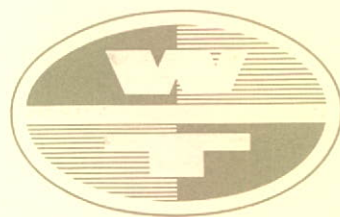


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(Westcoast file)



WESTCOAST TRANSMISSION COMPANY LIMITED

annual
report
1963

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DIRECTORS

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GEORGE McMAHON, Calgary, Alta.
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Vancouver, B.C.
R. B. STEWART, Bartlesville, Okla.
NORMAN R. WHITTALL, Vancouver, B.C.
CHARLES C. WHITTELYSEY, New York, N.Y.

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DOUGLAS P. McDONALD, o.c.,
Senior Vice-President and General Counsel
GEORGE McMAHON,
Vice-President
DR. GEORGE S. HUME,
Vice-President and Chief Geologist
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Vice-President - Public Relations
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Vice-President and Treasurer
ARTHUR B. ALLYNE,
Vice-President - Engineering
LEONARD M. YOEELL,
Secretary

Executive and Operating Office: 1155 WEST GEORGIA STREET, VANCOUVER 5, BRITISH COLUMBIA

Calgary Office: PETROLEUM BUILDING, CALGARY, ALTA.

New York Office: 1 CHASE MANHATTAN PLAZA, NEW YORK 15, N.Y.

TO THE SHAREHOLDERS

Consolidated net profit for the fiscal year ended March 31, 1963 was \$2,523,000, an increase of 24 percent over the previous year.

Gross revenue of the Westcoast system, including income of \$391,600 from investments and other sources, was \$38,871,447 as compared with \$35,631,368 in 1962. This total does not include payments received to cover the full costs incurred by Westcoast in the operation of the Kingsgate system. After deductions for gas purchases, operating expenses, property taxes and other miscellaneous charges, the Company's net operating income was \$16,598,436. A total of \$6,167,043 was charged to depreciation, depletion and amortization, and \$7,956,720 interest was paid on the Company's long-term debt. During the year, this debt was reduced by \$7,033,000, bringing the total retired during the last four years to \$28,057,714. The Kingsgate system is operated on a cost-of-service basis, and Westcoast was reimbursed \$11,138,262 to cover its share of costs incurred during the year. Westcoast's profit from this operation is derived from its interests in Alberta Natural Gas Company and Saratoga Processing Company Limited.

Subsidiary Interests — Westcoast's interests in subsidiary and associated companies have continued to increase in importance as a source of revenue to the Company.

Western Pacific Products & Crude Oil Pipelines Ltd., in which the Company holds 800,000 shares (a 48 percent interest), this year established a policy under which dividends will be paid quarterly at the annual rate of \$1.00 per share. The first of these quarterly dividends was paid on May 31. Because the dividend policy was adopted after the end of West-

coast's fiscal year, the Company's income from its holdings in Western Pacific is not reflected in the 1962-63 financial statement.

Alberta Natural Gas Company, in which Westcoast holds one-third of the issued common stock — 284,000 shares — is paying dividends at the annual rate of 80 cents per share.

Westcoast also has substantial holdings in Saratoga Processing Company Limited and Gas Trunk Line of British Columbia Ltd., both of which are earning their prescribed annual rate of return.

At May 31, the market value of Westcoast's holdings in the above companies was approximately \$21,500,000. The cost to the Company of these holdings was \$3,690,000.

Gas Sales — Daily average throughput for the year was 363 million cubic feet, an increase of 12 percent over 1961-62. During the winter months, Westcoast's daily sales frequently exceeded 450 million cubic feet and reached a peak-day volume of 480 million cubic feet in March. In the January - March period, the last three months of the fiscal year, the average throughput was 427 million cubic feet per day.

Gas Supply — As a result of connections to new fields and the extension and development of existing fields, a greatly increased supply of gas is available to the Westcoast system, and exceeds the present installed capacity of the pipeline. During the past year, for example, the Worsley field of northeastern Alberta and the Rigel field of British Columbia were connected to the system. These connections, and extensions in other British Columbia fields, added 121 million cubic feet of new gas per day to the Company's

supply. This year, further connections are being made in 17 fields and will make available approximately 68 million cubic feet per day of additional gas.

During the past winter's drilling season, a total of 194 wells were drilled in the Peace River region of British Columbia. Of these, 103 were successful, 65 being completed as gas wells, and 38 as oil wells. The ratio of successes in the region continues to be excellent, in both exploratory and development drilling.

New Construction — During the past year, the capacity of Westcoast's main pipeline was increased to approximately 480 million cubic feet per day through the installation of new compressor facilities at Station No. 7. This year, Compressor Station No. 2 is being constructed at Chetwynd, B.C., and as a result, the line's capacity will be increased to over 500 million cubic feet per day.

Market Prospects — The rapid population growth and economic development of British Columbia, Washington, Oregon and Idaho ensure continuing increases in Westcoast's gas sales.

During the current year, the present British Columbia market will grow by approximately 14 percent. A revised plan has been developed to construct a pipeline to Vancouver Island, a project which would create a new market for Westcoast with initial deliveries of some 20 million cubic feet of gas per day. Distribution companies in the Pacific Northwest (Washington, Oregon and Idaho) estimate that this market is growing at a rate of 40 to 50 million cubic feet per day per year.

In addition to this growth potential in its traditional and primary markets, Westcoast is now in an improved position

to expand its sales in the western United States, either directly or by replacement of gas diverted elsewhere. This development follows the abandonment of plans to build a large new pipeline into the State of California via Mexico and an adverse decision by the U.S. Federal Power Commission in what is known as the Rock Springs case. These two projects were designed to deliver more than a billion cubic feet of gas per day to the California market.

The Rock Springs project, sponsored by El Paso Natural Gas Company and associates, called for construction of a new pipeline from Rock Springs, Wyoming, to serve southern California markets. Had this application been approved, a certain amount of the gas being delivered to the Pacific Northwest from Wyoming and the San Juan basin would have been diverted to California through the Rock Springs pipeline. Therefore, Westcoast could have increased its sales through replacement of the gas so diverted.

On May 1, 1963, however, the Federal Power Commission voted in executive session to deny El Paso's application. The Commission pointed out that an extensive network of pipelines has already been built to supply markets in southern California and the western United States. It recommended that future deliveries to these markets make the fullest use of existing pipelines.

The Westcoast system is an integral part of the immense pipeline grid system which extends from northern British Columbia through the United States to the Mexican border. This vast area is interlaced with large-diameter pipeline systems serving every major centre of population in British Columbia, Washington, Idaho, Oregon, Nevada, Arizona and California.

The California market alone illustrates the tremendous potential for gas consumption in this region. Its population and industrial growth — the highest in the nation — combined with the normal depletion of gas reserves in California fields, has created a present demand for three billion cubic feet of gas per day from out-of-state sources. A report prepared for the California Public Utilities Commission states that this demand will increase to approximately four billion cubic feet per day by 1966, 4.25 billion in 1967, and 4.5 billion in 1968 and 4.8 billion in 1969. It will exceed five billion cubic feet per day during 1970.

Westcoast is in an excellent position to deliver large additional volumes of gas to the western pipeline grid. Its supply area in the Peace River region extending beyond Fort Nelson and into the Northwest Territories probably contains one of the largest uncommitted sources of gas remaining to be tapped on the North American continent. In the Fort Nelson area alone, eight discovery wells were drilled during the past winter. Five of these wells will establish new gas fields, while three others indicate major extensions of existing fields or are themselves new fields. Information is still being held confidential on several of these latest discoveries, and they cannot be properly evaluated until development drilling has taken place. From data already in hand, however, it is our opinion that the proven reserves of the Peace River region are now at least 8 trillion cubic feet even without these major new discoveries and the extensions which will follow. The new fields will add very substantially to the reserves. The sedimentary basin of the Peace River region in British Columbia and Alberta, extending into the Northwest Territories, contains more than 75

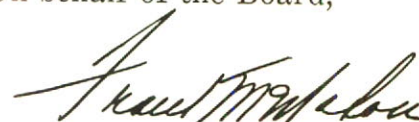
million acres. Less than one well has been drilled for each 50 square miles of this vast region. Thus, while very substantial gas and oil reserves have been discovered, the full potential of the region has been only sparsely explored.

Fort Nelson Project — During the past year, Westcoast continued its plans for the extension of pipeline facilities to Fort Nelson. The Company is now finalizing its construction schedule for this project. The route of the pipeline has been staked and flagged, and scrubbing plant and compressor station sites have been acquired. Basic engineering has been completed, and it is planned to begin clearing of right of way and initial construction this fall.

