

# Inland Natural Gas Co. Ltd. 1980 Annual Report

HOWARD ROSS LIBRARY  
OF MANAGEMENT  
OCT 15 1980  
MCGILL UNIVERSITY

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### Duplicate Annual Reports

Some holders of Inland securities receive more than one copy of our annual report and other material mailed to shareholders. We make an effort to eliminate duplications of such mailings, however, if securities are registered in different names or addresses, multiple copies will be received. Those security holders receiving more than one copy of material should contact Canada Permanent Trust Company to either consolidate the holdings under one name if they are with respect to the same security, or in the event that they hold more than one security, advise the registrar that no material is required.

## HIGHLIGHTS

FINANCIAL	1980	1979
Total Revenue .....	\$ 103,241,535	\$ 86,591,521
Net Income .....	\$ 5,680,130	\$ 5,715,308
Earnings per Common Share .....	\$ 1.52	\$ 1.53
Dividends per Common Share .....	\$ .925	\$ .825
Cash Flow per Common Share .....	\$ 3.69	\$ 3.64
Common Shares Outstanding .....	2,822,122	2,822,122
Capital Expenditures .....	\$ 8,427,630	\$ 5,540,517
Total Plant .....	\$ 141,695,721	\$ 123,314,351

## OPERATING

Total Gas Sales Volume (MMcf) .....	56,109	49,551
Total Customers at year end .....	92,020	76,848
Degree Days (base 18°C) .....	3,936	4,524

## ANNUAL MEETING

11:00 A.M. (Vancouver time) October 24, 1980, the Garibaldi Room,  
Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C.

## ABOUT THE COMPANY

Inland Natural Gas Co. Ltd. is an investor-owned utility which, in conjunction with its wholly-owned subsidiary companies, transmits and distributes natural gas through 1,200 miles of transmission lines and 2,900 miles of distribution facilities to 92,000 customers. Its service area stretches over 1,000 miles from north to south in the interior of British Columbia through the Peace River, Cariboo, Okanagan and West Kootenay regions and continues eastward to the East Kootenays, bordering on the Province of Alberta. Natural gas service is provided to some 60 communities with a population of approximately 600,000. It is a high growth area and population forecasts indicate that by the year 2000 the population will have risen to over 1,000,000 people. The Company has an abundant gas supply at reasonable prices and is able to market the gas, in most cases, at approximately one-half the price of competing fuels.

## CONSOLIDATED COMPANIES

Inland Natural Gas Co. Ltd.	ACT OF INCORPORATION Province of British Columbia Companies Act
Wholly-owned Subsidiaries	
Columbia Natural Gas Limited	Province of British Columbia Companies Act
Peace River Transmission Company Limited	Special Act of the Parliament of Canada
Grande Prairie Transmission Co. Ltd.	Province of Alberta Companies Act
Inland Development Co. Ltd.	Province of British Columbia Companies Act
St. John Gas & Oil Co. Ltd. (N.P.L.)	Province of British Columbia Companies Act
Inland Transmission Co. Ltd.	Province of British Columbia Companies Act
Inland Development (1957) Co. Ltd.	Province of British Columbia Companies Act

## TO OUR SHAREHOLDERS

While we were encouraged by the growth and expansion of our service area over the past year, the earnings did not come up to our expectations. Weather 7% warmer than normal and 16% warmer than the previous year, coupled with a significant drop in sales to our lumber and plywood accounts, contributed to a decrease in sales in all customer categories except large industrials. Despite these setbacks, we did achieve earnings per common share of \$1.52 compared to \$1.53 the previous year.

The Board of Directors of your Company increased the quarterly dividend on common shares from 22½¢ to 25¢ per share effective May 15, 1980 bringing the dividends paid during fiscal 1980 to 92½¢ per common share.

The total number of customers as of our year end, including those in our Columbia Natural Gas Limited system, reached approximately 92,000. Declining housing starts were offset by conversions from oil to natural gas to such an extent that we surpassed our budgeted additions by approximately 2,000 customers. We expect this trend to continue in the coming year with our forecast providing for a further 6,000 customers. The coming year could very well equal or surpass previous record years.

The opportunities and future prospects for your Company as we enter the 1980's are most encouraging. The provincial Minister of Energy, Mines and Petroleum Resources, the Honourable R.H. McClelland, in speaking of our Province's Energy Policy stated "British Columbia is blessed with great energy potential. In the coming decade, we can reap the social and economic benefits of a secure and increasingly self-sufficient energy supply". He went on further to state

"British Columbia is unique in the world in its energy resource endowment. In particular, we have an abundance of natural gas. The challenge for government lies in ensuring that its development yields the best possible stream of benefits to the citizens who are the real owners of the resource". It is stated provincial government policy to use natural gas, and, where technically and economically feasible, to substitute it for oil in space-heating, industrial and transportation markets. Specifically, natural gas will continue to be priced below oil and electricity for equivalent heating value in the domestic market.

This year Inland will be involved in a number of significant hearings. Two of particular importance to your Company are the rate hearings for Inland scheduled for November 3, 1980 and the B.C. Utility Commission's 1980 Natural Gas Pricing Inquiry. The main purpose of the forthcoming rate hearing is to adjust the Company's rate of return on rate base and on equity to reflect changing financial market conditions and to compensate for additional permanent financings which have been built into the Company's rate material. These are spoken to in greater detail in the Directors' Report. The gas price inquiry will hold hearings into the present and future field and wholesale prices of natural gas and, in addition, will review the appropriate tariff structures for the recovery of the wholesale price from utility purchasers. All of these matters are of key importance to your Company and Inland will be taking an active part in this inquiry.

Your Company considers as one of its most important objectives the expansion of its transmission and distribution systems for those people in its service area who do not yet enjoy natural gas

service. Many of these potential customers are in rural areas throughout the length and breadth of our system and because of present day economic restrictions have not as yet been served. The Company expects sometime in the coming fiscal year to bring this matter before the B.C. Utilities Commission at a public hearing. One of the major areas in the province as yet not served with natural gas is Vancouver Island. Your Company expects that shortly announcements will be forthcoming from the provincial government requiring that the Island be served. Inland fully intends to be an applicant to provide distribution service to the Vancouver Island communities. These communities are widespread and in many respects are similar to the communities in the Inland/Columbia service areas. We feel we are well positioned as a British Columbia Company with a proven performance record to serve these communities.

Our Company can look forward with confidence as we enter the 1980's. The prospects in our industry have never looked brighter and all indications are for a very busy and challenging year ahead.



Chairman of the Board



President

## DIRECTORS' REPORT

### CONSOLIDATION

On July 9, 1979, Inland acquired Columbia Natural Gas Limited. The financial results of Columbia for the year ended June 30, 1980, are included in the financial review that follows.

### REVENUE

Consolidated gross revenue for the current year was \$103,241,535 compared to \$86,591,521 for the previous year. The increase in revenue from natural gas sales is due primarily to the inclusion of sales of Columbia. Residential and commercial sales volumes were lower than last year in spite of the addition of 5,300 customers in the Inland-Columbia service area during the year. This was due to weather that was approximately 7% warmer than normal. Sales to certain of our industrial customers, primarily those in the lumber manufacturing sector, were disappointing due to a reduction of demand for lumber in both domestic and foreign markets. A strike by B.C. Rail during the year also had a detrimental effect on lumber production for certain of our northern customers. Sales to our large industrial customers, however, particularly those in the production of pulp and paper, were very gratifying and helped to off-set the decreased sales volumes from our other customer classifications.

