978
		(in thousands)	
Balance, beginning of year	$ 1,361	$ 1,280	$ 470
Contributions in aid of construction	200	81	810
Balance, end of year	$ 1,561	$ 1,361	$ 1,280

(See accompanying accounting policies and notes)

Consolidated Statement of Changes in Financial Position

For the years ended December 31

	1980	1979	1978
		(in thousands)	
Funds derived from:			
Operations —			
Net income	$ 51,826	$ 49,870	$ 46,359
Add (deduct) items not involving a flow of funds:			
Minority interest	5,298	5,648	4,100
Deferred income taxes	48,911	15,666	5,685
Depreciation, depletion and amortization	52,588	37,982	30,566
Debt discount, premium and expense	702	591	516
Allowance for funds used during construction	(3,972)	(8,271)	(4,305)
Allowance for funds capitalized on northern projects	(7,938)	(3,598)	(1,421)
	147,415	97,888	81,500
Common shares issued	7,117	6,837	9,463
Additional long term debt (net of financing costs)	155,628	73,329	92,830
	$310,160	$178,054	$183,793
Funds used for:			
Additions to plant, property and equipment	$152,979	$147,607	$132,914
Long term debt retirement (including exchange)	22,225	32,822	19,809
Long term debt converted to common shares	1,614	837	9,254
Dividends	31,677	31,524	27,052
Dividends paid by subsidiaries to minority interests	745	717	469
Investment in Westcoast Petroleum Ltd.	—	—	751
Northern pipeline projects	15,415	18,754	14,430
Redemption of preferred shares	2,638	396	—
Working capital increase (decrease)	82,104	(56,023)	(20,201)
Other	763	1,420	(685)
	$310,160	$178,054	$183,793
Changes in working capital components:			
Temporary cash investments	$ (216)	$ (2,252)	$ (2,833)
Deposits with trustees	(863)	(487)	3
Accounts receivable	41,399	41,763	17,397
Materials and supplies	2,506	400	453
Line pack gas	2,140	2,168	300
Prepayments	473	(99)	(154)
Deferred operating expenses	10,416	—	—
Bank indebtedness	44,733	(48,511)	(11,943)
Accounts payable	(16,807)	(36,825)	(21,421)
Income taxes payable	(1,281)	—	—
Sundry taxes	(618)	(218)	(255)
Interest on debt	(4,708)	(3,460)	(2,229)
Long term debt due within one year	4,930	(8,502)	481
Working capital increase (decrease)	$ 82,104	$ (56,023)	$ (20,201)

(See accompanying accounting policies and notes)

Consolidated Statement of Long Term Debt
December 31

	Due Date	1980 United States Dollars	1980 Canadian Dollars	1979 United States Dollars	1979 Canadian Dollars
		(in thousands)			
Westcoast Transmission Company Limited					
First Mortgage Pipe Line Bonds					
6% Series C	1980	$ —	$ —	$ 230	$ 247
5¾% Series D	1984		12,113		15,111
5¾% Series E	1984		4,491		5,553
7% Series F	1988	30,788	33,176	34,869	37,574
8% Series G	1991		74,600		78,450
Less purchased in advance of repayment requirements			(5,041)		(6,026)
9¾% Series H	1996	47,750	47,013	50,000	49,229
Debentures					
7½% Debentures, First Series (Note 7)	1991		723		2,337
8½% Debentures, 1993 Series	1993		41,006		43,100
Less purchased in advance of repayment requirements			(228)		(228)
9⅞% Debentures, 1998 Series	1998		75,000		75,000
10½% Debentures, 1999 Series	1999		75,000		75,000
12¼% Debentures, 2000 Series	2000		100,000		—
Subordinate Debentures					
5½% Series A	1988	12,045	11,989	13,708	13,644
Less purchased in advance of repayment requirements		(623)	(620)	(1,300)	(1,293)
5½% Series B	1988	915	877	1,615	1,547
Less purchased in advance of repayment requirements		(56)	(54)	(51)	(49)
5½% Series C	1988	1,865	1,792	2,102	2,020
Less purchased in advance of repayment requirements		(156)	(149)	(334)	(321)
Gas Trunk Line of British Columbia Ltd.					
Subordinated Debentures, 6% Series A	1981		—		1,133
Westcoast Transmission Housing Ltd.					
Housing Mortgages, 7%	1993		49		49
Vancal Properties Ltd.					
7½% Secured Notes	1994	3,831	4,110	3,981	4,271
Westcoast Petroleum Ltd.					
Term Bank Loan	1982/84		6,692		1,792
Sinking Fund Debentures 10%, First Series	1993		20,000		20,000
Subordinate Debentures, 6½% Series A	1981		975		1,686
Saratoga Processing Company Limited					
Subordinated Debentures, 6% Series A	1981		437		674
8½% Promissory Note	1981		20		60
Pacific Northern Gas Ltd.					
Term Construction Loan	1995		676		—
First Mortgage Pipe Line Bonds					
7¾% Series A	1988	7,863	8,452	8,788	9,446
9¼% Series B (Note 7)	1991	2,035	2,052	2,220	2,238
Debentures					
11½% 1975 Series	1980		—		6,000
Foothills Pipe Lines (Yukon) Ltd.					
Term Bank Loan	1987		51,788		—
			566,939		438,244
Deduct long term debt due within one year			15,580		20,510
			$551,359		$417,734

(See accompanying accounting policies and notes)

Accounting Policies

December 31, 1980

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)
Gas Trunk Line of British Columbia Ltd. (100% owned, wound up on February 29, 1980)
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, 1980 — 57.4% owned including 56.2% of the voting shares, December 31, 1979 — 58.1% owned including 56.6% of the voting shares, December 31, 1978 — 59.8% owned including 57.6% of the voting shares)
Foothills Pipe Lines (Yukon) Ltd. (50% 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 subsidiaries (Westcoast Transmission Company (Alberta) Ltd. and Westcoast Transmission Housing Ltd.) operate under a cost of service 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 November 1, 1979, a rate of return on rate base of 16.94%, which includes a provision for income taxes on the tax allocation basis. The Company recorded a return at a before-tax rate of 16.94% which the National Energy Board based on an after-tax rate of 10.88%. For the ten months ended October 31, 1979 and the year ended December 31, 1978, the Company's approved rate of return on rate base was 11% with no provision for income taxes required.

The National Energy Board directed the Company to adopt, effective January 1, 1981, a before-tax rate of return on rate base of 17.65% which is based upon an after-tax rate of 11.51%.

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 and physical life of the assets in service. 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 and for the year ended December 31, 1978, depreciation was calculated on the assets in service at the commencement of the fiscal periods. The various rates used by the Company resulted in a composite rate of 4.3% for the year ended December 31, 1980 (for the years ended December 31, 1979 — 3.6%, December 31, 1978 — 3.3%).