New Directors — Since publication of the last annual report, two new members have been appointed to the Company's board of directors. They are Clifford F. Hood, former president of United States Steel Company, and R. B. Stewart, vice president of Phillips Petroleum Company. Their experience and counsel will be of great value to the Company.

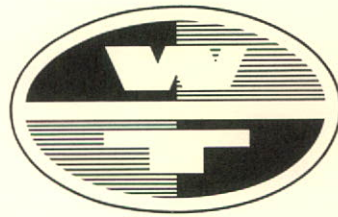
In summary, the past year was one of continued progress for Westcoast. New gas reserves were developed, supplies were increased, and markets continued their steady growth. Prospects for large additional sales of gas and a significant increase in earnings are excellent. The contribution of the staff to Westcoast's progress is appreciated, as is the support of our shareholders and customers.

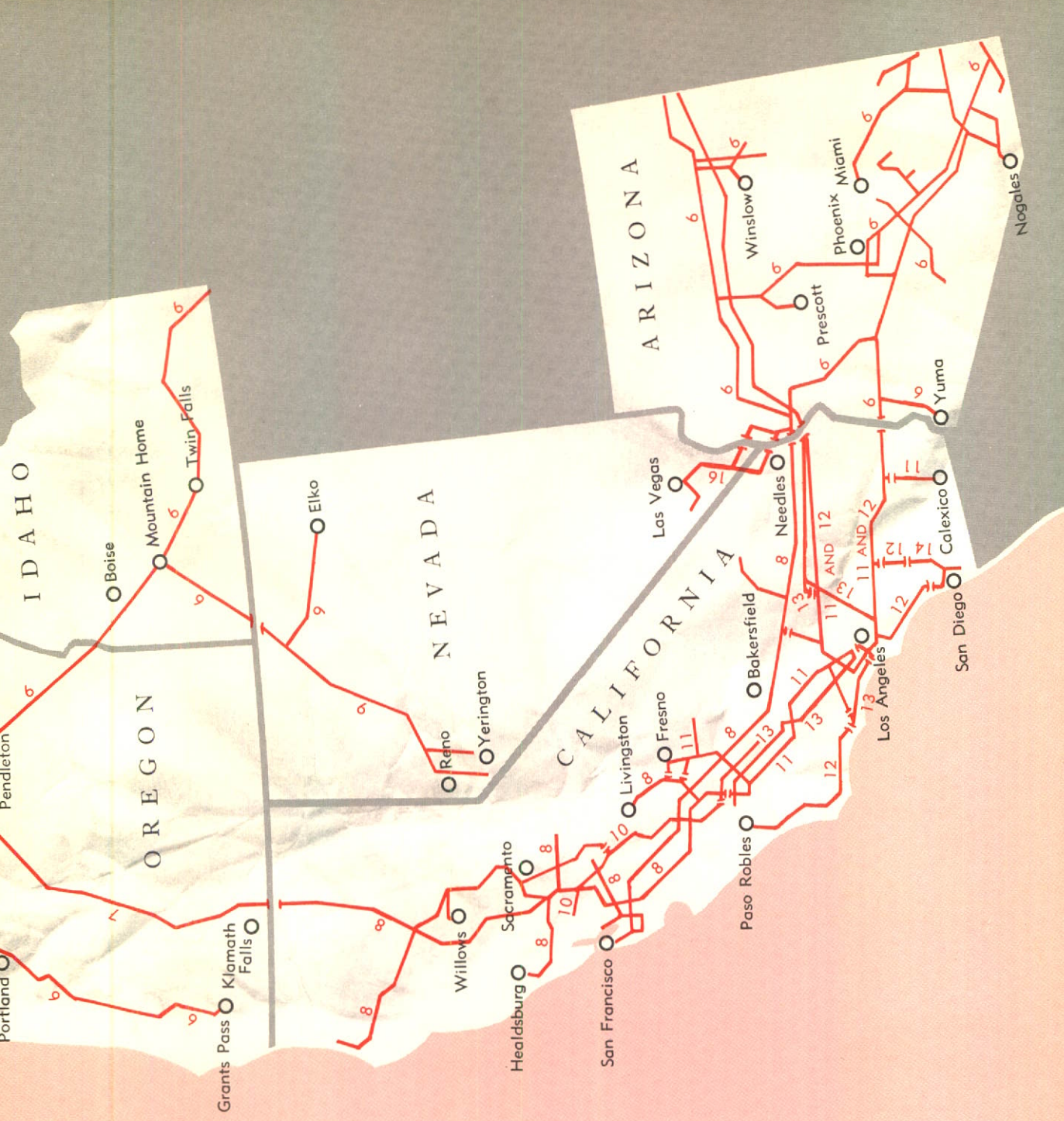
On behalf of the Board,



President

Western
Pipeline Grid
System Map





PIPELINE SYSTEMS LEGEND

- 1 WESTCOAST TRANSMISSION COMPANY LIMITED
- 2 INLAND NATURAL GAS CO. LTD.
- 3 ALBERTA NATURAL GAS COMPANY
- 4 ALBERTA GAS TRUNKLINE CO. LTD.
- 5 B.C. HYDRO AND POWER AUTHORITY
- 6 EL PASO NATURAL GAS COMPANY
- 7 PACIFIC GAS TRANSMISSION CORPORATION
- 8 PACIFIC GAS AND ELECTRIC COMPANY
- 9 NEVADA NORTHERN GAS COMPANY
- 10 STANDARD PACIFIC GAS LINES, INCORPORATED
- 11 SOUTHERN CALIFORNIA GAS COMPANY
- 12 SOUTHERN COUNTIES GAS CO. OF CALIFORNIA
- 13 PACIFIC LIGHTING GAS SUPPLY COMPANY
- 14 SAN DIEGO GAS AND ELECTRIC COMPANY
- 15 TRANSWESTERN PIPELINE COMPANY
- 16 SOUTHWEST GAS CORPORATION



PACIFIC



REVIEW OF OPERATIONS

Financial: Net profit for the year was \$2,523,293 or 41 cents per share. Depreciation of \$5,695,142 was taken. Westcoast has continued its policy of charging depreciation at 3½ percent on pipelines and 5 percent on scrubbing plant, modified to reflect rate of utilization to installed capacity. During the past year the utilization factor was 79.23 percent, resulting in a composite depreciation rate of 2.91 percent. It is apparent that this policy is not producing a depreciation charge consistent with the economic and physical life of these facilities and that a lesser rate, such as that now charged elsewhere in the Canadian gas pipeline industry, would be more realistic. Studies indicate that depreciation charged on the present plant could have been reduced this year by about \$500,000, with comparable reductions in the future.

Gross operating income rose to \$38,479,847. This excludes revenues and expenses of the Kingsgate system, which are included in the consolidated accounts. The Kingsgate system operates on a cost-of-service basis with revenues received by Westcoast exactly offsetting its cost of operation. Because these offsetting entries do not affect the financial results they are, therefore, omitted from this review. As stated in the president's report, Westcoast's profit from the Kingsgate operation is derived from its interests in Alberta Natural Gas Company and Saratoga Processing Company Limited.

Major capital expenditures during the year were \$1,400,000 for gathering system extensions, \$1,030,000 for compression facilities, and \$440,000 for general plant improvements.

The shareholders' equity in the Company was increased significantly during

the year, from approximately \$53,517,000 in 1962 to \$58,371,000 in 1963. This increase is equivalent to 78 cents per share.

Gas Sales: Average throughput of the Westcoast system during 1962-63 was 363 million cubic feet per day, an increase of 12 percent over the previous year.

In March, Westcoast recorded the highest peak-day sale in its history — 480 million cubic feet. Average deliveries were 451.4 cubic feet in January, 413.5 in February and 415 in March, bringing the average for the first 3 months of 1963 to 427 million cubic feet per day.

Details of deliveries to Westcoast's principal customers follow:

British Columbia Hydro and Power Authority: Average daily sales to B.C. Hydro, which provides gas service to the heavily-populated Greater Vancouver area, increased by 12 percent to 65 million cubic feet per day. Largest single-day delivery was 126 million cubic feet.

During 1962, B.C. Hydro added 8,134 customers. At the end of the year, the company had 113,310 residential customers and 15,287 commercial and industrial accounts. The number of active meters in service increased during the same period to 134,243, a gain of approximately 9,000.

Inland Natural Gas Co. Ltd.: Sales to Inland, which serves the rapidly-growing interior region of British Columbia, increased by a daily average of 9 percent, to 24 million cubic feet per day. Peak day for the period was 46 million cubic feet.