### EXPENSES

#### Purchase of Gas

Cost of gas during the year increased mainly because of the inclusion of volumes purchased by Columbia. Inland purchases its gas from Westcoast Transmission Company Limited. This gas is supplemented in the winter months by purchases of peaking gas from Alberta & Southern Gas Co. Ltd. to minimize demand charges from Westcoast. This peaking gas is returned to Alberta & Southern through the East Kootenay Link during off peak months so there is no net effect on Inland's annual purchase of British Columbia gas. Most of the gas purchased by Columbia is produced in the Province of Alberta. Columbia has contracts with Westcoast Transmission

Company Limited and Alberta & Southern Gas Co. Ltd. covering these Alberta purchases. Columbia also purchases approximately 30% of its gas from Inland via the East Kootenay Link by way of a swap arrangement with the Alberta suppliers.

### Operation and Maintenance

Operation and maintenance expenses show a substantial increase over the previous year. The majority of this increase is attributable to the change in accounting for overhead costs whereby substantial amounts of overhead, previously capitalized, are now being charged to operating accounts and recovered concurrently in revenue. This change was approved by the B.C. Energy Commission, effective December 1, 1978, following a rate hearing.

Marketing costs were somewhat higher than for the previous year resulting from the Company's continued sustained efforts to convert

customers from oil to natural gas.

Except for those items mentioned above, and the inclusion of Columbia's operation and maintenance costs, operating and maintenance expenses for the year were no higher than those of the prior year. This was achieved through rigorous cost control which was assisted because of the relatively warm winter.

The cost of salaries and employee benefits indicate substantial increases; however, these costs include for the first time the wages and benefits for Columbia. The average number of employees this year was 325 which includes 35 employees of subsidiary companies. The average number of Inland employees last year was 290. Approximately 76% of the Company's personnel are union members who are covered by separate collective agreements with the Office & Technical Employees Union and the International Brotherhood of Electrical Workers.

*Inland's Executive Committee. Left to right: J. Norman Hyland, Robert E. Kadlec, Ronald L. Cliff, Richard B. Stokes.*



## Property, Franchise and Other Taxes

Over the years the Company has become a major revenue contributor to the Province and the municipalities it serves. This year property tax, franchise fees, and other taxes, amounted to \$5,545,625 compared to \$4,318,613 last year. Franchise fees, payable to the municipalities we serve, are calculated at 3% of the total gross revenue from the sale of natural gas within the municipal boundaries of the Inland and Columbia service areas. Property taxes, which have increased substantially during the period under review due to a change by the B.C. Assessment Authority in the method of assessing transportation pipe, are payable to both municipal and provincial authorities.

## Depreciation

Depreciation is provided on a straight-line basis on utility plant in service at the beginning of the year at rates approved by the companies' regulatory authorities. Annual rates used for major classifications of utility plant are:

Transmission and distribution mains . . . . .	2%
Meters, compressors, buildings, measuring and regulating equipment . . . . .	3%
General equipment . . . . .	5% to 15%

The application of these rates for the current year is equivalent to a composite rate of 2.36%.

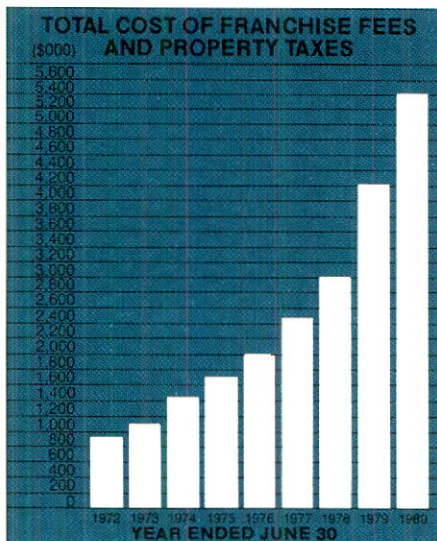
## Other Interest

Other interest expense is considerably higher this year due to the cost of borrowing \$5,000,000 for the purchase of Columbia Natural Gas Limited and to the much higher interest rates which have prevailed during the current fiscal year.

The Company has satisfactory lines of credit with its corporate bankers and also is able to minimize the cost of short-term borrowing by the issuance of its own commercial paper.

## Income Taxes

Income tax expense has increased by approximately \$259,000 over the last year primarily because of higher taxable income and the 5% Federal Surtax which became effective January 1, 1980.



J.O. Wessler, Manager of Forecasts and Regulation.

The British Columbia Energy Commission, in its Decision dated July 18, 1979, authorized Columbia to return to the tax allocation method of accounting for income taxes and provided for an increase in rates, effective August 1, 1979. As a result of previous direction from the Commission, Columbia had followed the taxes payable method during the period January 1, 1975 to July 31, 1979.

## REGULATION AND RATES

On June 16, 1980, Inland filed applications for interim and permanent rate relief with the British Columbia Energy Commission. The Company requested interim rate relief, effective July 1, 1980, in the amount of \$3,097,000 which would allow it to earn the return on rate base previously approved by the Commission. In its Decision dated March 12, 1979, the Commission approved a return on rate base of 10.31% and set rates to allow a return on equity of 15.25%. The Commission also stated in that Decision that if the return on equity should appear likely to exceed 16% on a normalized basis for a protracted period, it would consider adjustments.

On June 27 the Commission authorized the interim rate increase which was requested, effective July 1, 1980. The interim increase is subject to refund with interest at 11%. The Company's simultaneous filing for permanent rate relief seeks an increase in the 15.25%

return on equity. The basic need for the increased rate of return results from today's high cost of capital and the prospective financings which the Company has built into its forward test year. The Commission set the application for public hearing to commence September 8, 1980 at Kelowna, B.C. The hearing has since been deferred to November 3 and will be held in the City of Kamloops.

Recently the provincial government enacted new legislation in Bill 52 which repealed the previous Energy Act and established the Utilities Commission Act. Part 1 of the new Act deals with the matter of regulation and, for the most part, includes the provisions contained in the previous B.C. Energy Act. The British Columbia Energy Commission will now be known as the British Columbia Utilities Commission.

Part 2, however, is new and establishes an organized process for the review of new energy projects and the regulation of the removal of energy resources from the Province. The purpose of the energy review process is to ensure open and careful consideration of the implications of proposed development of the Province's environmental and energy resources.

Projects subject to the energy review process include power plants, both hydro and thermal, large-scale energy-use projects, electric transmission lines, pipelines and energy storage facilities.

## FINANCING

There were no new financings carried out during the year under review. The Company has established lines of credit with its corporate bankers which enable it to utilize either bank loans or its own commercial paper. These funds, along with internally generated funds, have been, and will be, sufficient to provide the necessary bridge financing until more permanent financing is arranged.

The Company intends to issue additional common shares by way of rights to its common shareholders this Fall and anticipates an issue of first mortgage sinking fund bonds late in the coming fiscal year. The size and terms of these issues have not been finalized at the present time.

## CAPITAL EXPENDITURES

Inland's capital expenditures for the year under review amounted to \$8.4 million which was \$0.9 million over the original budget. This was primarily due to a major increase in the number of oil conversion customers that were added during the year. A total of 5,055 new service lines were installed as compared with 2,845 originally budgeted.

Major projects included extending gas service to Highmont Mines in the Highland Valley and to Dunkley Sawmills north of Quesnel. During the year the Company also upgraded a section of our 10" pipeline near Rossland and completed the looping of the main transmission lateral serving Kamloops.

The capital budget for the coming year is \$10.4 million which includes a large number of residential customers who are converting from oil to natural gas. A 15 mile transmission line will be installed to supply Brenda Mines near Peachland and approximately 8 miles of looping will be installed on the Salmon Arm lateral. Several transmission line upgradings are also planned that are due to population build-up in the immediate vicinity of our facilities.



*Brenda Mines Ltd. near Peachland will be served with natural gas this year.*

## MARKETING

The Company continues its aggressive marketing program to take advantage of the opportunities presented by plentiful natural gas supply and rising prices of competitive fuels.

In the residential and commercial markets 5,300 customers were added compared to 2,600 during the previous fiscal year. Nearly one-half of the residential customers were conversions from other fuels resulting from a promotional program introduced in the spring of 1979. A supplementary program aimed at converting mobile homes in parks adjacent to our mains was introduced this spring. These programs will have a significant impact on customer additions in fiscal 1981.