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 November 1, 1979, the prescribed after-tax rate of return on rate base of 10.88% for calculating an allowance for funds used during construction to be charged to plant, property and equipment (for the ten months ended October 31, 1979 — 11½% and for the year ended December 31, 1978 — 11%).

Foothills Pipe Lines (Yukon) Ltd. calculated an allowance for funds used during construction at rates ranging from 12.9% to 17.5%.

In the accompanying consolidated statement of changes in financial position the allowance for funds used during construction has been deducted from operations whereas previously it had been classified as an addition to fixed assets. Comparative figures for all periods have been reclassified to conform to this presentation.

Allowance for Funds Capitalized on Northern Pipeline Projects:
An allowance for funds advanced for the northern pipeline projects was recorded as a deferred charge at rates ranging from 12.9% to 17.9% (for the years ended December 31, 1979 — 11½%, December 31, 1978 — 11%).

In the accompanying consolidated statement of changes in financial position the allowance for funds capitalized on northern projects has been deducted from operations whereas previously it had been classified as an addition to northern pipeline projects. 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 and for the year ended December 31, 1978 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, 1980, the provision for the year would have decreased by $298,500 (increase for the years ended December 31, 1979 — $18,200,000, December 31, 1978 — $20,600,000) and the accumulated provision to December 31, 1980 would have been $162,801,500 (December 31, 1979 — $163,100,000 and December 31, 1978 — $144,900,000).

The deferred income tax expense of the Company does not include a provision of $1,451,000 for the corporate 5% surtax proposed by the Federal Government. The National Energy Board directed that the Company's income tax rates will not reflect the 5% surtax and, 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 and contributes amounts necessary to provide normal retirement income for the participants. The Company contributed and charged to operations $1,534,027 during the year ended December 31, 1980 (for the year ended December 31, 1979 — $1,559,414 and for the year ended December 31, 1978 — $1,114,882). Based on the most recent actuarial evaluation, there is no unfunded liability at December 31, 1980.

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, 1980 (for the years ended December 31, 1979 and 1978 — 11%).

Comparative Figures:
The 1979 and 1978 comparative figures have been reclassified to conform to the 1980 presentation.

Notes to the Consolidated Financial Statements

December 31, 1980

1. Plant, Property and Equipment:

	1980	1979
Westcoast Transmission and Utility Subsidiaries		
Gathering plant	$ 264,067,108	$ 219,853,196
Products extraction plant	224,531,827	208,673,209
Transmission plant	502,180,194	486,258,597
Miscellaneous plant and equipment	27,992,257	23,342,065
Construction work in progress	24,865,322	24,071,196
	1,043,636,708	962,198,263
Westcoast Petroleum Ltd.		
Transmission plant	41,083,000	40,545,000
Oil and gas properties	190,450,000	157,827,000
	231,533,000	198,372,000
Foothills Pipe Lines (Yukon) Ltd.		
Miscellaneous plant and equipment	731,000	—
Construction work in progress	28,073,000	—
	28,804,000	—
Other Subsidiaries		
Gathering plant	5,077,355	5,077,355
Products extraction plant	6,452,353	6,453,970
Transmission plant	33,148,596	33,624,187
Distribution plant	11,889,907	9,471,806
Miscellaneous plant and equipment	7,931,219	7,653,400
Construction work in progress	246,983	208,298
	64,746,413	62,489,016
Total plant, property and equipment	1,368,720,121	1,223,059,279
Deduct:		
Accumulated depreciation		
Westcoast Transmission and Utility Subsidiaries	270,966,887	240,952,812
Westcoast Petroleum Ltd.	38,081,000	35,191,000
Foothills Pipe Lines (Yukon) Ltd.	—	—
Other Subsidiaries	19,876,478	17,951,474
	328,924,365	294,095,286
Accumulated depletion		
Westcoast Petroleum Ltd.	29,311,000	24,032,000
Total accumulated depreciation and depletion	358,235,365	318,127,286
	$1,010,484,756	$ 904,931,993

2. Deferred Operating Expenses:

As at December 31, 1980, the Company has not charged to the cost of service an amount of $9,734,000 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 $682,000. The Company has received approval from the National Energy Board to recover in the 1981 cost of service the deferred expenses for the twelve months ended June 30, 1980 of $6,226,000 and the carrying charges accrued to December 31, 1980 of $613,000.

The Company will make an application for the recovery of deferred expenses for the six months ended December 31, 1980 of $3,508,000 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.

Foothills Pipe Lines (Yukon) Ltd. received approval from the Canadian Government on July 17, 1980 for the construction of Phase I of the Canadian portion of the project. Phase I 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.

Costs pertaining to Phase I of approximately $16,000,000 and to Phase II of approximately $55,000,000 have been advanced on the basis of the Company's percentage participation and recorded as deferred charges. The Company will continue to contribute its proportionate share of costs incurred by Foothills Pipe Lines (Yukon) Ltd. and its subsidiaries to develop the project. The amount and timing of any commitment for Phase II of the project will be subject to a number of factors including the final pricing of process gas at Prudhoe Bay, the execution of transportation tariffs with respect to such gas, the resolution by the appropriate United States regulatory authorities of the structure of the tariff mechanism and financing. The Company has proportionately consolidated Foothills Pipe Lines (Yukon) Ltd. and its subsidiaries.

4. Capital Stock:

(a) Preferred shares:

On November 30, 1979, the Company invited tenders from all holders of the Preferred Shares Series A for the purchase of such shares at a price equal to $50 per share plus accrued and unpaid preferential dividends. As at December 31, 1979, 7,920 shares were tendered, decreasing preferred shares by $396,000. At February 14, 1980, the expiry date of the tender, an additional 52,758 shares were tendered, further reducing preferred shares by $2,637,900.

The Company, during the six month period ending December 31, 1984, will again invite tenders for redemption from the holders of the Preferred Shares Series A and all tenders received by February 14, 1985 shall be accepted.

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 $53.50 if redeemed on or before December 31, 1981 to $50.50 if redeemed after December 31, 1984.

In accordance with generally accepted accounting principles followed in Canada, the Company's Preferred Shares Series A are included as part of "Shareholders' Equity" in the Consolidated balance sheet. If the generally accepted accounting principles used in the United States were followed, these preferred shares would not be included as part of "Shareholders' Equity".

(b) During 1980 the Company issued:

(i) 193,702 common shares on conversion of 7½% Convertible Debentures, First Series at a conversion rate of $8.33 per share, increasing capital stock by $1,613,537. The convertible feature of these debentures expired on December 31, 1980;

(ii) 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

(iii) 15,400 common shares on options exercised at option prices of $13.50, $7.875 and $5.625 per share, increasing capital stock by $96,525.