Over 93 percent of all new houses and commercial establishments in the Inland service area use natural gas. At December 31, 1962 there were 20,227 meters in service, estimated saturation of gas service

averages 56 percent and ranges upwards to 83 percent in some centres.

El Paso Natural Gas Company: The U.S. Pacific Northwest states of Washington, Oregon and Idaho which are served by El Paso are experiencing a population increase greatly in excess of the national average. Westcoast's average deliveries to El Paso, through Huntingdon, were 272 million cubic feet per day, an increase of 11 percent over 1961-62. Peak deliveries reached 303 million cubic feet per day, the maximum amount allowable under Westcoast's export permit. During the first three months of 1963, sales to El Paso averaged 299 million cubic feet per day.

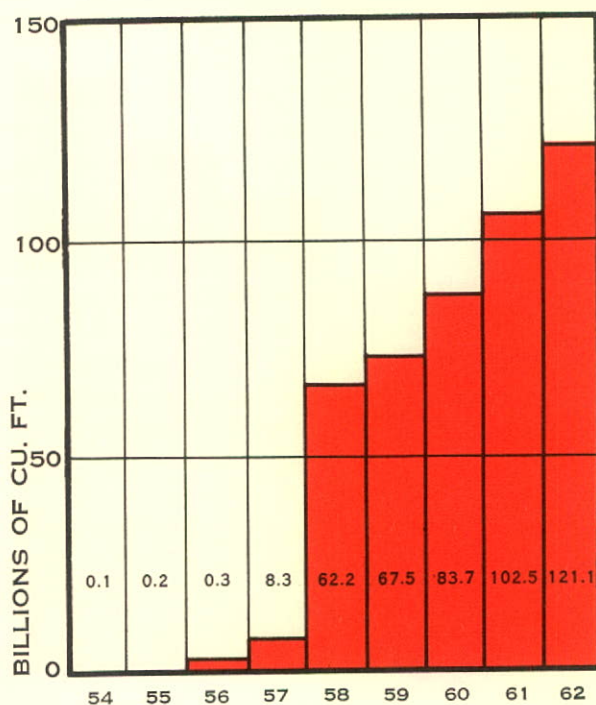
Gas Supply: More than 500 million cubic feet of gas per day will be available for delivery through the Westcoast system this year.

During the past year, production from approximately 40 new development wells was added to the system. This made available an additional 52 million cubic feet per day of gas from the Worsley field of Alberta, 29 million cubic feet from the Rigel field in British Columbia, and 40 million from miscellaneous connections in other B.C. fields.

During the next few months, development drilling activity in the immediate area of the Westcoast supply system will be concentrated in the East Buick Creek, Nig Creek, Sojer, East Laprise Creek, South Jedney, South Beg and Jedney Flank fields. The development of these and other fields will add some 68 million cubic feet of gas per day without requiring any extension of gathering facilities.

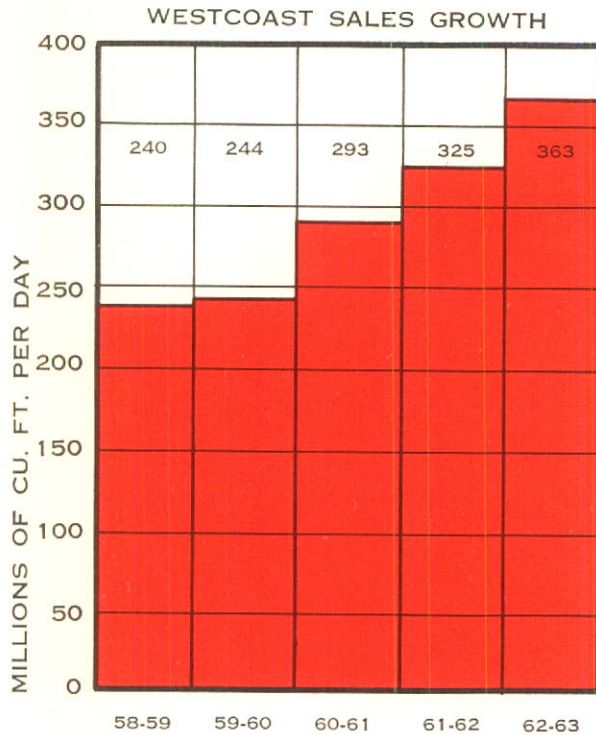
Despite the difficulties imposed on drill-

PRODUCTION OF NATURAL GAS IN BRITISH COLUMBIA



ing activity by a warmer-than-average winter, 51 rigs were in operation in British Columbia at the height of the drilling season in February. During the period from September through May a total of 92 exploration wells were completed, 48 being designated by the Department of Mines and Petroleum Resources as "exploratory wildcats" and 44 as "exploratory outposts." Of particular significance to Westcoast were the 8 discovery wells and 1 development well completed in the Fort Nelson area. These discovery wells, whose locations are marked on the map at the back of this report, prove the tremendous extent of the productive Devonian-Slave Point formation in that area. The development well was completed in the central portion of the Kotcho Lake field, and further increases its proven reserves.

REVIEW OF OPERATIONS



It is of interest to note that in the entire history of the petroleum industry in British Columbia extending back to 1906, only 1315 wells have been drilled. This figure includes many wells drilled outside the 32-million-acre sedimentary basin of northeastern B.C., and serves further to illustrate that many years of exploratory work will be required to establish the great gas and oil potential of this region. The same relative condition exists in the adjoining 43 million acres of the sedimentary basin in northeastern Alberta and the Northwest Territories, within and contiguous to the Westcoast gathering system.

Market Prospects:

British Columbia and the States of Wash-

ington, Oregon and Idaho, which form Westcoast's primary market area, are continuing to experience one of the fastest growth rates in North America.

British Columbia's population increased by a remarkable 39.8 percent during the 10-year census period ended in 1961, and now stands at approximately 1,700,000. Its estimated population by 1965 will be 1,888,000, rising to 2,189,000 in 1970. This population surge has been accompanied by a great increase in capital investment, and by all standard indicators the Province led Canada in economic growth during 1962.

Similarly, the three Pacific Northwest states continue to show impressive growth. Their combined population today is 5,300,000; by 1970, the Puget Sound area of Washington alone is expected to have a population of 1,901,000 — a 26.8 percent increase in 10 years.

The gas service area of **B.C. Hydro and Power Authority** has a population today of approximately 979,000 and average gas sales of 65 million cubic feet per day. B.C. Hydro estimates that its service area population will be 1,207,000 in 1970; it expects to use an average of 75 million cubic feet of gas per day in 1964, rising to 97 million in 1970.