A close relationship with builders and developers has resulted in our maintaining a 95% capture rate of all new single-family dwellings constructed within reach of distribution facilities.

In the industrial market, total sales to the small industrial customers were down due to a reduction in lumber and plywood production caused by high interest rates and a slowdown in the housing market in Canada and the United States. These markets are expected to remain at low levels for most of the next fiscal year.

Two industrial accounts converted from oil to natural gas during the year and negotiations are now completed with Brenda Mines, located outside of Peachland, for the conversion to natural gas in the fall of 1980.

Construction is under way on one new pulp mill, the Quesnel River Mill in Quesnel, and plans are well under way for the expansion of the Northwood Pulp and Timber and Finlay Forest Industries mills.

Start-up of operations at Highmont Mines and the expansion of Lornex Mines, both in the Highland Valley, will add substantially to the industrial and residential volumes obtained by the Company from this area.

The Company continues to do all it can to assist the Provincial and Federal Governments in their goal of reducing oil consumption. The Provincial Government in its policy statement "An Energy Secure British Columbia — The Challenge and the Opportunity" set a target of reducing oil consumption from 45% of the Province's total energy needs to below 40% by 1985. In its effort to achieve this, the Government advocates "substituting natural gas for oil where possible" and goes on to say "natural gas offers a significant alternative to oil in certain markets,

particularly to home heating. Natural gas service should be extended where justifiable to other parts of the Province."

The Company believes that its oil conversion programs over the last two years have gone a long way to helping the Province attain its goal. Surveys are currently being carried out in 80 areas of various sizes within Inland's service area which do not have natural gas service and an application will be made in the near future to the British Columbia Utilities Commission for permission to serve a number of them.

## SHARE DISTRIBUTION

Approximately 96% of the shareholders of Preference and Common Stock of the Company are resident in Canada. The distribution of each class of shares is set out below:

	Shareholders	Shares
Preference		
Canada	2,677	790,395
U.S.A.	13	1,155
Others	2	250
	<u>2,692</u>	<u>791,800</u>
Common		
Canada	4,027	2,574,005
U.S.A.	218	61,373
Others	67	186,744
	<u>4,312</u>	<u>2,822,122</u>

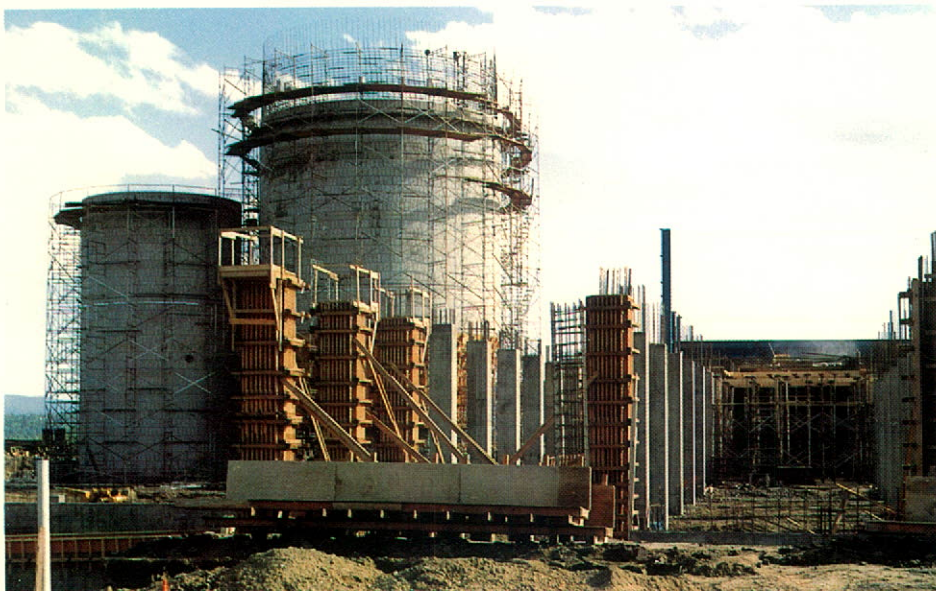
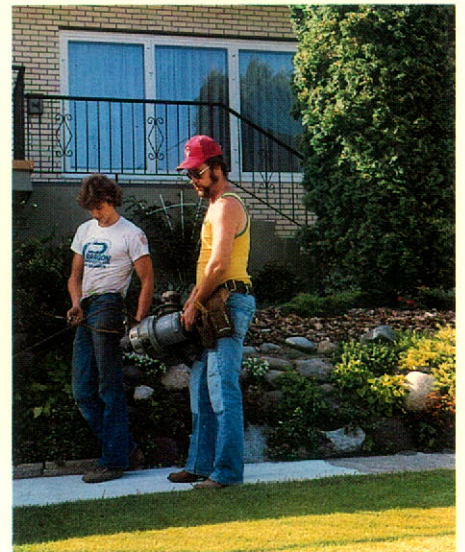
*Below: Mobile home park in Vernon serviced with natural gas this year. Extreme right, opposite page: Residential Conversion — new furnace delivered — oil burner removed — gas meter replaces oil tank.*







*Above: Highmont Mining Corporation's new development in the Highland Valley will be a heating and processing customer.  
Below: Quesnel River Pulp 500 ton per day pulp mill under construction.*



## WHOLLY-OWNED SUBSIDIARIES

**Columbia Natural Gas Limited**  
Capital expenditures for the 12 months ending June 30, 1980, totalled \$0.5 million and generally involved routine expenditures relating to the addition of 433 new customers. The capital budget for the coming year is \$1.2 million which includes facilities for the addition of approximately 700 new customers and transmission facilities estimated at \$275,000 to connect two forest industry complexes west of Cranbrook. The anticipated increase in customer additions over the current year is mainly attributable to an active marketing program from which we expect to obtain a substantial increase in conversions from oil to natural gas. Prospects also look very good for major increases in industrial load over the next few years as a result of proposed expansion to the coal mining operations in the East Kootenays.

Columbia also experienced weather that was 7% warmer than normal. Gas sales volume for the year under review was 8,031,000 Mcf and net income was \$565,318.

### St. John Gas & Oil Co. Ltd. (N.P.L.)

This subsidiary holds minor interests in natural gas and oil leases in northeast British Columbia and participates in the production of natural gas and oil from these leases. Net income for this year amounted to \$9,743.

### Grande Prairie Transmission Co. Ltd.

The Company is incorporated under the laws of the Province of Alberta and is subject to regulation by the Public Utilities Board of Alberta. It purchases natural gas from producers at various fields north of Grande Prairie in the Peace River area of Alberta and transmits the gas for resale by Northwestern Utilities Limited to the City of Grande Prairie and other communities in the immediate area. Gas sales volume for the year under review was 2,578,142 Mcf which was slightly down from last year's volume of 2,621,294 Mcf. This was the result of weather that was warmer than last year. The peak day for 1980 also dropped to 15,520 Mcf from 15,647 Mcf.

The Company had a loss of \$30,020 for the year and this is accounted for by the decrease in total sales and lower demand plus increasing costs for operating the system. There was also a substantial increase in interest rates applicable to the Company's short-term borrowing.

The Company expects to appear before the Public Utilities Board in the Spring of 1981 for the purposes of receiving an adjustment in rates and the approval for some major reinforcement of the transmission system.

### Peace River Transmission Company Limited

The Company is an inter-provincial pipeline company and is subject to regulation by the National Energy Board. It purchases natural gas from Westcoast Transmission Company Limited and delivers it to the City of Dawson Creek where it is sold to Northland Utilities (B.C.) Limited for distribution in Dawson Creek, Pouce Coupe, Rolla and the surrounding area.