(c) During 1979 the Company issued:

(i) 100,449 common shares on conversion of 7½% Convertible Debentures, First Series at a conversion rate of $8.33 per share, increasing capital stock by $836,740;

(ii) 617,331 common shares on Share Purchase Warrants exercised at a price of $9.44 per share, increasing capital stock by $5,827,604; and
(iii) 27,000 common shares on options exercised at option prices of $5.166 and $7.875 per share, increasing capital stock by $171,989.

(d) Common share reservations and options are as follows:
(i) Included in the common shares reserved for oustanding options, as set out below are 335,000 common shares optioned to directors and officers (December 31, 1979 — 230,000 common shares);

Expiry Date	Option price per share	Number of shares at December 31 1980	1979
July 26, 1980	$ 5.625	—	12,000
October 16, 1983	$ 5.166	15,000	15,000
July 29, 1984	$ 6.458	30,000	30,000
April 20, 1986	$ 7.875	135,000	138,000
April 19, 1989	$13.500	161,600	162,000
February 5, 1990	$14.500	131,000	—

(ii) 315,625 common shares are reserved for options which have not been allocated; and
(iii) 4,194,063 common shares are reserved for issuance upon the exercising of Share Purchase Warrants which may be exercised at $9.44 per share until May 15, 1981.

5. 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.

6. 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, 1980 is $89,000,000 (December 31, 1979 — $75,000,000).

7. Long Term Debt:
Long term debt payments required in the five years ending December 31 are:
1981 — $15,580,208
1982 — $28,069,376
1983 — $41,680,720
1984 — $45,948,373
1985 — $47,554,020

The convertible feature of the Company's 7½% Debentures, First Series expired December 31, 1980.

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 $585,245,214 (December 31, 1979 — $454,988,135). If followed, generally accepted accounting principles used in the United States for translation of foreign currencies would decrease net income by $1,562,642 (for the years ended December 31, 1979 — increase net income by $3,359,063, December 31, 1978 — decrease net income by $9,950,054).

The Company has lines of credit with two Canadian chartered banks which allow the Company to borrow from the banks at each bank's prime lending rate and to 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 and 807,200 common shares of Westcoast Petroleum Ltd. and by a first floating charge on other assets and its undertakings.

8. Income Taxes:
Income tax expense for the year ended December 31, 1980 was $50,936,000 with an effective rate of 47.1% on income before income taxes and minority interest. The income tax expense varies from the amount that would be computed by applying the combined Canadian federal and provincial income tax rate of approximately 50.8% to income before income taxes and minority interest for the following reasons (in thousands):

Computed income tax expense	$54,894	50.8%
Increase (decrease) in income taxes resulting from:		
Equity portion of allowances for funds capitalized	(3,204)	(3.0)
Non-deductible royalties, and other expenses, less federal resource allowance and provincial rebates	1,447	1.3
Earned depletion	(2,201)	(2.0)
Provision for income taxes	$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 1980 (in thousands):

Capital cost allowance claimed for income tax purposes in excess of depreciation and amortization	$29,052
Depletion allowance claimed for income tax purposes in excess of that recorded for accounting purposes	7,951
Allowances and intangibles claimed for income tax purposes in excess of that recorded for accounting purposes	11,525
Other	383
Deferred income taxes	$48,911

9. Prior Period Adjustment:
As a result of recording the allowance for funds capitalized on northern projects applicable to the years 1976 to 1978, approved by the National Energy Board, the balance of retained earnings at December 31, 1978 previously reported as $147,604,687 has been restated to show the retroactive increase in income of $2,443,000 representing the cumulative amount of the increase as at December 31, 1978. Of the $2,443,000, $1,421,000 is applicable to 1978 and has been added to income for that year. The remaining $1,022,000 is applicable to years prior to January 1, 1978 and has been credited to retained earnings at that date.

10. 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, 1980 was $1,175,000 (for the years ended December 31, 1979 — $837,000; 1978 — $641,000).

11. Segmented Information:
More than 90% of the revenue and net income of the Company and its consolidated subsidiaries for the years ended December 31, 1980, 1979 and 1978 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 as at December 31, 1980, 1979 and 1978 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 (in thousands):

	1980	1979	1978
Canada	$ 233,433	$ 236,925	$213,282
United States — Sales to Northwest Pipeline Corporation	984,342	861,476	630,620
Total revenue	$1,217,775	$1,098,401	$843,902

12. 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.

13. Selected Quarterly Data (unaudited) (in thousands):

	1980			
	For the three months ended			
	March 31	June 30	Sept. 30	Dec. 31
Operating revenues	$436,986	$232,098	$174,012	$374,679
Operating revenue deductions	398,626	196,105	137,713	339,208
Operating income	38,360	35,993	36,299	35,471
Other	11,913	10,611	11,783	9,054
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	$.31	$.30	$.35

	1979			
	For the three months ended			
	March 31	June 30	Sept. 30	Dec. 31
Operating revenues	$276,215	$228,593	$218,045	$375,548
Operating revenue deductions	253,449	207,183	196,291	342,403
Operating income	22,766	21,410	21,754	33,145
Other	7,668	8,015	7,575	9,248
Income before income taxes	15,098	13,395	14,179	23,897
Provision for income taxes	2,447	1,665	1,687	10,900
Net income	12,651	11,730	12,492	12,997
Provisions for preferred dividends	850	850	850	849
Net income applicable to common shares	$ 11,801	$ 10,880	$ 11,642	$ 12,148
Per common share:				
Weighted average	$.34	$.31	$.33	$.35
Fully diluted	$.33	$.30	$.32	$.33

	1978			
	For the three months ended			
	March 31	June 30	Sept. 30	Dec. 31
Operating revenues	$239,219	$185,705	$158,423	$260,555
Operating revenue deductions	219,414	166,780	139,248	239,123
Operating income	19,805	18,925	19,175	21,432
Other	7,123	6,705	6,559	6,272
Income before income taxes	12,682	12,220	12,616	15,160
Provision for income taxes	1,549	1,263	1,075	2,432
Net income	11,133	10,957	11,541	12,728
Provisions for preferred dividends	850	850	850	850
Net income applicable to common shares	$ 10,283	$ 10,107	$ 10,691	$ 11,878
Per common share:				
Weighted average	$.30	$.30	$.31	$.34
Fully diluted	$.29	$.29	$.30	$.33

Auditors' Report

To the Shareholders of Westcoast Transmission Company Limited:

We have examined the consolidated balance sheet and the consolidated statement of long term debt of Westcoast Transmission Company Limited as at December 31, 1980 and 1979 and the consolidated statements of operations, retained earnings, contributed surplus and changes in financial position for the three years ended December 31, 1980. 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, 1980 and 1979 and the results of its operations and the changes in its financial position for the three years ended December 31, 1980 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, 1981.