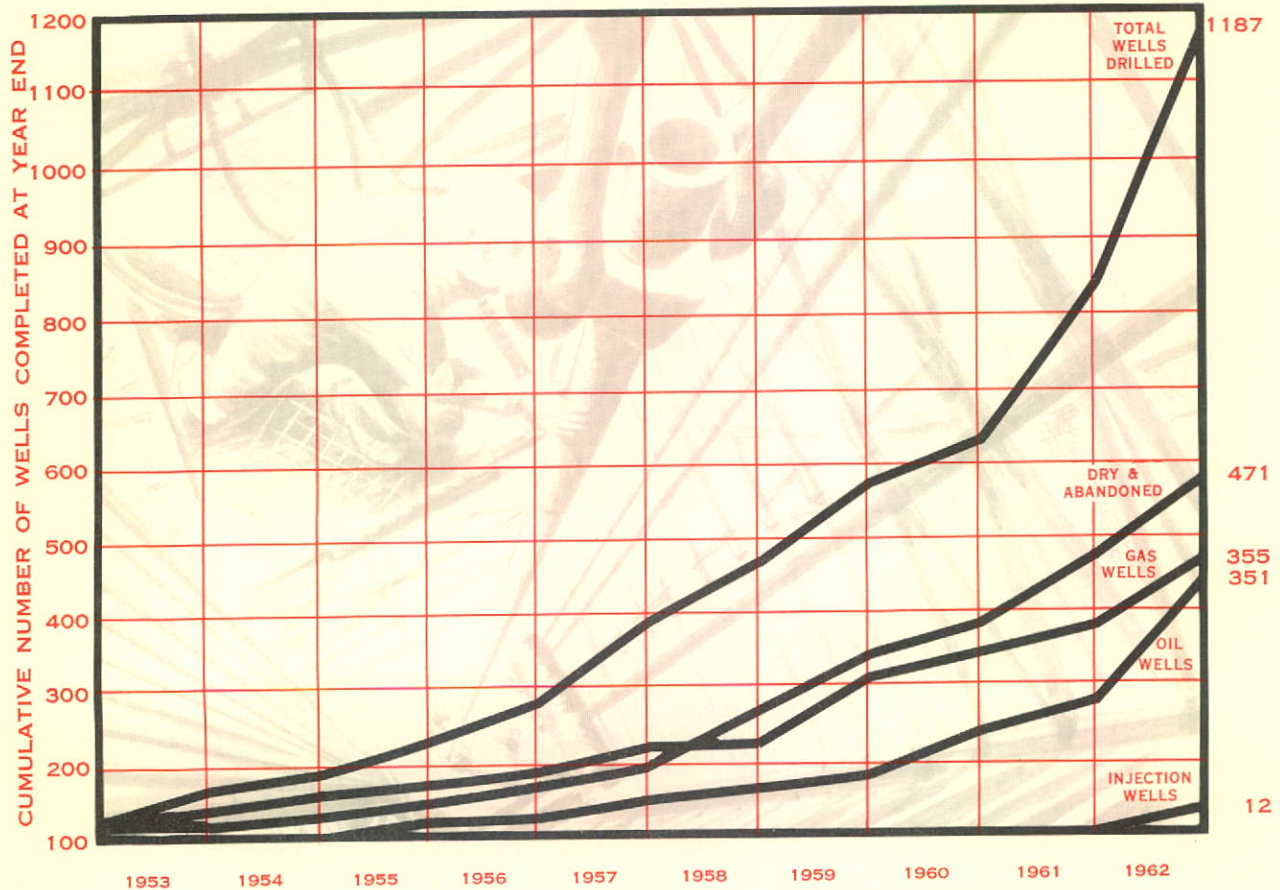
In order to avert an electric power shortage before 1969, when hydro-electricity from the Peace River development is scheduled to become available, B.C. Hydro has constructed a large gas thermo-electric plant at Port Moody, near Vancouver. Two 150,000-kilowatt generating units are now installed in this plant, and a third is being completed. This installation offers a sizeable potential for gas sales both before further hydro power becomes available and after that time,

when the need for peaking power will continue.

The B.C. Hydro estimates outlined above do not take into account the potential market of Vancouver Island, which is not yet served by natural gas. Supported principally by a buoyant and expanding wood-products economy, the population of Vancouver Island is now approximately 300,000, and includes a potential gas service area of 178,000 which will grow to 212,000 by 1970. Plans

to serve this important area through an underwater pipeline from the B.C. mainland were formulated by **Magna Pipeline Co. Ltd.**, but technical difficulties prevented completion of the project. It is understood that a new plan to serve Vancouver Island by a shorter water crossing from Anacortes, Washington, through the San Juan Islands has been prepared. With a growing population and a rapidly-expanding economy, Vancouver Island is an important future market for West-coast gas.

WELLS DRILLED IN BRITISH COLUMBIA SINCE 1952



REVIEW OF OPERATIONS

Several of North America's largest natural resource developments are now being carried out in the interior of British Columbia, service area of **Inland Natural Gas Co. Ltd.** The Peace River power project is under construction; negotiations for development of the Columbia River appear to be nearing a successful conclusion. Large new mines are in production, a \$50-million pulp mill is under construction at Prince George, and a pulp mill is planned for the Kamloops area. There are already 14 lumber dry kilns and a major wood-products plant, the Celgar Limited installation at Castlegar, in the Inland service area.

Although Inland has already achieved good saturation of its 143,000-population service area, the prospects for further growth are excellent. There are currently about 36,000 dwellings and 4,500 commercial customers accessible to the company, which has approximately 20,000 customers. Inland estimates that its sales will rise from the present average daily level of 24 million cubic feet to approximately 35 million cubic feet per day in 1967.

A small but growing market for Westcoast gas in the communities of south-eastern British Columbia is served by **Columbia Natural Gas Company.** The Columbia River power project will also benefit this company's service area, as will a rapidly-expanding tourist industry.

Natural gas sales in the States of Washington, Oregon and Idaho have shown a steady increase of approximately 35 million cubic feet per day throughout recent years. Each of the major companies serving these areas — **Washington Natural Gas Company** in the Seattle-Tacoma area, **Northwest Natural Gas Company** of Portland, **Washington Water Power Com-**

pany in the Spokane area, **Cascade Natural Gas Corporation** in Washington and Oregon, and **Intermountain Gas Company** in Idaho — has registered an annual growth in sales of approximately 12 per cent.

The five major distribution companies have a combined service area population of 3,540,000 and to date have achieved only an approximate 25 percent market saturation. Even discounting the effect of the area's large predicted growth rate, therefore, the Pacific Northwest States have a tremendous potential for increased consumption of natural gas.

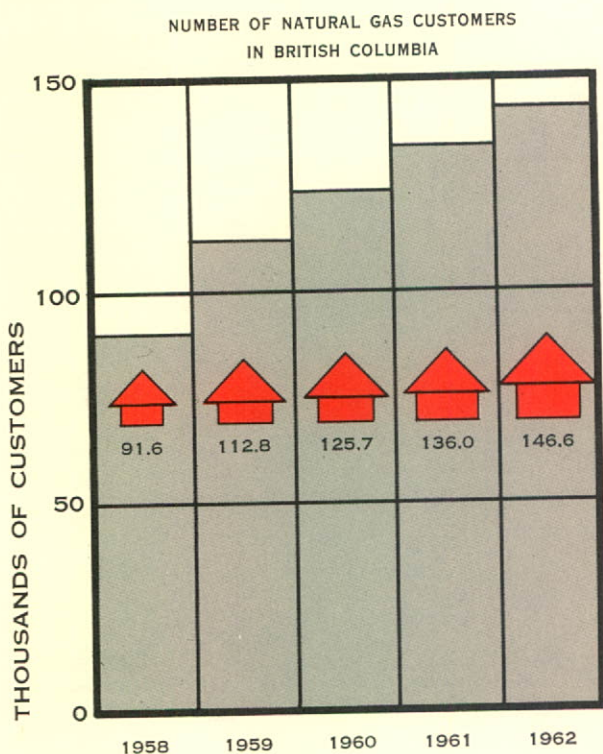
Subsidiary Interests:

The market value of share interests held by Westcoast in four associated and subsidiary companies increased considerably during the past year. At May 31, the total value of these holdings was approximately \$21,500,000. In addition, two of the companies are now established on a regular dividend-paying basis which further enhances the importance of Westcoast's holdings.

A brief description of the activities of these companies follows:

Western Pacific Products & Crude Oil Pipelines Ltd. — This company, which operates a 12-inch pipeline extending 505 miles from Taylor, B.C. to Kamloops, paid its first quarterly dividend of 25 cents per share on May 31. Westcoast holds 800,000 shares (a 48 percent interest) in Western Pacific, which made deliveries averaging 34,016 barrels per day during the first five months of 1963. The company's average 1962 deliveries were 21,200 barrels per day.

Alberta Natural Gas Company — During 1962, this company made average



deliveries of 422 million cubic feet per day on behalf of Westcoast and another shipper through its 107-mile pipeline in southeastern British Columbia. One quarter of this gas is purchased by Westcoast from the East Calgary and Savanna Creek fields of Alberta for delivery on a cost-of-service basis to El Paso Natural Gas Company at Kingsgate, B.C. on the international border. Gas is also provided to Columbia Natural Gas Company for distribution to the communities of southeastern British Columbia. Westcoast holds 284,000 shares, or one-third of the total issued, in Alberta Natural, and since June 1962 has received dividends from this holding at the annual rate of 80 cents per share.

Saratoga Processing Company Limited
— This company, which is part of the

Kingsgate system, delivers gas from the Savanna Creek field to its gas processing plant at Coleman, Alberta. It operates on a cost-of-service basis, and had net earnings of \$200,993 in 1962. Westcoast holds 25 percent (70,000) of Saratoga's issued common shares.

Gas Trunk Line of British Columbia Limited — This company, which provides some of the gathering facilities for the Westcoast system within British Columbia, made deliveries of approximately 200 million cubic feet per day during the past year. Westcoast holds 70,000 shares a 17 percent interest, in Gas Trunk, which operates on a cost-of-service basis.

Production Company:

Revenues totalling \$989,334 were received during the year by Westcoast's wholly-owned subsidiary, Westcoast Production Co. Ltd.

Westcoast Production holds interests in 1,247,620 gross acres of land (300,408 net acres) in British Columbia and Alberta, most of which is contiguous to the Westcoast system and the gathering system for the Western Pacific oil pipeline.