Natural gas sales volume for the current year was 1,135,372 Mcf compared to 1,199,179 Mcf in the previous year. The small decrease in total sales volume can be attributed to a milder winter. The

peak day increased from 8,416 Mcf to 9,262 Mcf which indicates the growth pattern in Dawson Creek.

Net income for the year was \$40,040, up from \$35,393 for the previous year. This increase can be attributed to the increase in peak day demand.

**Inland Development Co. Ltd.**  
This subsidiary owns industrial and commercial property in the Okanagan Valley. During the year under review, the Company recorded a loss of \$23,419.

## TO OUR EMPLOYEES

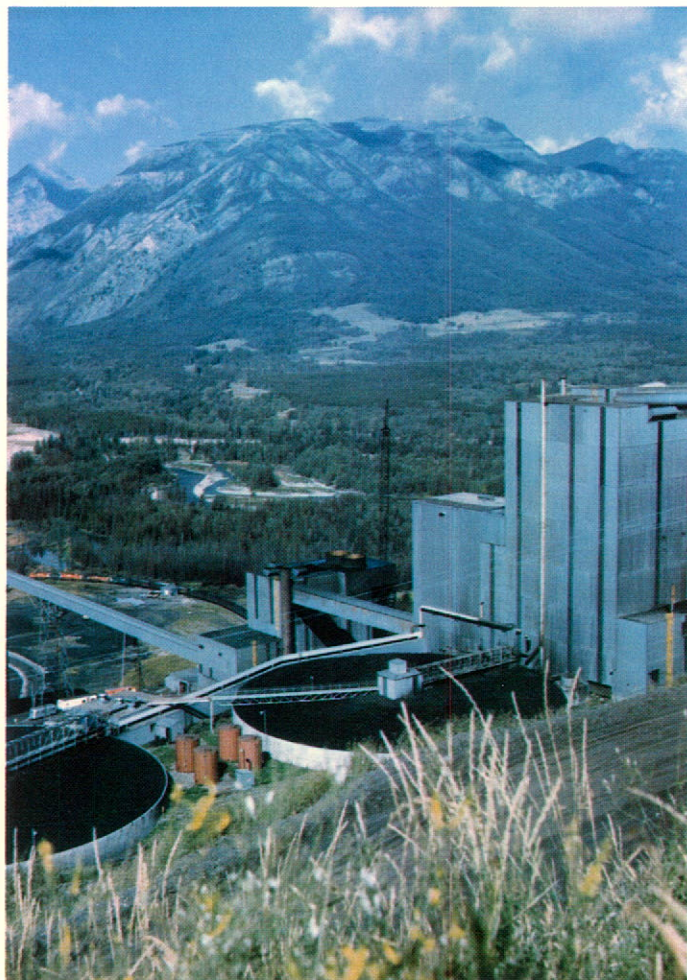
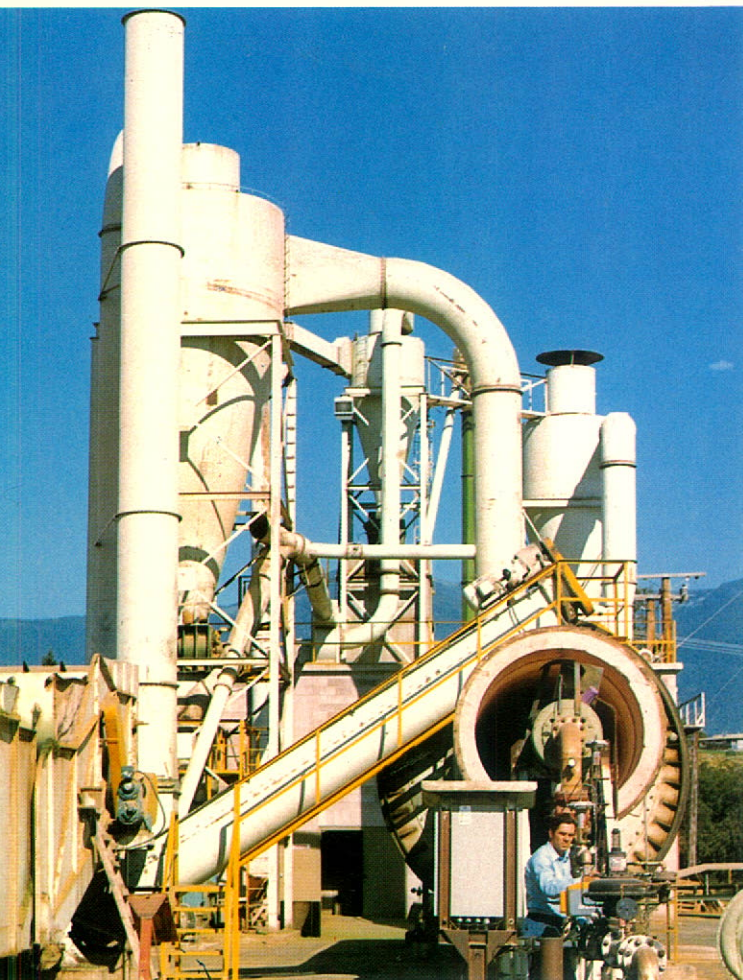
The dedicated teamwork of our employees has made a major contribution to the growth of the Company. On behalf of the Board we wish to thank them for their continuing support and valued assistance.

For the Board of Directors



Chairman of the Board





*Pictures on these two pages illustrate some of the industrial customers on the Columbia system.*

*Far left: Crestbrook Forest Industries pulp mill at Skookumchuck.*

*Left: Columbia Natural Gas Limited's office in Cranbrook.*

*Top left: Natural gas operated alfalfa drying plant at Creston.*

*Top right: Kaiser Resources Coal Division cleaning/drying plant near Sparwood.*

## Consolidated Statement of Income

For the year ended June 30

	1980	1979
<b>REVENUE</b>		
Sale of gas .....	\$102,728,804	\$ 85,987,424
Other operating revenue .....	<u>512,731</u>	<u>604,097</u>
	<u>103,241,535</u>	<u>86,591,521</u>
<b>EXPENSES</b>		
Purchase of gas .....	66,161,039	54,113,385
Operation and maintenance .....	10,541,320	8,783,838
Property, franchise and other taxes .....	5,545,625	4,318,613
Depreciation and amortization .....	3,302,552	2,910,293
Interest and expense on long-term debt .....	4,929,439	4,815,380
Other interest .....	<u>1,118,911</u>	<u>230,956</u>
	<u>91,598,886</u>	<u>75,172,465</u>
Income before income taxes .....	<u>11,642,649</u>	<u>11,419,056</u>
Income taxes		
Current .....	4,661,729	4,110,418
Deferred .....	<u>1,300,790</u>	<u>1,593,330</u>
	<u>5,962,519</u>	<u>5,703,748</u>
<b>NET INCOME</b> .....	<u>\$ 5,680,130</u>	<u>\$ 5,715,308</u>
<b>EARNINGS PER COMMON SHARE, after provision</b>		
for preference dividends .....	<u>\$ 1.52</u>	<u>\$ 1.53</u>

## Consolidated Statement of Retained Earnings

For the year ended June 30

	1980	1979
<b>BALANCE AT BEGINNING OF YEAR</b> .....	\$ 19,834,058	\$ 17,878,790
Net income .....	<u>5,680,130</u>	<u>5,715,308</u>
	<u>25,514,188</u>	<u>23,594,098</u>
Dividends on 5% preference shares .....	400,000	400,000
Dividends on 10% second preference shares .....	994,875	1,000,000
Dividends on common shares — 92½¢ per share in 1980; 82½¢ in 1979 .....	2,610,463	2,328,251
Amortization of preference share issue costs .....	<u>33,653</u>	<u>31,789</u>
	<u>4,038,991</u>	<u>3,760,040</u>
<b>BALANCE AT END OF YEAR</b> .....	<u>\$ 21,475,197</u>	<u>\$ 19,834,058</u>

See accompanying summary of accounting policies and notes.