CLARKSON GORDON
Chartered Accountants

Management's Discussion and Analysis of Financial Conditions and Results of Operations

Year Ended December 31, 1980

Substantially all of the Company's operating cash flow was generated from its utility operations, which are subject to a cost-of-service agreement with the British Columbia Petroleum Corporation and to National Energy Board regulation. Under the cost-of-service agreement, the Company is reimbursed for its operating expenses, including a prescribed rate of return on its utility rate base assets. In 1980, funds generated from operations increased by approximately 51% to $147 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. 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 1980 was obtained through the issuance of $100 million in debentures on July 15, 1980 at 12¼% maturing in 2000. The Company had no material commitments at December 31, 1980.

The Company forsees no unusual events or significant economic changes adversely affecting income from continuing operations. As the Company's income from utility operations was based on the cost-of-service 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 from these banks at the banks' prime lending rate and to 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. The Company has now received approval from the National Energy Board to recover the $6.2 million of expenses deferred for the 12 months ended June 30, 1980 in its 1981 cost-of-service. The Company will make an application for the recovery of the $3.5 million deferred for the six months ended December 31, 1980. 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 new Federal natural gas tax on natural gas used in operations. The net income of the Company was not appreciably affected by the variances described above because the Company's income from utility was based on the cost-of-service 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 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 operating cash flow was generated from its utility operations, which are subject to a cost-of-service agreement with the British Columbia Petroleum Corporation and to National Energy Board regulation. Under the cost-of-service agreement, the Company is reimbursed for its operating expenses, including a prescribed rate of return on its utility rate base assets.

In 1979, funds generated from operations increased by approximately 20% to $98 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 of 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.

As the Company's income from utility operations was based on the cost-of-service 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 from the banks at the banks' prime lending rate and to 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 appreciably affected by the variances described above because the Company's income from utility operations is based on the cost-of-service 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 9⅞% 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.

Year Ended December 31, 1978

Substantially all of the Company's operating cash flow was generated from its utility operations, which are subject to a cost-of-service agreement with the British Columbia Petroleum Corporation and to National Energy Board regulation. Under the cost-of-service agreement, the Company is reimbursed for its operating expenses, including a prescribed rate of return on its utility rate base assets. As a result of 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 appreciably affect the Company's net income and its operating cash flow.

In 1978 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. The balance of the Company's funding requirements for 1978 were obtained through the issuance of $75 million debentures on September 1, 1978 at 9⅞% maturing in 1998.

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

Substantial increases in operating revenue and operating revenue deductions over 1977 resulted from an increase of 17% in the average price of gas sold offset by a decrease of 7% in volumes of gas sold. The net income of the Company, however, was not appreciably affected as the Company's income from utility operations was based on the cost-of-service agreement with the British Columbia Petroleum Corporation.

Operating income increased because of an increased average utility rate base (3.2%) and the increase in operating income of Westcoast Petroleum Ltd.

Allowance for funds used during construction increased relative to 1977 because of 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.

Investment and other income decreased from 1977 because reduced surplus funds provided less interest income on amounts available for investment.

Interest on long-term debt increased over 1977 due to the issuance of 9⅞% debentures on September 1, 1978 and foreign exchange on interest on debt payable in U.S. funds offset by reduced debt due to conversions of certain debt securities and scheduled repayments.

Other interest and amortization increased over 1977 due to interest on increased bank borrowings.

Segmented Statement of Operations (in thousands)* Years ended December 31

	Westcoast Transmission Company Limited and Utility Subsidiaries(a)	Westcoast Petroleum Ltd.	Other Subsidiaries	Consolidated
1980				
Operating revenues	$1,172,350	$33,220	$12,205	$1,217,775
Operating revenue deductions	1,050,874	15,711	5,067	1,071,652
Operating income	121,476	17,509	7,138	146,123
Other income	14,286	558	106	14,950
	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
1979				
Operating revenues	$1,056,850	$31,228	$10,323	$1,098,401
Operating revenue deductions	982,925	15,145	1,256	999,326
Operating income	73,925	16,083	9,067	99,075
Other income	13,402	986	166	14,554
	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
1978				
Operating revenues	$ 810,827	$25,623	$ 7,452	$ 843,902
Operating revenue deductions	750,240	11,963	2,362	764,565
Operating income	60,587	13,660	5,090	79,337
Other income	7,546	564	139	8,249
	68,133	14,224	5,229	87,586
Income deductions	27,105	1,393	2,310	30,808
	41,028	12,831	2,919	56,778
Income taxes	19	5,100	1,200	6,319
Income before minority interest	41,009	7,731	1,719	50,459
Minority interest	—	2,981	1,119	4,100
Net income	$ 41,009	$ 4,750	$ 600	$ 46,359

(a) Utility subsidiaries are:
Westcoast Transmission Company (Alberta) Ltd.
Westcoast Transmission Housing Ltd.
Gas Trunk Line of British Columbia Ltd.

*Restated to reflect a prior period adjustment.

Ten Year Review*

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

Financial	
Operations:	
Operating revenue	
Operating income	
Financial charges	
Income before special items	
Special items	
Net income	
Dividends on preferred shares	
Net income applicable to common shares	
Dividends on common shares	
Cash flow	
Per Common Share:	
Net income — weighted average	
— fully diluted	
Dividends	
Dividend payout ratio	
Cash flow	
Assets:	
Plant, property and equipment	
Accumulated depreciation and depletion	
Net plant, property and equipment	
Net additions to plant	
Total assets	
Rate Base and Return***	
Average utility rate base	
Average return on utility rate base	
Average return on equity in utility rate base	
Capitalization:	
Long term debt	
Preferred shareholders' equity	
Common shareholders' equity	
— per common share	
Return on average common shareholders' equity	
Capitalization Ratios:	
Long term debt	
Preferred shareholders' equity	
Common shareholders' equity	
Statistical	
Total gas sales —	
Thousands of cubic meters	
Millions of cubic feet	
Average daily sales —	
Cubic Meters	
Thousands of cubic feet	
Peak day sales —	
Cubic meters	
Thousands of cubic feet	
System sales capacity —	
Cubic meters per day	
Thousands of cubic feet per day	
Kilometers of transmission pipelines	
Miles of transmission pipelines	
Kilometers of gathering pipelines	
Miles of gathering pipelines	
Compressor kilowatts	
Compressor horsepower	
Shares outstanding at year end**	
Number of common shareholders	
Number of employees	

*Restated to reflect a prior period adjustment and 1980 presentation.