Three gas wells were completed during the year on the company's property, and natural gas sales averaged 25 million cubic feet per day.

Westcoast Production's income from gas sales was \$912,530. Crude oil sales totalled \$23,258, and sales of by-products \$53,546.

Westcoast Production retains an exploration and development tax credit of \$3,917,000 as a result of its accumulated expenditures. Accordingly no income tax is chargeable against its earnings for the year.

WESTCOAST TRANSMISSION COMPANY LIMITED

(Incorporated by Special Act of the Parliament of Canada)

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

ASSETS

	1963	1962
PLANT, PROPERTY AND EQUIPMENT — at cost (note 2).....	\$ 217,436,852	\$ 215,895,657
Less accumulated depreciation and depletion.....	<u>27,087,438</u>	<u>21,610,901</u>
	<u>\$ 190,349,414</u>	<u>\$ 194,284,756</u>
INVESTMENTS — at cost.....	<u>\$ 5,210,006</u>	<u>\$ 4,350,006</u>
DEFERRED ACCOUNTS RECEIVABLE — Employee housing loans.....	\$ 62,092	\$ 39,419
— Other.....		<u>1,010,072</u>
	<u>\$ 62,092</u>	<u>\$ 1,049,491</u>
CURRENT ASSETS:		
Cash.....	\$ 2,501,418	\$ 550,940
Temporary cash investments — at cost.....	1,512,231	
Deposits with trustees for payment of principal and interest on long term debt.....	4,245,154	3,765,838
Accounts receivable.....	5,324,254	4,973,899
Inventories — at cost.....	1,964,246	1,874,702
Marketable securities — at cost (market value \$5,240,840 at March 31, 1963 and \$5,581,230 at March 31, 1962).....	3,102,537	3,052,537
Prepaid expenses.....	<u>19,303</u>	<u>22,069</u>
	<u>\$ 18,669,143</u>	<u>\$ 14,239,985</u>
DEFERRED CHARGES:		
Unamortized debt discount, premium and expense (note 5).....	\$ 2,112,311	\$ 2,179,829
Other.....	333,934	232,247
Organization expense.....	<u>38,722</u>	<u>38,722</u>
	<u>\$ 2,484,967</u>	<u>\$ 2,450,798</u>
	<u>\$ 216,775,622</u>	<u>\$ 216,375,036</u>

Vancouver, Canada,
May 31, 1963.

Consolidated Balance Sheet, March 31, 1963

(with comparative figures at March 31, 1962)


SHAREHOLDERS' EQUITY

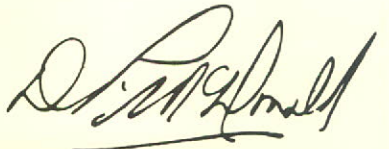
	1963	1962
CAPITAL STOCK (note 3):		
Authorized — 25,000,000 shares without nominal or par value.....		
Issued — 6,206,725 shares (1962 — 6,202,575 shares).....	\$ 52,131,549	\$ 52,099,061
PAID IN SURPLUS.....	141,500	141,500
SURPLUS.....	6,097,816	1,276,099
	<u>\$ 58,370,865</u>	<u>\$ 53,516,660</u>

LIABILITIES

LONG TERM DEBT (note 5).....	<u>\$144,705,202</u>	<u>\$141,815,301</u>
DEFERRED CREDIT (note 4).....		<u>\$ 3,750,000</u>
CURRENT LIABILITIES:		
Demand bank loan.....		\$ 5,540,000
Accounts payable.....	\$ 3,627,278	2,479,320
Taxes payable.....	325,333	344,297
Interest accrued on long term debt.....	3,506,773	1,896,082
Long term debt due within one year (note 5).....	6,240,171	7,033,376
	<u>\$ 13,699,555</u>	<u>\$ 17,293,075</u>

On behalf of the Board:

 Director.

 Director.

\$216,775,622

\$216,375,036

The accompanying notes are an integral part of the consolidated financial statements at March 31, 1963.

**WESTCOAST TRANSMISSION COMPANY LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES**

Consolidated Statements of Operations and Surplus

For the Year Ended March 31, 1963

(with comparative figures for the year ended March 31, 1962)

STATEMENT OF OPERATIONS

	1963	1962
OPERATING REVENUES:		
Gas sales (note 7).....	\$46,426,978	\$32,711,263
By-products sales	3,056,239	2,761,068
Miscellaneous	134,892	159,037
	<u>\$49,618,109</u>	<u>\$35,631,368</u>
OPERATING REVENUE DEDUCTIONS:		
Gas purchases (note 7).....	\$19,859,154	\$12,263,605
Operating expenses (note 7).....	11,969,960	6,460,851
Taxes — other than income taxes	1,190,559	1,253,259
	<u>\$33,019,673</u>	<u>\$19,977,715</u>
OPERATING INCOME — before depreciation and depletion.....	\$16,598,436	\$15,653,653
INCOME FROM INVESTMENTS	335,436	50,854
OTHER INCOME AND GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS — net.....	56,164	(2,090)
	<u>\$16,990,036</u>	<u>\$15,702,417</u>
INCOME DEDUCTIONS:		
Interest on long term debt (less interest charged to construction — 1963 — \$27,165, 1962 — \$8,018) (note 2).....	\$ 7,771,092	\$ 7,559,922
Interest on bank loans.....	185,628	243,896
Depreciation (note 2)	5,695,142	5,311,355
Depletion	333,612	405,733
Amortization of debt discount, premium and expense.....	138,289	138,928
Exploratory costs and non-producing property expenses.....	29,273	40,422
Loss (gain) on U.S. exchange re — Operations	\$ (31,235)	
Redemption of long term debt.....	344,942	(23,438)
	<u>\$14,466,743</u>	<u>\$13,676,818</u>
PROFIT FOR THE YEAR (note 6).....	<u>\$ 2,523,293</u>	<u>\$ 2,025,599</u>

STATEMENT OF SURPLUS

SURPLUS (DEFICIT) BEGINNING OF YEAR.....	\$ 1,276,099	\$ (749,500)
ADD:		
Profit for the year.....	2,523,293	2,025,599
Transfer respecting consent to the use of the company's right-of-way (note 4).....	1,976,385	
Adjustment of prior years' depreciation (note 2).....	322,039	
SURPLUS END OF YEAR.....	<u>\$ 6,097,816</u>	<u>\$ 1,276,099</u>

The accompanying notes are an integral part of the consolidated financial statements at March 31, 1963.

Notes to the Consolidated Financial Statements - March 31, 1963

1. The consolidated balance sheet includes the accounts of the company and the following wholly-owned subsidiaries:
 - (a) Westcoast Production Co. Ltd., is engaged in the development of petroleum and natural gas properties, principally in the Peace River area of Alberta and British Columbia.
 - (b) Westcoast Transmission Company (Alberta) Ltd., owns a gas gathering system in Alberta.
 - (c) Westcoast Transmission Housing Ltd., owns houses occupied by employees of the company and for lease to affiliated companies for their employee occupancy.
 - (d) Westcoast Transmission Company, Inc., is a non-operating company.

The accounts of Saratoga Processing Company Limited have not been consolidated as only 25% of the issued share capital (including all the voting shares) is owned by Westcoast Transmission Company Limited.

2. PLANT, PROPERTY AND EQUIPMENT —

The cost of these assets is as follows:

	1963	1962
Gas transmission system	\$190,382,308	\$189,288,292
Petroleum and natural gas leaseholds, reservations, permits, licences, surface rights, wells and production equipment	26,682,227	26,388,252
Construction in progress	372,317	219,113
	<u>\$217,436,852</u>	<u>\$215,895,657</u>

Interest during construction has been charged to plant, property and equipment at the rate of 7% per annum.

The policy has been continued of providing for depreciation of pipeline facilities on a straight-line basis adjusted to reflect the proportion of utilized to installed capacity. In the current year this proportion was 79.23% compared with 72.30% in the previous year.

Rates of depreciation on certain types of general plant (such as office, automotive and heavy work equipment) were revised downward in order that the accounts might reflect more accurately the prospective economic and physical life of these assets. As a result of this change, the current year's depreciation charge relative to these assets is \$79,600 less than it would otherwise have been, while the adjustment of prior years' depreciation has been carried to earned surplus in an amount of \$322,039.

The company has entered into a contract to construct a compressor station at Chetwynd, B.C., at an estimated cost of \$3,350,000.

3. CAPITAL STOCK —

(a) During the year ended March 31, 1963, 4,150 shares were issued for a cash consideration of \$32,488.14.