## Consolidated Statement of Changes in Financial Position

For the year ended June 30

SOURCE OF WORKING CAPITAL	1980	1979
Operations		
Net income .....	\$ 5,680,130	\$ 5,715,308
Items not involving working capital		
Depreciation and amortization .....	3,436,937	3,080,534
Deferred income taxes .....	1,300,790	1,593,330
Other .....	—	(113,814)
Total from operations .....	<u>10,417,857</u>	<u>10,275,358</u>
APPLICATION OF WORKING CAPITAL		
Acquisition of Columbia Natural Gas Limited		
Purchase price .....	5,000,000	—
Other acquisition costs .....	107,381	—
Working capital acquired .....	<u>(118,699)</u>	<u>—</u>
	4,988,682	—
Additions to property, plant and equipment .....	8,427,630	5,540,517
Dividends on preference and common shares .....	4,005,338	3,728,251
Reduction of long-term debt .....	1,849,673	1,505,140
Redemption of second preference shares .....	206,864	—
Other .....	<u>107,057</u>	<u>216,957</u>
	<u>19,585,244</u>	<u>10,990,865</u>
DECREASE IN WORKING CAPITAL POSITION .....	9,167,387	715,507
Working capital deficit at beginning of year .....	<u>3,283,242</u>	<u>2,567,735</u>
WORKING CAPITAL DEFICIT AT END OF YEAR .....	<u>\$ 12,450,629</u>	<u>\$ 3,283,242</u>

See accompanying summary of accounting policies and notes.

### AUDITORS' REPORT

To the Shareholders  
Inland Natural Gas Co. Ltd.

We have examined the consolidated balance sheet of Inland Natural Gas Co. Ltd. as at June 30, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was 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 June 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
August 28, 1980

*Thorne Riddell*  
Chartered Accountants



INLAND NATURAL GAS CO. LTD.  
and Wholly-owned Subsidiaries

Consolidated  
As at

ASSETS

CURRENT ASSETS

	1980	1979
Cash .....	\$ —	\$ 28,877
Accounts receivable .....	7,136,945	7,323,470
Materials and supplies, at cost .....	2,959,910	1,940,354
Prepaid expenses .....	371,569	263,055
	<u>10,468,424</u>	<u>9,555,756</u>

NON-CURRENT ASSETS

Mortgages and other long-term receivables .....	272,659	171,170
Marketable securities, at cost .....	154,000	154,000
Real estate held for resale, at cost .....	1,084,535	931,188
	<u>1,511,194</u>	<u>1,256,358</u>

PROPERTY, PLANT AND EQUIPMENT, at cost

Natural gas transmission lines and distribution systems .....	130,241,514	113,381,039
Plant, buildings and equipment .....	8,039,455	6,711,315
Land and land rights .....	2,825,118	2,528,829
Other .....	184,237	180,228
Construction work in process .....	405,397	512,940
	<u>141,695,721</u>	<u>123,314,351</u>
Accumulated depreciation .....	<u>26,937,945</u>	<u>22,140,119</u>
	<u>114,757,776</u>	<u>101,174,232</u>

DEFERRED CHARGES (Note 2) .....	<u>3,602,049</u>	<u>3,318,113</u>
	<u>\$ 130,339,443</u>	<u>\$ 115,304,459</u>

See accompanying summary of accounting policies and notes.

# Balance Sheet

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## LIABILITIES

CURRENT LIABILITIES	1980	1979
Bank loan and short-term notes .....	\$ 8,332,866	\$ —
Accounts payable .....	6,902,653	5,957,400
Dividends payable .....	344,875	350,000
Income, franchise and other taxes .....	5,491,477	5,377,171
Interest accrued on long-term debt .....	484,682	485,838
Current portion of long-term debt .....	<u>1,362,500</u>	<u>668,589</u>
	<u>22,919,053</u>	<u>12,838,998</u>
 LONG-TERM DEBT (Note 3) .....	 <u>54,166,000</u>	 <u>52,903,000</u>
 DEFERRED INCOME TAXES .....	 <u>5,678,853</u>	 <u>3,423,063</u>

## SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
5% Cumulative redeemable preference shares, par value \$20 per share		
Authorized and issued: 400,000 shares .....	8,000,000	8,000,000
10% Cumulative redeemable second preference shares, par value \$25 per share		
Authorized: 400,000 shares		
Issued: 391,800 shares .....	9,795,000	10,000,000
Common shares, par value \$1 per share		
Authorized: 5,000,000 shares		
Issued: 2,822,122 shares .....	2,822,122	2,822,122
CONTRIBUTED SURPLUS .....	5,483,218	5,483,218
RETAINED EARNINGS (Note 5) .....	<u>21,475,197</u>	<u>19,834,058</u>
	<u>47,575,537</u>	<u>46,139,398</u>
	<u>\$ 130,339,443</u>	<u>\$ 115,304,459</u>

Approved by the Directors



Director



Director



## Summary of Accounting Policies

### Principles of consolidation

The consolidated financial statements include the accounts of Inland Natural Gas Co. Ltd. and its subsidiaries Columbia Natural Gas Limited, Peace River Transmission Company Limited, Grande Prairie Transmission Co. Ltd., Inland Development Co. Ltd., St. John Gas & Oil Co. Ltd. (N.P.L.), Inland Transmission Co. Ltd. and Inland Development (1957) Co. Ltd., all of which are wholly-owned.

Sale of gas by the Company to Columbia is recognized by the Companies' regulatory authority for rate-making purposes in each company, is subject to tariffs approved by the regulatory authority and is included in consolidated revenues and expenses respectively. The amount so included in the year ended June 30, 1980 is \$3,746,000. All other inter-company balances and transactions have been eliminated.

### Regulation

Inland and Columbia are primarily engaged in the transmission and retail distribution of natural gas in the interior of British Columbia and are regulated by the British Columbia Utilities Commission (the "Commission") pursuant to the Utilities Commission Act. Regulations cover such matters as rates, construction, operations and accounting practices.

Peace River and Grande Prairie are engaged in the transmission of natural gas and are regulated respectively by the National Energy Board and the Public Utilities Board (Alberta).

### Property, plant and equipment

Property, plant and equipment is stated at original cost which includes all direct costs, an allocation of overhead costs and an allowance for funds used during construction.

Maintenance, repairs and minor renewals are charged to expense as incurred. Replacements and major renewals of property are accounted for as property additions. The original cost of depreciable property retired together with removal costs less salvage is charged to accumulated depreciation.

Depreciation is provided on a straight-line basis on utility plant in service at the beginning of the year at rates approved by regulatory authorities. Annual rates used for the major classifications of utility plant are:

Transmission and distribution mains . . . . .	2%
Meters, compressors, buildings, measuring and regulating equipment . . . . .	3%
General equipment . . . . .	5% to 15%

The application of these rates in the current year is equivalent to a composite rate of 2.36%.

### Deferred charges

5% preference share issue costs are amortized to retained earnings at the prescribed annual rate of 1%.

10% second preference share issue costs are amortized to retained earnings over a 21 year period commencing July 1, 1976.

Long-term debt issue costs are amortized over the original lives of the related debt. Gains or losses realized on the purchase of debt for sinking fund purposes are amortized over the remaining lives of the related debt.

Goodwill arising from the excess of the cost of investment in Columbia over the book value of net assets at date of purchase is amortized by charges against earnings over a 40 year period.

Other deferred charges are amortized over various time periods, not in excess of 7 years, as directed by the Commission.



## Income taxes

### Gas distribution companies

Inland and Columbia follow the tax allocation method of accounting whereby the income tax provisions are based on earnings reported in the accounts. Under this method deferred income taxes are provided to the extent that income taxes currently payable are reduced by claiming capital cost and other allowances for income tax purposes in excess of amounts recorded as expense for accounting purposes.