**Financial information has been restated to give retroactive effect to the three-for-one common share split.

***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.

Years Ended December 31

1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
$1,217,775	$1,098,401	$843,902	$780,164	$579,276	$416,677	$266,600	$168,764	$139,492	$101,575
146,123	99,075	79,337	74,978	67,930	53,913	49,974	47,093	42,810	26,665
46,889	36,908	29,548	27,398	23,945	25,934	27,680	28,062	26,189	24,960
51,826	49,870	46,359	43,562	39,769	33,019	26,731	24,001	21,314	8,416
—	—	—	—	—	—	—	—	(470)	814
51,826	49,870	46,359	43,562	39,769	33,019	26,731	24,001	20,844	9,230
3,165	3,399	3,400	3,400	3,400	3,400	1,559	—	—	—
48,661	46,471	42,959	40,162	36,369	29,619	25,172	24,001	20,844	9,230
28,494	28,122	23,652	21,674	19,798	17,654	11,275	6,430	5,112	3,368
147,415	97,888	81,500	80,668	74,272	52,954	46,228	41,134	35,730	17,187
1.37	1.33	1.25	1.21	1.12	.99	.97	.93	.82	.46
1.28	1.28	1.21	1.15	1.05	.90	.83	.80	.76	.46
.80	.80	.69	.653	.612	.60	.433	.25	.20	.167
58%	60%	55%	54%	55%	61%	45%	27%	24%	36%
4.14	2.79	2.37	2.43	2.30	1.77	1.78	1.60	1.41	.85
1,368,720	1,223,059	1,070,259	932,821	882,394	736,752	699,954	653,223	618,071	564,769
358,235	318,127	284,143	254,218	227,669	167,632	149,212	131,826	115,262	100,175
1,010,485	904,932	786,116	678,603	654,725	569,120	550,742	521,397	502,809	464,594
145,661	152,800	137,438	50,427	36,977	36,798	46,731	35,152	53,302	103,375
1,334,078	1,148,313	963,781	824,311	768,150	675,189	664,999	614,217	571,584	533,836
706,156	607,821	546,579	529,758	516,738	499,092	493,404	—	—	—
10.9%	10.9%	11.0%	11.0%	10.5%	10.0%	9.5%	—	—	—
13.0%	14.0%	14.0%	14.5%	14.4%	14.2%	14.2%	—	—	—
551,359	417,734	376,393	310,456	317,275	308,037	367,105	386,960	371,098	378,712
36,966	39,604	40,000	40,000	40,000	40,000	40,000	—	—	—
379,819	352,353	327,089	297,509	269,183	247,670	190,668	174,332	156,508	96,459
10.50	9.95	9.44	8.84	8.26	7.72	7.33	6.78	6.09	4.76
13.3%	13.7%	13.8%	14.2%	14.1%	13.5%	13.8%	14.5%	16.5%	9.9%
57.0%	51.6%	50.6%	47.9%	50.6%	51.7%	61.4%	68.9%	70.3%	79.7%
3.8%	4.9%	5.4%	6.2%	6.4%	6.7%	6.7%	—	—	—
39.2%	43.5%	44.0%	45.9%	43.0%	41.6%	31.9%	31.1%	29.7%	20.3%
8 655 205	10 866 503	9 757 496	10 467 364	9 791 490	10 005 393	10 261 958	11 675 489	10 443 880	8 148 758
305,538	383,598	344,449	369,508	345,649	353,200	362,257	412,156	368,679	287,659
23 648 101	29 771 241	26 732 869	28 677 710	26 752 727	27 412 029	28 114 928	31 987 627	28 535 171	22 325 341
834,803	1,050,953	943,696	1,012,351	944,397	967,671	992,484	1,129,194	1,007,319	788,106
39 436 900	39 829 100	38 774 354	37 395 270	32 972 331	33 265 722	33 681 688	36 393 966	35 439 119	31 806 244
1,392,161	1,406,006	1,368,772	1,320,089	1,163,955	1,174,312	1,188,996	1,284,742	1,251,035	1,122,791
41 052 706	37 704 354	36 996 159	36 996 159	36 996 159	36 996 159	36 996 159	36 996 159	34 871 571	31 217 280
1,449,200	1,331,000	1,306,000	1,306,000	1,306,000	1,306,000	1,306,000	1,306,000	1,231,000	1,102,000
2 330	2 294	2 253	2 253	2 214	2 214	2 211	2 211	2 076	1 934
1,448	1,425	1,400	1,400	1,376	1,376	1,374	1,374	1,290	1,202
2 103	1 968	1 935	1 593	1 548	1 395	1 278	1 151	1 147	1 093
1,307	1,223	1,203	990	962	867	794	715	713	679
337 966	337 966	337 966	333 492	333 492	333 492	329 017	285 021	284 275	256 312
453,220	453,220	453,220	447,220	447,220	447,220	441,220	382,220	381,220	343,720
36,189,581	35,407,614	34,662,834	33,651,045	32,604,651	32,089,857	26,020,200	25,727,931	25,688,829	20,281,023
13,278	12,660	12,496	9,870	9.677	9.768	9,525	10,225	10,630	10,450
772	727	638	573	508	514	519	515	502	494

Corporate Information

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 Coast Stock Exchanges in the United States

Stock Symbol — WTC

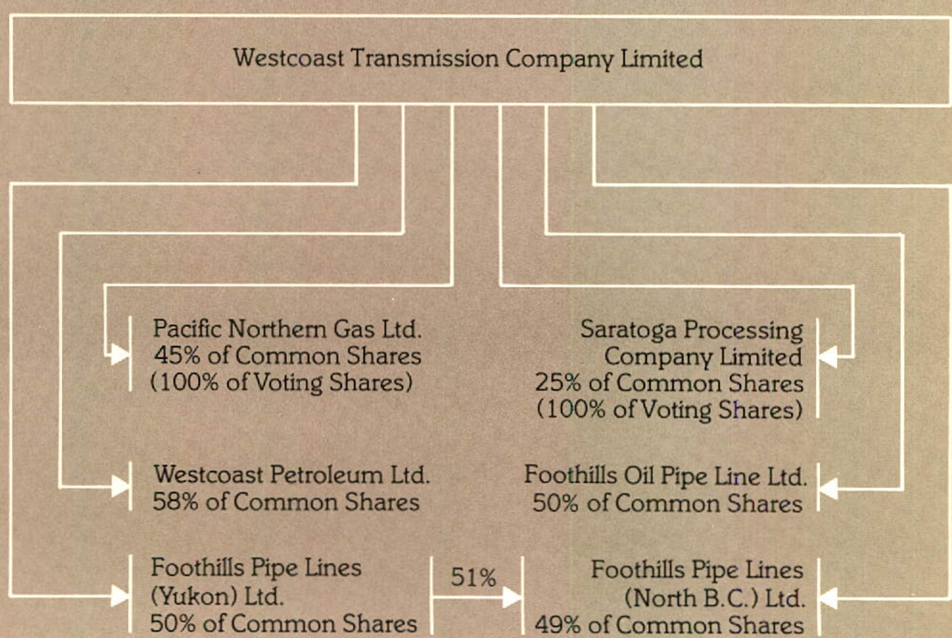
Offices

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	12⅞	12⅜	15
July-September 1980	10¾	13	12⅝	14⅞
October-December 1980	10⅝	13⅛	12½	15⅝
January-March 1979	9⅜	11⅞	11⅛	13¾
April-June 1979	11	13¾	13	15⅞
July-September 1979	12⅛	14	14⅛	16⅜
October-December 1979	10	13¾	11¾	15⅝