(b) At March 31, 1963, there were outstanding reservations or options to purchase shares as follows:

An option on 17,710 shares at \$6.00 (U.S.) per share, exercisable on or before January 31, 1965.

100,000 shares were reserved for sale to such officers and employees and under such terms and conditions as the Directors may designate at prices not lower than 75% of the market price prevailing during the month preceding the month of such designation. Up to March 31, 1963, 13,020 shares have been issued under this reservation.

722,753 shares have been reserved for conversion of the 5½% Subordinate Debentures, Series C at the conversion rate as adjusted in accordance with the terms of the Indenture.

(c) The indentures and agreements relating to the company's long term debt contain restrictions as to the declaration or payment of dividends on capital stock (other than dividends payable in capital stock).

4. The consideration of \$3,750,000 received for the consent to the use by Western Pacific Products & Crude Oil Pipelines Ltd. of a portion of the company's right-of-way from Taylor, B.C. to Savona, B.C. previously carried as a deferred credit has been allocated between Plant, property and equipment account and Surplus account, in conformity with the Uniform Classification of Accounts of the National Energy Board.

Notes to the Consolidated Financial Statements - March 31, 1963 (Continued)

5. LONG TERM DEBT —

Details of the company's long term debt are as follows:

	United States Dollars	Canadian Dollars (a)	
		1963	1962
First Mortgage Pipe Line Bonds 4 $\frac{3}{8}$ % Series (Series A) due November 1, 1977 payable \$2,950,000 (U.S.) semi-annually commencing May 1, 1964	\$ 83,000,000	\$ 80,347,812	\$ 80,347,812
First Mortgage Pipe Line Bonds 5% Series (Series B) due November 1, 1969, payable \$700,000 (U.S.) semi-annually commencing November 1, 1963.....	9,150,000	8,743,969	8,743,969
First Mortgage Pipe Line Bonds 6% Series (Series C) due November 1, 1980, payable \$130,000 (U.S.) semi-annually commencing November 1, 1965.....	4,000,000	4,302,188	
3 $\frac{1}{2}$ % Debentures due November 1, 1963.....		1,692,900	4,200,000
3 $\frac{1}{2}$ % Notes due November 1, 1963.....	3,063,350	3,026,015	7,507,375
5% Notes due July 1, 1967, payable in semi-annual instalments of \$375,000 (U.S.) commencing July 1, 1963.....	4,500,000	4,843,864	
Thirty-two year 5 $\frac{1}{2}$ % Subordinate Debentures, Series A, due April 1, 1988	20,500,000	20,405,667	20,405,667
5 $\frac{1}{2}$ % Subordinate Debentures, Series B, due April 1, 1988.....	3,100,000	2,970,188	2,970,188
5 $\frac{1}{2}$ % Subordinate Debentures, Series C, due April 1, 1988, convertible into shares of capital stock of the company at \$34.59 (U.S.) per share if converted on or before September 1, 1967 and at \$38.00 (U.S.) per share if converted thereafter and on or before July 15, 1978	25,000,000	24,031,250	24,031,250
		\$150,363,853	\$148,206,261
Mortgage payable by subsidiary company on employee housing with interest at 5 $\frac{1}{4}$ %		581,520	642,416
		\$150,945,373	\$148,848,677
Deduct long term debt maturing within one year — shown as current liability		6,240,171	7,033,376
		\$144,705,202	\$141,815,301

(a) Long term debt sold in United States funds and the portion maturing within one year have been converted at the exchange rates in effect at the respective dates of sales.

(b) The company purchased and pledged with the Trustee of the First Mortgage Pipe Line Bonds \$2,154,098 (Canadian) being all of the principal amount of a wholly-owned subsidiary's 4 $\frac{3}{8}$ % Series (Series A) First Mortgage Pipe Line Bonds.

The foregoing listing is in order of priority, except that the company's 3 $\frac{1}{2}$ % Debentures, 3 $\frac{1}{2}$ % Notes and 5% Notes rank equally.

Debt discount, premium and expense is being amortized from October 1, 1957 over the terms of the respective issues.

6. No provision for income taxes is required as the company claims capital cost and other allowances in excess of amounts recorded in the accounts sufficient to offset taxable income. As a result of this policy, income taxes are deferred to a time when such available allowances may be less than the amounts recorded in the accounts. Income taxes so deferred amount to approximately \$2,500,000 of which \$1,300,000 relates to the year ended March 31, 1963.

Notes to the Consolidated Financial Statements - March 31, 1963 (Continued)

7. OPERATING EXPENSES —

Included in the operating expenses are the following:

	1963	1962
Directors' fees	\$ 25,200	\$ 25,200
Executive remuneration	270,671	226,274
Legal fees	13,353	4,370

Included in the operating accounts are the revenues and expenses associated with deliveries of gas at Kingsgate, B.C., for the account of El Paso Natural Gas Company. Under the terms of the agreement with El Paso, the sales price of the gas delivered is equivalent to the cost of the gas to the company, namely:

Cost of gas purchased.....	\$ 6,561,162
Cost of processing and transportation.....	4,577,100
Sales price, included in gas sales.....	<u>\$11,138,262</u>

8. CONTINGENT LIABILITIES —

(a) An action, commenced in 1961 against a gas supplier of the company, in which the company has been joined as a defendant, remains unsettled. This action claims certain alleged benefits under farm-out agreements between the plaintiff and the gas supplier and for damages for breach of contract in the amount of \$5,000,000. The company has denied any liability and, in the opinion of Counsel, there is nothing to justify or support the substantial monetary claim or other claims of substance put forward by the plaintiff.

(b) Westcoast Production Co. Ltd. has guaranteed the bank loan of an affiliated company in the amount of \$400,000.

AUDITORS' REPORT

To the Shareholders of Westcoast Transmission Company Limited:

We have examined the consolidated balance sheet of Westcoast Transmission Company Limited and its wholly-owned subsidiary companies as at March 31, 1963 and the related consolidated statements of operations and surplus for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of operations and surplus are properly drawn up in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in depreciation policy as set out in Note 2, in which we concur, so as to exhibit a true and correct view of the state of the affairs of Westcoast Transmission Company Limited and its wholly-owned subsidiary companies at March 31, 1963 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

CLARKSON, GORDON & CO.
Chartered Accountants.

Vancouver, Canada.
May 31, 1963.

REGISTRARS AND TRANSFER AGENTS

SECURITIES	REGISTRARS	TRANSFER AGENTS
First Mortgage Pipe Line Bonds 4 $\frac{3}{8}$ % (Series A)	Montreal Trust Company Calgary, Alta.	Montreal Trust Company Montreal, P.Q., Toronto, Ont. Calgary, Alta.
First Mortgage Pipe Line Bonds 5% Series (Series B)		First National City Bank New York, N.Y.
3 $\frac{1}{2}$ % Debentures	Canadian Trust Company Montreal, P.Q.	Canadian Trust Company Montreal, P.Q.
Thirty-two year 5 $\frac{1}{2}$ % Subordinate Debentures, Series A	First National City Bank New York, N.Y.	First National City Bank New York, N.Y.
5 $\frac{1}{2}$ % Subordinate Debentures, Series B		
5 $\frac{1}{2}$ % Subordinate Debentures, Series C	Montreal Trust Company (co-registrar) Montreal, P.Q., Toronto, Ont. Calgary, Alta., Vancouver, B.C.	Montreal Trust Company Montreal, P.Q., Toronto, Ont. Calgary, Alta., Vancouver, B.C.
Capital stock (share certificates and voting trust certificates)	Montreal Trust Company Montreal, P.Q., Toronto, Ont. Calgary, Alta., Vancouver, B.C. Chemical Bank New York Trust Company New York, N.Y.	Montreal Trust Company Montreal, P.Q., Toronto, Ont. Calgary, Alta., Vancouver, B.C. First National City Bank New York, N.Y.

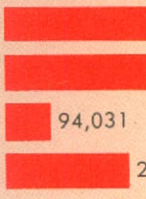
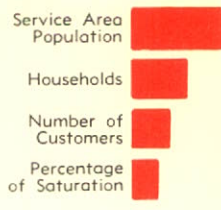
Listed on Toronto, Montreal and Vancouver Stock Exchanges.

Auditors: CLARKSON, GORDON & CO., VANCOUVER, B.C.