The tax allocation method was adopted for ratemaking and accounting purposes for current operations by Inland effective July 1, 1977, and by Columbia effective August 1, 1979 in accordance with directions from the Commission. Columbia also followed this method prior to January 1, 1975.

Prior to July 1, 1977 Inland, and during the period January 1, 1975 to August 1, 1979 Columbia, followed the taxes payable method of recording income taxes for both ratemaking and accounting purposes. Accordingly, accumulated deferred income taxes in the amount of \$16,975,000 have not been recorded in the accounts nor recovered in rates. It is expected that any future increased income tax expense incurred from having followed this practice will be allowed in future rate determinations.

### Gas transmission companies

Peace River and Grande Prairie follow the taxes payable method for both ratemaking and accounting purposes. Unrecorded accumulated deferred income taxes are not material.

## Earnings per common share

Earnings per common share are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. Dividend requirements on preference shares of \$1,394,875 in 1980 and \$1,400,000 in 1979 are deducted from net income for purposes of these calculations.

## Pension plans

The Company and its subsidiaries have contributory pension plans for their employees. The plans require that actuarial studies be prepared every three years and the most recent studies were prepared in 1979.

The unfunded liability for past service benefits is approximately \$364,000 as at June 30, 1980. Based on actuarial advice, this amount, together with interest, is being funded and charged in the accounts over the future working lifetimes of present members (approximately 15 years) at 1.1% of related payroll. Current service costs are funded as accrued based on actuarial determinations.

## Notes to Consolidated Financial Statements

### 1. Acquisition

On July 9, 1979 the Company purchased all the outstanding shares of Columbia Natural Gas Limited, a natural gas distribution company located in the East Kootenay area of British Columbia. This acquisition has been accounted for on the purchase method with the operating results from the date of acquisition included in these financial statements. The effect of this transaction on the Company's balance sheet at date of acquisition is summarized below:

Property, plant and equipment .....	\$8,304,688
Deferred charges .....	95,008
Goodwill .....	782,986
Long-term debt .....	(3,239,000)
Deferred income taxes .....	( 955,000)
	<hr/>
	4,988,682
Working capital acquired .....	118,699
	<hr/>
Total cash consideration .....	\$5,107,381



## 2. Deferred charges

	1980	1979
Preference share issue costs .....	\$1,311,930	\$1,343,719
Long-term debt issue costs .....	687,914	840,173
Goodwill .....	763,413	—
Other .....	838,792	1,134,221
	<u>\$3,602,049</u>	<u>\$3,318,113</u>

## 3. Long-term debt

	Total Outstanding	Current Liability	Long-term 1980	1979
Inland Natural Gas Co. Ltd.				
First mortgage sinking fund bonds				
6¼% Series C, due May 1, 1983 .....	\$11,648,000	\$ 733,000	\$10,915,000	\$11,776,000
8% Series D, due December 31, 1989 ..	4,212,000	137,000	4,075,000	4,212,000
8¼% Series E, due November 1, 1991 ..	6,589,000	—	6,589,000	6,790,000
8¾% Series F, due April 15, 1993 .....	6,930,000	140,000	6,790,000	6,955,000
11⅛% Series G, due June 15, 1995 .....	11,170,000	255,000	10,915,000	11,170,000
	40,549,000	1,265,000	39,284,000	40,903,000
Sinking fund debentures				
9⅞% Series A, due November 30, 1997	11,760,000	—	11,760,000	12,000,000
Columbia Natural Gas Limited				
First mortgage sinking fund bonds				
6% Series A, due June 1, 1982 .....	1,139,500	37,500	1,102,000	—
9% Series B, due June 15, 1993 .....	2,080,000	60,000	2,020,000	—
	<u>\$55,528,500</u>	<u>\$ 1,362,500</u>	<u>\$54,166,000</u>	<u>\$52,903,000</u>

The first mortgage bonds of Inland are secured by a Trust Deed which constitutes in favour of the Trustee a first, fixed and specific mortgage and charge of and upon certain property of the Company and a first floating charge on the undertaking and all other property and assets, present and future of the Company, in the manner and to the extent set forth in the Trust Deed.

The Series A debentures are unsecured obligations of the Company but are subject to the restrictions of the Trust Indenture dated November 1, 1977.

The first mortgage bonds of Columbia are secured by a Trust Deed which provides for a charge on its property and assets.

The trust agreements relating to the bonds and debentures require the companies to establish sinking funds to retire various amounts of each issue prior to maturity. The annual requirements to date have been fulfilled by retirement of the stipulated amount of such issues. Sinking fund requirements and debt maturities over the next five years, after giving effect to purchases and retirements as at June 30, 1980 are: 1981, \$1,362,500; 1982, \$3,099,000; 1983, \$11,248,500; 1984, \$1,451,500; 1985, \$1,540,500.

#### **4. Capital stock**

(a) 5% cumulative redeemable preference shares

The 5% preference shares are redeemable at the option of the Company on thirty days' notice at a price of \$21 per share.

(b) 10% cumulative redeemable second preference shares

The 10% second preference shares are not redeemable before July 1, 1981 but will be redeemable thereafter at the option of the Company at a price of \$26.25 per share if redeemed on or before June 30, 1982, and at prices reducing annually to \$25 per share if redeemed after June 30, 1986.

The Company is required, in each calendar quarter, to purchase for cancellation 5,000 10% second preference shares in the open market at prices not exceeding \$25 per share. If, in any quarter, the Company is unable so to purchase 5,000 shares, its purchase obligations carry over to succeeding quarters for a total of 20,000 shares during each 12 month period ending June 30, after which date the Company has no further obligations to purchase shares for that period. During the year ended June 30, 1980 the Company purchased 8,200 shares, reducing the capital of the Company by \$205,000.

#### **5. Retained earnings**

The Trust Deed securing the Company's first mortgage sinking fund bonds contains certain restrictions upon the amount that may be paid as dividends. At June 30, 1980 all of the Company's retained earnings were free from limitation of such restrictions.

#### **6. Remuneration of directors and senior officers**

The aggregate remuneration paid by the Company to directors and senior officers (including the five highest paid employees) for the year ended June 30, 1980 was \$358,450 (1979 - \$346,977).

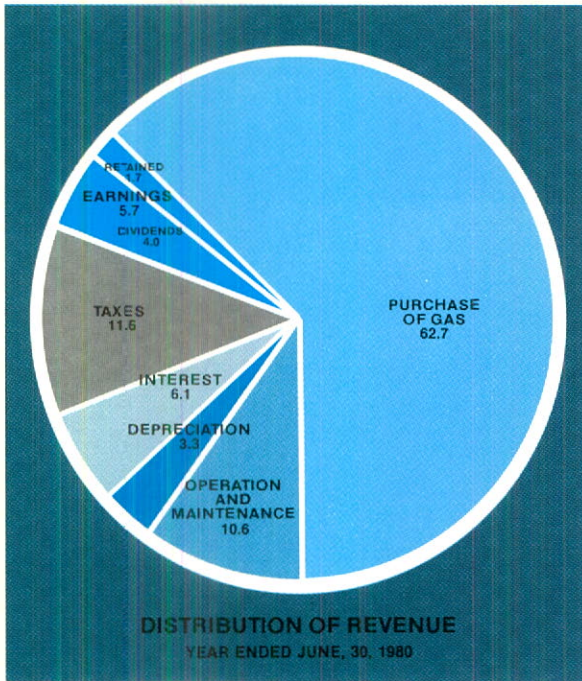
#### **7. Capital expenditures**

Capital expenditures for the 1981 fiscal year are estimated at \$11,600,000. Cash requirements will be provided by established corporate lines of credit together with cash from operations pending future permanent financing.