Earnings and Dividends Paid* (Common Shares)	**1980** Earnings	**1980** Dividends	**1979** Earnings	**1979** Dividends
January-March	$0.34	$0.20	$0.34	$0.20
April-June	0.33	0.20	0.31	0.20
July-September	0.32	0.20	0.33	0.20
October-December	0.38	0.20	0.35	0.20
	$1.37	$0.80	$1.33	$0.80

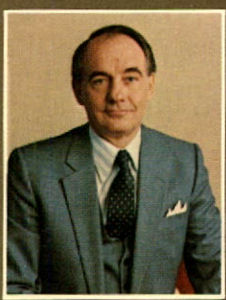
*A resident of the United States receiving investment income generated in Canada is subject to withholding tax provisions under the Canada Income Tax Act and the Canada-United States Tax Convention, 1943.
With certain exceptions, dividends paid by the Company are subject to a withholding tax at a rate of 10%.



Directors

*John Anderson
President
Westcoast
Transmission
Company Limited
Vancouver,
British Columbia

†James S. Byrn
President and Chief
Executive Officer
Genstar Marine
Limited
Tug and barge
operators
North Vancouver,
British Columbia

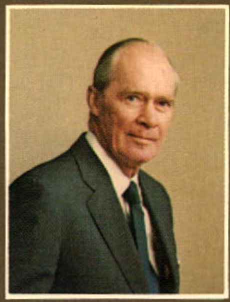


*Alton J. Green
Vice President and
Northern Pipelines
Coordinator
Westcoast
Transmission
Company Limited
Vancouver,
British Columbia

*David L. Helliwell
Chairman of the
Board
British Columbia
Resources
Investment
Corporation
Vancouver,
British Columbia

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

†Andrew Janisch
President and Chief
Operating Officer
Petro-Canada
A Crown energy
corporation
Calgary, Alberta

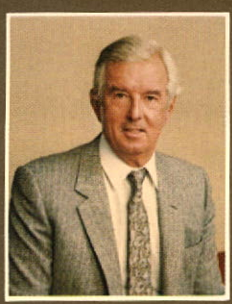


J. Taylor Kennedy
Director
Canada Cement
Lafarge Ltd.
Cement
manufacturer
Montreal, Quebec

L. Merrill
Rasmussen
President and Chief
Executive Officer
Husky Oil Company
A United States oil
and gas company
Cody, Wyoming

*Edwin C. Phillips
Chairman and Chief
Executive Officer
Westcoast
Transmission
Company Limited
Vancouver,
British Columbia

‡J. Ernest Richardson
Vice Chairman of the
Board
MacMillan Bloedel
Limited
Forest products
Vancouver,
British Columbia



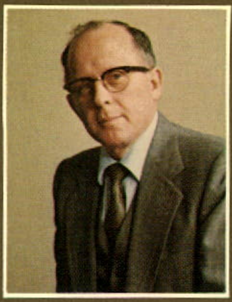
†‡Charles N.W.
Woodward
Chairman of the
Board
Woodward Stores
Limited
Retail merchants
Vancouver,
British Columbia

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

Norman R. Whittall
Honorary Director
Vancouver,
British Columbia

*Executive Committee
†Audit Committee
‡Compensation Committee

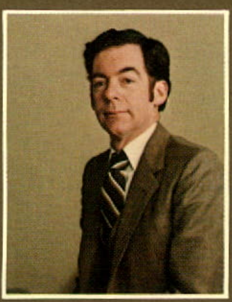
Vice Presidents



J.E. Johnson
Vice President,
Operations

J.A. Kavanagh
Vice President,
Engineering

G.W. Lade
Vice President,
Secretary and
General Counsel



L.J. Smith
Vice President,
Finance

A.H. Willms
Vice President,
Supply and Sales

Officers

Edwin C. Phillips
Chairman and Chief
Executive Officer

John Anderson
President

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

L.J. Smith
Vice President, Finance

A.H. Willms
Vice President, Supply
and Sales

J.E. May
Comptroller

W.N. Collett
Treasurer

D.O. Hunter
Assistant Treasurer

P.M. Steele
Assistant Secretary

Assisting community growth . . . pipelines are relocated and upgraded to accommodate local industrial and residential expansion.