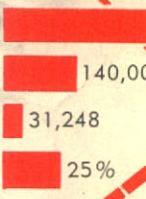
PRIMARY MARKETS FOR WESTCOAST GAS

LEGEND

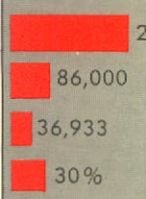
- WESTCOAST 30" MAIN LINE
- WESTERN PACIFIC PRODUCTS & CRUDE OIL PIPELINES LTD.
- B.C. HYDRO AND POWER AUTHORITY
- INLAND NATURAL GAS CO. LTD.
- ALBERTA NATURAL GAS COMPANY
- EL PASO NATURAL GAS COMPANY
- PACIFIC GAS TRANSMISSION CORPORATION
- PACIFIC GAS AND ELECTRIC COMPANY
- SOUTHERN CALIFORNIA GAS COMPANY
- SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA
- PROPOSED CONSTRUCTION
- GATHERING SYSTEM



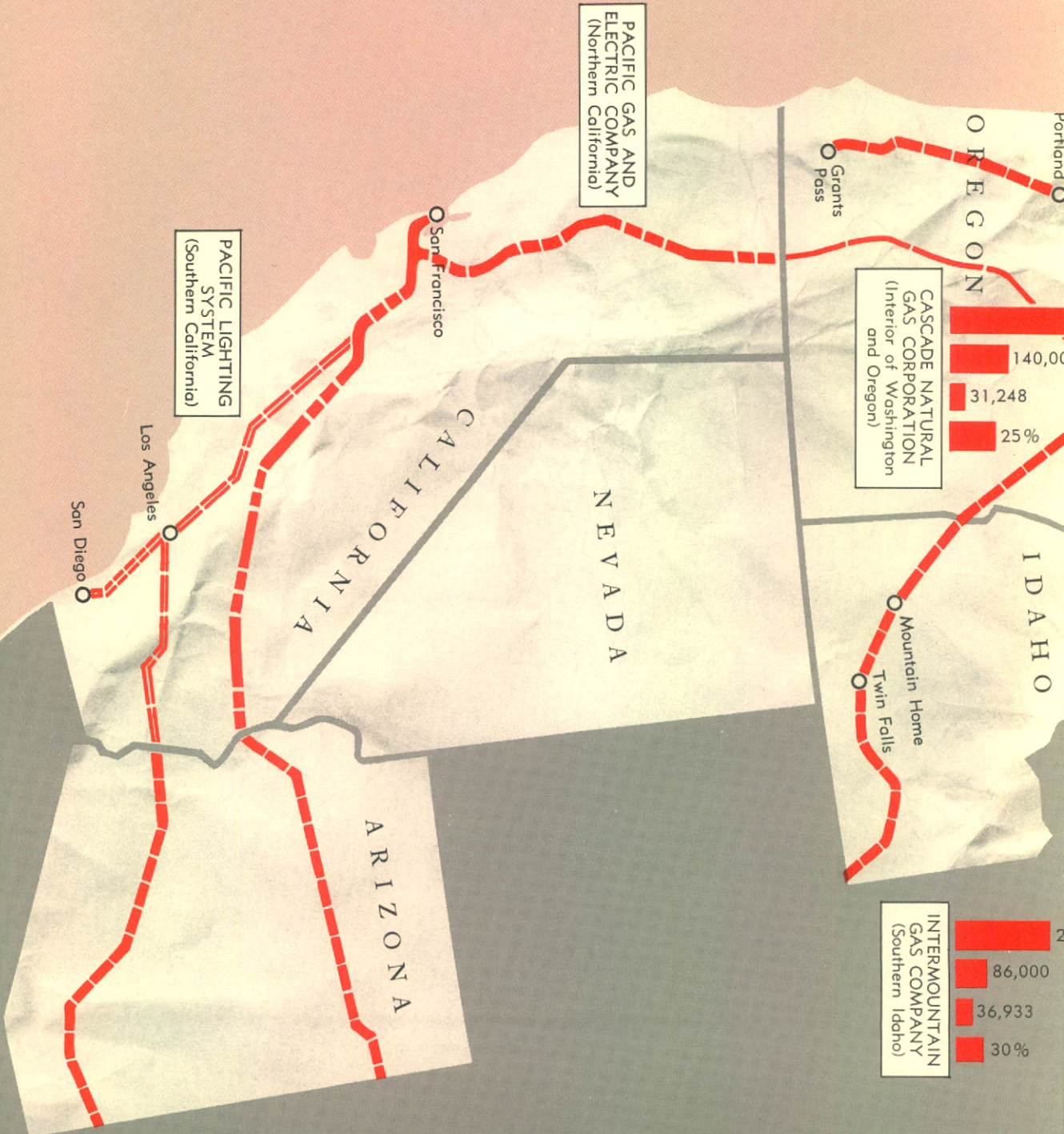
NORTHWEST NATURAL GAS COMPANY
(Portland area)



CASCADE NATURAL GAS CORPORATION
(Interior of Washington and Oregon)

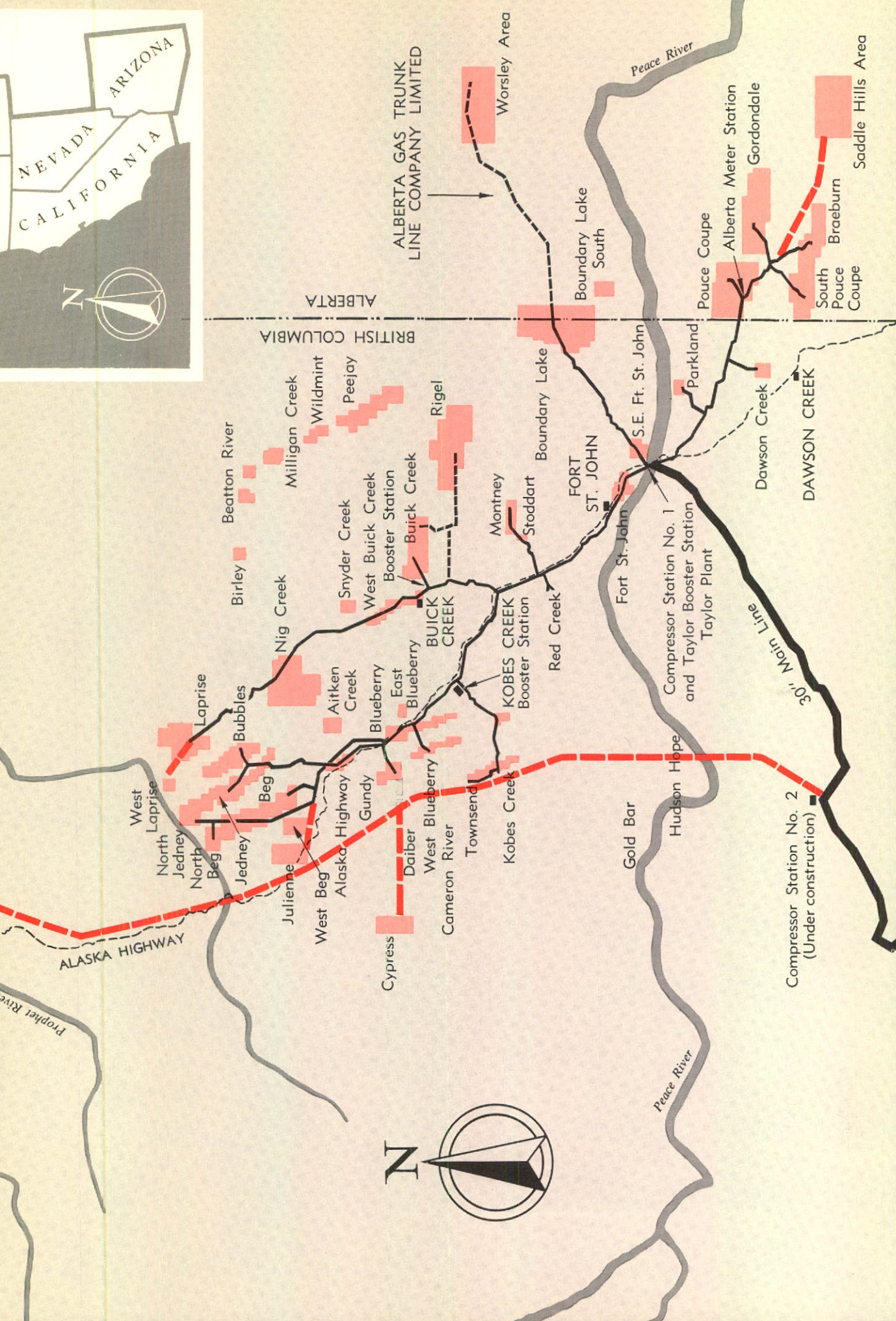
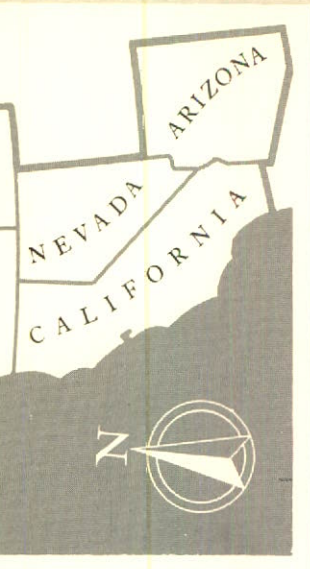