#### **8. Events subsequent to June 30, 1980**

On June 16, 1980 the Company applied to the British Columbia Energy Commission for an order approving revision to its tariffs, both on an interim and permanent basis. By Order dated June 27, 1980 the Commission granted the Company an interim increase effective July 1, 1980 amounting to approximately \$3.1 million on an annual basis. The Commission has set down a Public Hearing to commence November 3, 1980 in connection with the application for permanent rate relief. The interim rate increase is subject to refund with interest at 11% if subsequently so ordered by the Commission.

## Comparative Statement of



	1980
<b>REVENUE</b>	
Sale of Gas .....	\$ 98,831,356
Transportation revenue .....	8,366
Other income .....	494,393
	<u>99,334,115</u>

<b>EXPENSES</b>	
Purchase of gas .....	62,916,257
Operation and maintenance .....	10,294,713
Property and other taxes .....	3,155,286
Franchise fees .....	2,346,927
Depreciation .....	3,205,179
Interest on borrowed money .....	6,208,672
Amortization of long-term debt issue costs .....	22,135
Interest charged to construction (credit) .....	(41,870)
	<u>88,107,299</u>

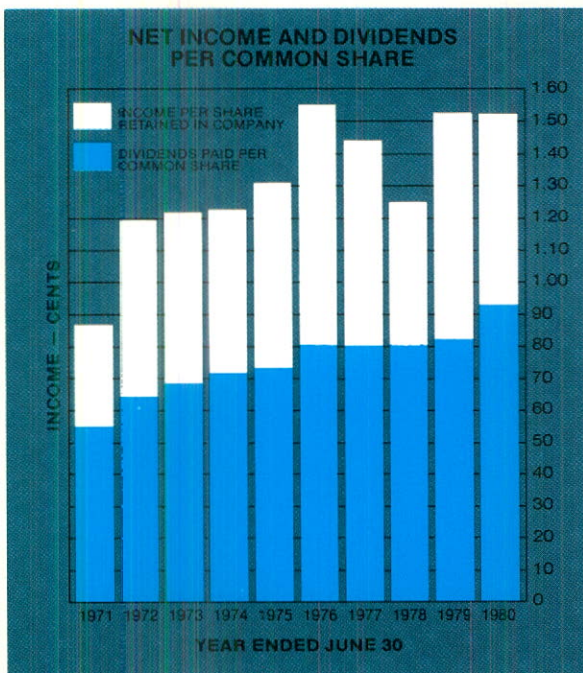
<b>INCOME BEFORE INCOME TAXES</b> .....	11,226,816
Income taxes — current .....	4,628,724
— deferred .....	1,300,790
	<u>5,929,514</u>

<b>NET INCOME</b> .....	5,297,302
Income from other subsidiaries .....	402,403
	5,699,705
Amortization of goodwill .....	19,575
<b>NET CONSOLIDATED INCOME</b> .....	<u>\$ 5,680,130</u>

<b>DIVIDENDS</b>	
Preference shares .....	\$ 1,394,875
Common shares .....	2,610,463
<b>Total Dividends</b> .....	<u>\$ 4,005,338</u>
<b>NUMBER OF COMMON SHARES</b> av.....	2,822,122

<b>EARNINGS PER COMMON SHARE</b>	
(after provision for preference dividends) .....	\$ 1.52

<b>DIVIDENDS PER COMMON SHARE</b> .....	\$ .925
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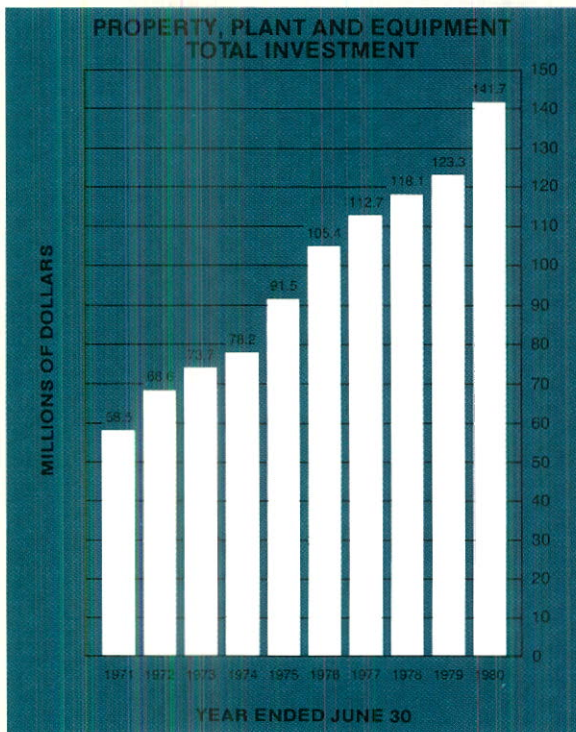
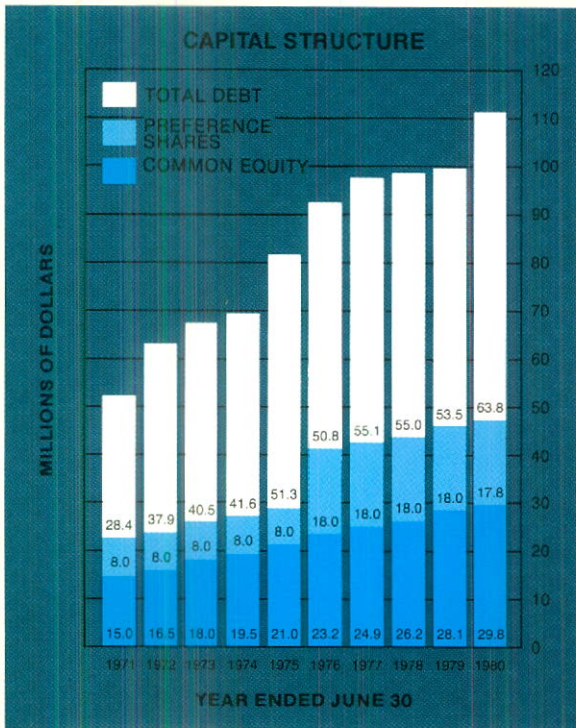