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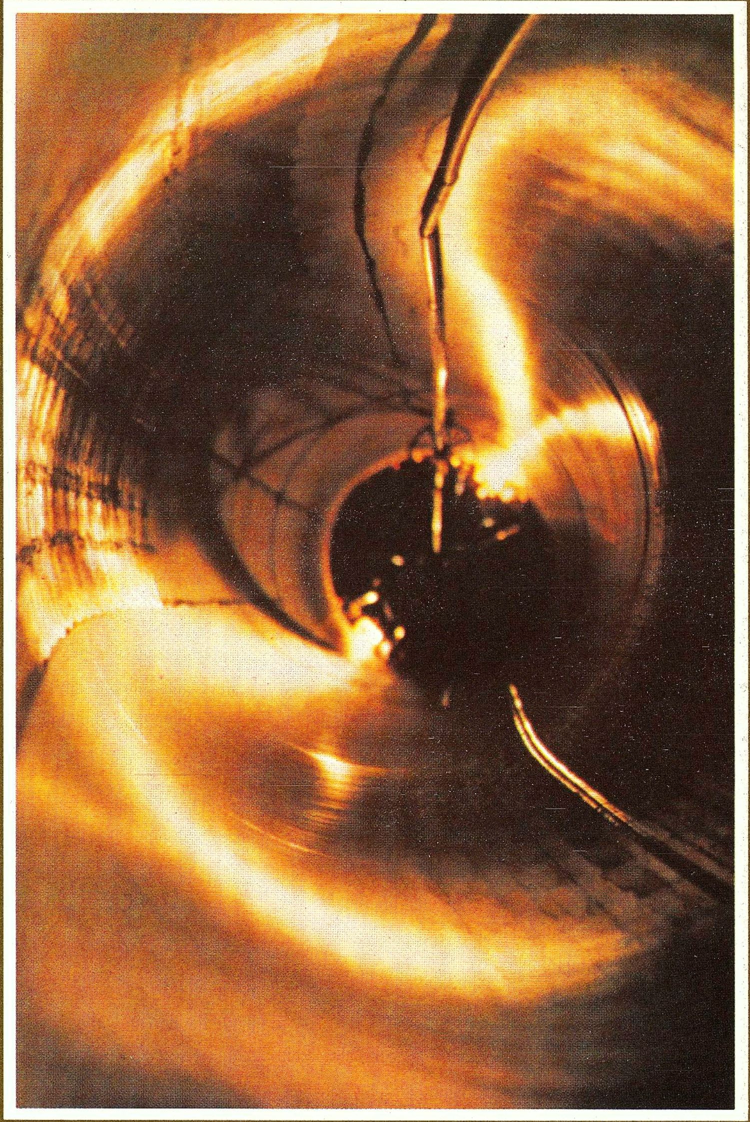
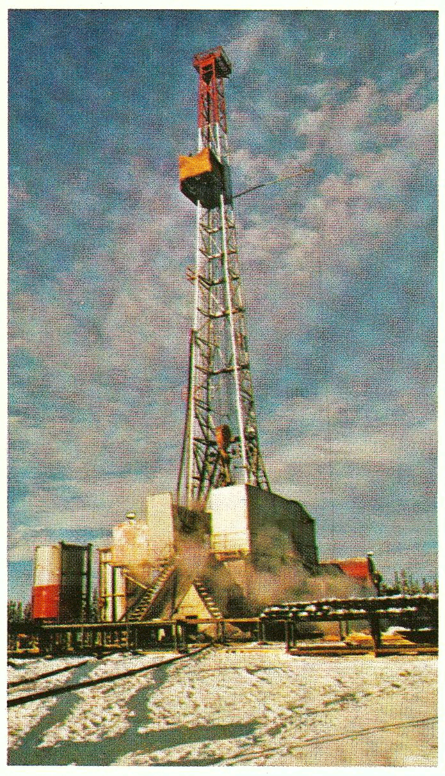
LEGEND
PROCESS PLANTS
COMPRESSOR STATIONS
FUTURE COMPRESSOR STATIONS
WESTCOAST TRANSMISSION MAINLINE AND LOOPING LINE
FORT NELSON LINE
FORT NELSON GATHERING SYSTEM
FORT ST. JOHN GATHERING SYSTEM
PACIFIC NORTHERN GAS LIMITED
SARATOGA PROCESSING COMPANY
PACIFIC GAS TRANSMISSION COMPANY
INLAND NATURAL GAS COMPANY LIMITED
NOVA
ALBERTA NATURAL GAS COMPANY
NORTHWEST PIPELINE CORPORATION
FOOTHILLS PIPELINE
MAJOR HIGHWAYS
RAILWAYS
ALASKA
YUKON
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
WASHINGTON
PACIFIC OCEAN
U.S.A.
CANADA
DAWSON
BEAVER CREEK
WHITEHORSE
WATSON LAKE
FORT SIMPSON
YELLOWKNIFE
POINTED MOUNTAIN
BEAVER RIVER
Liard River
FORT NELSON
Zama Lake
QUEEN CHARLOTTE ISLANDS
PRINCE RUPERT
TERRACE
KITIMAT
Skeena River
Bulkley River
Babine Lake
BURNS LAKE
FORT ST. JAMES
FORT ST. JOHN
TAYLOR
Peace River
GRANDE PRAIRIE
SUMMIT LAKE
PRINCE GEORGE
Fraser River
QUESNEL
Athabasca River
WILLIAMS LAKE
North Thompson River
Columbia River
EDMONTON
VANCOUVER ISLAND
CAMPBELL RIVER
COMOX
POWELL RIVER
Shuswap Lake
SAVONA
KAMLOOPS
SQUAMISH
Thompson River
NANAIMO
VANCOUVER
Okanagan Lake
HOPE
PRINCETON
CALGARY
VICTORIA
HUNTINGDON
NELSON
SEATTLE
KINGSGATE
COLEMAN



Westcoast Transmission

Westcoast Transmission: the system and the resource

Natural Gas — Millions of Years in the Making



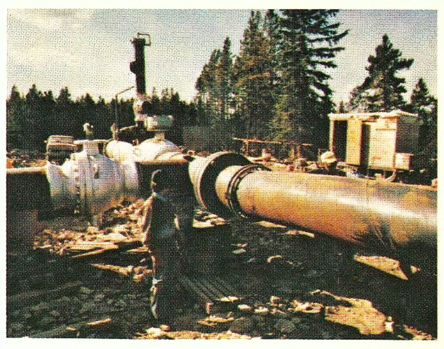
When yet the world was young, vast inland seas stretched north from the Gulf of Mexico to the Arctic Ocean. In those warm shallow waters, uncounted multitudes of plant and animal organisms flourished and died in a relentless rhythm of change. Over millions of years this organic matter drifted to the ocean floor to be buried and blanketed by layer upon layer of sea shells, mud and sand. As time passed — 500 million years according to some geologists — the formative earth constantly rearranged its features. Sediments turned into sandstone, limestone and shale and the organic matter was converted by chemical reaction, heat and pressure into oil and natural gas — a legacy of fossil fuels for modern man.

Most of Canada's natural gas has been found in the relatively undisturbed Western Sedimentary Basin that covers north-eastern British Columbia, almost all of Alberta, the southern half of Saskatchewan, and southwest Manitoba. In these areas, deep within the earth, the scientific search for gas trapped in the porous rocks of those prehistoric seabeds goes on.

Geophysicists and geologists use a variety of techniques such as magnetic and satellite surveys, seismic and acoustic recordings, microfossil examination, and gravitational variation, to probe the Basin for gas. But the only way to be absolutely certain that natural gas occurs in any formation is to drill a well — an expensive gamble. A well can cost many millions of dollars depending upon its location and depth. Once drilling has started, it continues non-stop until completion. It may take only a few days for a simple shallow well or many months for a complex deep well. Today, drillers with high-technology rigs go ever deeper, seeking the untapped wealth of the Deep Basins.

After a commercially productive well has been drilled and completed — in some areas nine out of ten wells are dry and never recover their costs — the flow of gas is controlled by a complex wellhead arrangement of pipes and valves. This vital piece of equipment, called a 'Christmas Tree', is often the only visible evidence of a successful attempt to locate and bring to market the natural gas that nature so carelessly created yet so carefully hid.

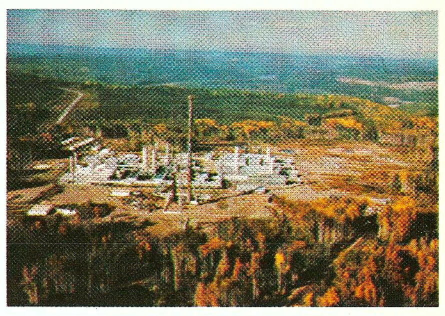
From Prehistoric Rocks to Processing Plants



Like steel fingers probing the gas-rich ground, a network of subsurface pipelines gathers millions of cubic feet of raw, sour natural gas each day from widely scattered wellheads in numerous gas fields.

Westcoast's complex gas gathering system extends throughout the Peace River area of northeastern British Columbia and reaches into Alberta, the Yukon Territory, and the Northwest Territories. The gathering lines, totalling hundreds of miles in length and continually under expansion as more and more wells are brought on stream, are primarily small bore pipes 6 inches to 20 inches in diameter. Within these many small pipelines under its own natural pressure, raw sour gas flows in an accelerated journey through time from the porous rocks of prehistory to modern processing plants for purification.