INTERMOUNTAIN GAS COMPANY
(Southern Idaho)



PACIFIC GAS AND ELECTRIC COMPANY
(Northern California)

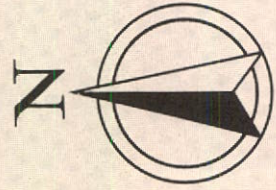
PACIFIC LIGHTING SYSTEM
(Southern California)



ALBERTA GAS TRUNK
LINE COMPANY LIMITED

ALBERTA
BRITISH COLUMBIA

ALASKA HIGHWAY



Compressor Station No. 2
(Under construction)

Compressor Station No. 1
and Taylor Booster Station

30" Main Line

FORT ST. JOHN
S.E. Ft. St. John

FORT ST. JOHN

Saddle Hills Area

Braeburn

South Pouce Coupe

Pouce Coupe

Alberta Meter Station

Gordondale

Peace River

Peace River

Gold Bar

Hudson Hope

Boundary Lake

Worsley Area

Stoddart

Rigel

Montney

Townsends

Kobes Creek

West River

Darber

Cypress

West Blueberry

Gundy

Jedney

North Beg

North Jedney

West Laprise

Laprise

Bubbles

Birley

Nig Creek

Snyder Creek

West Buick Creek

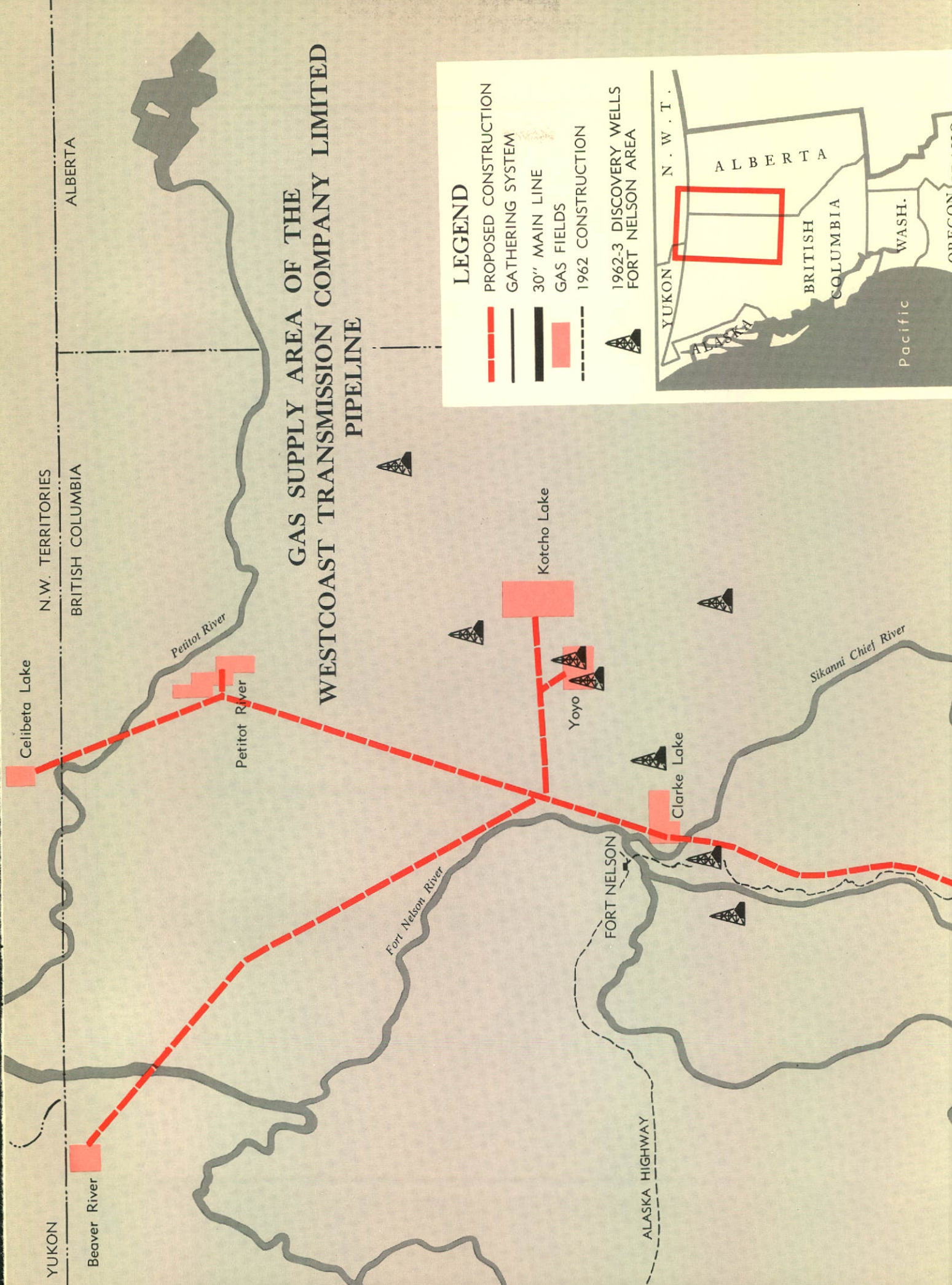
Booster Station

Buick Creek

Boundary Lake

Boundary Lake South

Peace River

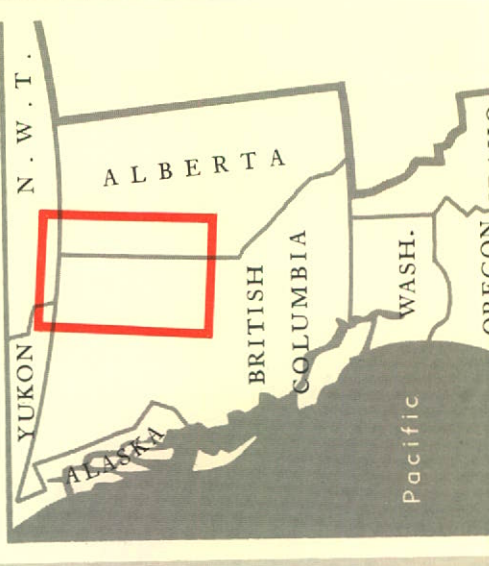


YUKON
N.W. TERRITORIES
BRITISH COLUMBIA
ALBERTA

GAS SUPPLY AREA OF THE WESTCOAST TRANSMISSION COMPANY LIMITED PIPELINE

LEGEND

- - - PROPOSED CONSTRUCTION
- GATHERING SYSTEM
- 30" MAIN LINE
- GAS FIELDS
- 1962 CONSTRUCTION
- 1962-3 DISCOVERY WELLS FORT NELSON AREA



Celibeta Lake

Petitot River

Petitot River

Beaver River

Fort Nelson River

Kotcho Lake

Yoyo

FORT NELSON

Clarke Lake

Sikanni Chief River

ALASKA HIGHWAY

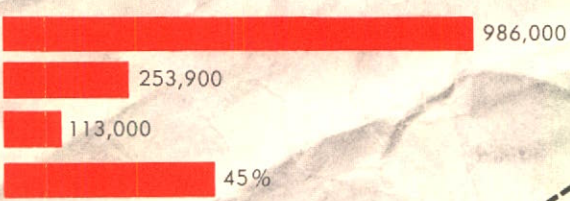
PACIFIC OCEAN



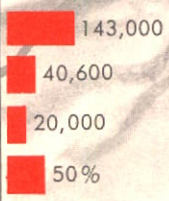
WASHINGTON
NATURAL GAS
COMPANY
(Seattle - Tacoma area)



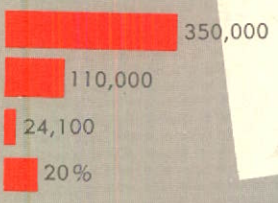
B.C. HYDRO &
POWER AUTHORITY
(Greater Vancouver area)



INLAND NATURAL
GAS CO. LTD.
(Interior of British
Columbia)



WASHINGTON
WATERPOWER
COMPANY
(Greater Spokane area)



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