Processing Plants Produce Sweet Gas

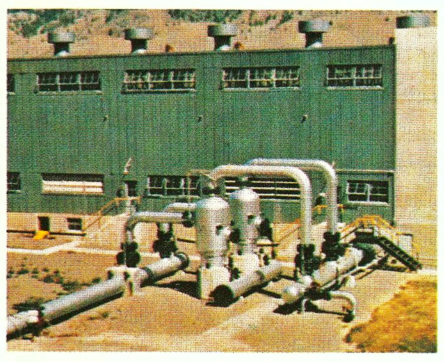


Although natural gas is composed mainly of methane, a compound of carbon and hydrogen, it contains a number of other constituents and impurities that must be removed before the gas is clean enough to meet the strict specifications of the various utility companies purchasing the gas. Processing plants to accomplish this are, for obvious economic reasons, built close to major gas fields.

Approximately fifteen miles south of Fort Nelson, British Columbia, at the junction of the northernmost network of Westcoast's gathering lines, is the western world's largest natural gas processing plant. It is one of four gas processing plants and three associated sulphur recovery plants owned and operated by Westcoast in B.C. The other plants are located at Fort St. John, Pine River and Boundary Lake. Each plant is designed to ensure compatibility with the local environment and meet or exceed all pollution control regulations.

Within these plants gas, in the sour form created by nature, goes first through scrubbers where liquids and solids are extracted, then through other treatment facilities where acid gases such as hydrogen sulphide and carbon dioxide are removed, and finally through dehydrators where water vapour is absorbed. Sulphur is recovered in adjacent facilities from the acid gases. Propane, butane, pentane and hexane are some of the by-products removed or developed during the purification process. Most of these are sold to other industries. The gas, now sweet, is compressed and fed into Westcoast's main transmission line.

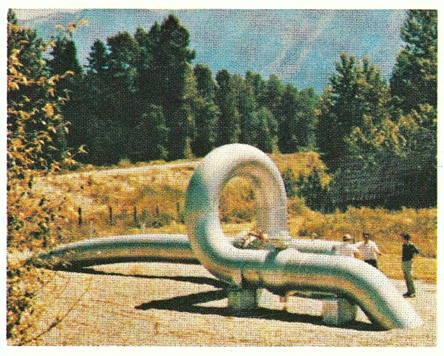
Compressor Stations Keep Gas Flowing



The transmission of gas through a pipeline at only a few pounds per square inch above atmospheric pressure is not efficient. The volume, and hence the value, of the gas transported would never pay for the pipeline. When the pressure is raised, the increased capacity of the line and the greater rate of flow make the pipeline economical.

After initial compression at the processing plant, there is a substantial drop in pressure due to friction of the gas against the wall of pipe as it moves through the line. This is overcome by a series of compressor stations which boost the pressure in various sections of the line as required. Westcoast has 17 compressor stations located at about 50-mile intervals along the main north-south transmission line and 13 compressor stations on gathering lines. These primary and secondary stations maintain a high but safe pressure throughout the system. By forcing gas through the line under pressure, Westcoast can move large volumes of gas quickly and reliably to meet the energy demands of its many customers.

An Unseen Artery of Energy



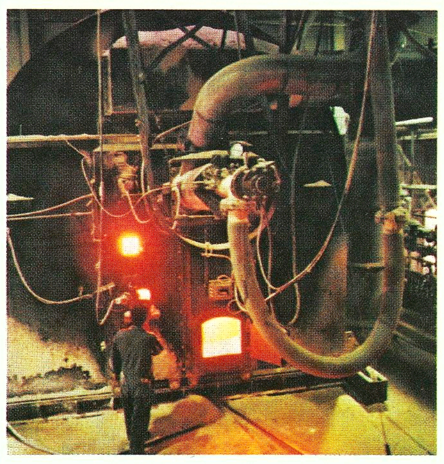
Beneath the land, Westcoast's main transmission line runs safely, silently and invisibly, carrying a valuable cargo of natural gas for domestic and export consumption. Two years in the building and in operation since 1957, this pipeline was Canada's first 'big inch' line. Westcoast has operated this pipeline for almost a quarter century without any major disruption of service. During this period it has gained more experience that any company in British Columbia in the design, construction and maintenance of high pressure natural gas pipelines. Today the mainline is greatly expanded, and most sections of the original 30 inch diameter line have been looped with 36 inch diameter pipe to increase throughput capacity.

From the northern terminus in the Peace River grain growing belt, the more than 1,400 miles of "big inch" pipe runs almost due south, providing gas through various distributors to communities along the route. At the International Boundary near Huntingdon, British Columbia, just east of Vancouver, the southern end of the pipeline joins with that of the Northwest Pipeline Corporation, an American utility company.

A 10 inch diameter lateral pipeline, leaving the mainline at Summit Lake and terminating at Prince Rupert, distributes gas to customers in west-central British Columbia and two west coast ports. This 365-mile line which traverses some of the most rugged terrain in western Canada is owned and operated by Pacific Northern Gas Ltd., a subsidiary company.

In its 2,700-mile entirety, the Westcoast gathering and transmission pipeline system is the largest 'river of energy' in the province. It actually transmits more energy than is derived from any other source, surpassing even electricity and the hydro-electric potential of the Peace and Columbia Rivers. The Westcoast system is not only the major component of the British Columbia natural gas industry, it is also a key link in an international gas grid.

A Plentiful Supply for Distribution



Natural gas is the world's cleanest and cheapest fossil fuel. It is also in plentiful supply and can steadily reduce the nation's dependence on less-efficient and less-abundant forms of energy. Every year more gas is discovered in British Columbia than is consumed in the domestic and export markets together. It is thought that less than half of British Columbia's gas has been found to date. At current rates of consumption, known gas reserves alone will last well into the 21st century.

Westcoast purchases its gas at the wellhead from the British Columbia Petroleum Corporation and through sales to three major domestic distributors — B.C. Hydro and Power Authority, Inland Natural Gas Co. Ltd., and Pacific Northern Gas Ltd. — provides an uninterrupted supply to meet the fluctuating demands of millions of customers in cities, towns, villages and industrial complexes within economic reach of the transmission line.

Export distribution is accomplished through Westcoast's connection with Northwest Pipeline Corporation's line at the International Boundary. Through this line, which is in turn connected with the lines of Colorado Interstate Pipeline Company serving markets in Colorado and adjacent states, and the pipelines of El Paso Natural Gas Company serving New Mexico, Arizona and California markets, gas transported through the Westcoast pipeline is available to supply the rapidly increasing demands for gas in the market areas of the Pacific coast and midwestern states.

Through a complex pattern of underground pipelines, resembling the arteries of a vast vascular system, Westcoast pumps an unending stream of natural gas to fuel the economic fires of two nations.

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