\*Including Columbia Natural Gas Limited for 1980

## Consolidated Income and Dividends\*

1979	1978	1977	1976	1975	1974	1973	1972	1971
82,043,327	65,980,460	49,324,042	35,786,016	32,414,184	27,272,202	22,664,204	18,269,877	15,544,855
70,876	879,070	825,950	296,700	296,700	296,700	288,880	260,023	234,030
465,013	450,159	429,984	445,086	328,971	488,703	352,712	331,191	242,211
<u>82,579,216</u>	<u>67,309,689</u>	<u>50,579,976</u>	<u>36,527,802</u>	<u>33,039,855</u>	<u>28,057,605</u>	<u>23,305,796</u>	<u>18,861,091</u>	<u>16,021,096</u>
50,816,594	41,164,288	29,515,461	19,423,365	18,663,501	14,155,016	10,403,343	8,117,278	6,949,267
8,551,225	5,924,602	5,013,262	4,042,170	3,197,242	2,723,477	2,382,680	2,015,214	1,713,627
2,098,186	1,482,429	1,271,164	1,153,879	920,547	791,251	650,950	541,075	475,903
2,177,975	1,606,534	1,253,327	922,528	839,649	649,628	455,525	381,973	333,279
2,833,680	2,673,205	2,240,407	1,732,656	1,661,278	1,554,102	1,447,087	1,192,131	1,154,571
5,093,363	4,941,831	4,505,881	4,982,241	3,678,765	3,019,393	2,662,467	2,331,595	1,956,895
39,458	55,972	33,252	54,665	47,009	60,190	63,323	67,179	67,157
(15,449)	(81,913)	(30,682)	(563,583)	(529,712)	(15,240)	(38,663)	(264,894)	(24,228)
<u>71,595,032</u>	<u>57,766,948</u>	<u>43,802,072</u>	<u>31,747,921</u>	<u>28,478,279</u>	<u>22,937,817</u>	<u>18,026,712</u>	<u>14,381,551</u>	<u>12,626,471</u>
10,984,184	9,542,741	6,777,904	4,779,881	4,561,576	5,119,788	5,279,084	4,479,540	3,394,625
4,050,417	3,092,259	1,615,707	212,678	703,700	1,446,269	1,495,561	994,769	956,362
1,593,330	1,829,733	—	—	—	—	—	—	—
<u>5,643,747</u>	<u>4,921,992</u>	<u>1,615,707</u>	<u>212,678</u>	<u>703,700</u>	<u>1,446,269</u>	<u>1,495,561</u>	<u>994,769</u>	<u>956,362</u>
5,340,437	4,620,749	5,162,197	4,567,203	3,857,876	3,673,519	3,783,523	3,484,771	2,438,263
374,871	319,291	334,844	238,714	236,357	216,009	99,708	281,130	207,694
<u>5,715,308</u>	<u>4,940,040</u>	<u>5,497,041</u>	<u>4,805,917</u>	<u>4,094,233</u>	<u>3,889,528</u>	<u>3,883,231</u>	<u>3,765,901</u>	<u>2,645,957</u>
—	—	—	—	—	—	—	—	—
<u>5,715,308</u>	<u>4,940,040</u>	<u>5,497,041</u>	<u>4,805,917</u>	<u>4,094,233</u>	<u>3,889,528</u>	<u>3,883,231</u>	<u>3,765,901</u>	<u>2,645,957</u>
1,400,000	1,400,000	1,444,000	400,000	400,000	400,000	400,000	400,000	400,000
<u>2,328,251</u>	<u>2,257,698</u>	<u>2,257,698</u>	<u>2,257,698</u>	<u>2,088,370</u>	<u>2,031,928</u>	<u>1,947,264</u>	<u>1,777,937</u>	<u>1,414,514</u>
<u>3,728,251</u>	<u>3,657,698</u>	<u>3,701,698</u>	<u>2,657,698</u>	<u>2,488,370</u>	<u>2,431,928</u>	<u>2,347,264</u>	<u>2,177,937</u>	<u>1,814,514</u>
<u>2,822,12</u>	<u>2,822,122</u>	<u>2,822,122</u>	<u>2,822,122</u>	<u>2,822,122</u>	<u>2,822,12</u>	<u>2,822,122</u>	<u>2,822,122</u>	<u>2,578,100</u>
1.53	1.25	1.44	1.56	1.31	1.24	1.23	1.19	.87
.825	.80	.80	.80	.74	.72	.69	.63	.55

## Consolidated Balance



### MILES OF COMPANY OWNED LINES

Distribution Utilities	1980
Transmission .....	1,095
Distribution .....	1,589
Services .....	1,287
Other subsidiaries .....	122

### UTILITY PLANT (\$000)

Distribution Utilities	
Transmission .....	\$ 65,543
Distribution .....	67,005
Stand-by .....	827
General .....	4,424
Construction work in process .....	405
Total distribution utility plant .....	138,204
Other Subsidiaries Plant .....	3,492
	141,696

### ACCUMULATED DEPRECIATION

Distribution utilities .....	24,973
Other subsidiaries .....	1,390
	26,363

NET CONSOLIDATED PLANT .....

### CAPITALIZATION (\$000)

First mortgage bonds .....	\$ 43,769
Debentures .....	11,760
Short-term notes and bank loan .....	8,333
Total debt .....	63,862
Preference shares .....	17,795
Common shares .....	2,822
Contributed surplus .....	5,483
Retained earnings .....	21,475
	\$ 111,437

### PERCENTAGE OF TOTAL CAPITALIZATION

First mortgage bonds .....	39.3
Debentures .....	10.5
Short-term notes and bank loan .....	7.5
Total percent of debt .....	57.3
Preference shares .....	16.0
Common shares .....	2.5
Contributed surplus .....	4.9
Retained earnings .....	19.3
	100.0

### RATIOS

First mortgage bond interest—times earned	4.75
Total debt interest—times earned .....	2.92
Preference dividends—times earned .....	4.07

# Sheet Information

1979	1978	1977	1976	1975	1974	1973	1972	1971
915	907	903	889	816	781	777	769	624
1,353	1,304	1,270	1,211	1,141	1,082	1,000	898	831
1,058	1,020	985	937	871	814	740	671	614
122	122	122	122	122	116	116	115	115
59,566	58,957	55,996	53,981	34,839	34,047	33,190	31,680	22,552
55,074	50,977	47,774	43,613	39,322	36,374	33,000	29,558	26,820
883	881	881	882	882	882	883	913	364
3,802	3,467	2,852	2,728	2,671	2,601	2,537	2,528	2,597
506	388	1,860	461	10,095	739	618	591	3,499
<u>119,831</u>	<u>114,670</u>	<u>109,363</u>	<u>101,665</u>	<u>87,809</u>	<u>74,643</u>	<u>70,228</u>	<u>65,270</u>	<u>55,832</u>
<u>3,483</u>	<u>3,446</u>	<u>3,376</u>	<u>3,713</u>	<u>3,711</u>	<u>3,517</u>	<u>3,470</u>	<u>3,343</u>	<u>2,708</u>
<u>123,314</u>	<u>118,116</u>	<u>112,739</u>	<u>105,378</u>	<u>91,520</u>	<u>78,160</u>	<u>73,698</u>	<u>68,613</u>	<u>58,540</u>
19,959	17,465	15,317	13,494	12,106	10,594	9,267	8,225	7,277
1,318	1,244	1,171	1,148	1,066	989	912	844	788
<u>21,277</u>	<u>18,709</u>	<u>16,488</u>	<u>14,642</u>	<u>13,172</u>	<u>11,583</u>	<u>10,179</u>	<u>9,069</u>	<u>8,065</u>
<u>102,037</u>	<u>99,407</u>	<u>96,251</u>	<u>90,736</u>	<u>78,348</u>	<u>66,577</u>	<u>63,519</u>	<u>59,544</u>	<u>50,475</u>
41,484	42,965	44,347	45,498	46,277	35,137	35,810	28,960	21,943
12,000	12,000	—	4,151	4,151	4,384	4,623	4,879	5,110
—	—	10,715	1,187	863	2,116	76	4,071	1,300
53,484	54,965	55,062	50,836	51,291	41,637	40,509	37,910	28,353
18,000	18,000	18,000	18,000	8,000	8,000	8,000	8,000	8,000
2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822	2,822
5,483	5,483	5,483	5,483	5,483	5,483	5,483	5,483	5,483
19,834	17,879	16,628	14,865	12,729	11,136	9,691	8,168	6,758
<u>99,623</u>	<u>99,149</u>	<u>97,995</u>	<u>92,006</u>	<u>80,325</u>	<u>69,078</u>	<u>66,505</u>	<u>62,383</u>	<u>51,416</u>
41.6	43.3	45.3	49.4	57.6	50.8	53.8	46.4	42.7
12.1	12.1	—	4.5	5.2	6.3	7.0	7.8	9.9
—	—	10.9	1.3	1.1	3.2	.1	6.5	2.5
53.7	55.4	56.2	55.2	63.9	60.3	60.9	60.7	55.1
18.1	18.2	18.3	19.6	10.0	11.6	12.0	12.8	15.5
2.8	2.9	2.9	3.1	3.5	4.1	4.2	4.5	5.5
5.5	5.5	5.6	5.9	6.8	7.9	8.3	8.8	10.7
19.9	18.0	17.0	16.2	15.8	16.1	14.6	13.2	13.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
4.59	4.01	3.09	2.62	3.30	3.22	3.80	3.89	3.81
3.28	3.03	2.60	2.02	2.32	2.78	3.04	3.09	2.91
4.08	3.53	3.81	12.01	10.24	9.72	9.71	9.41	6.62

Comparative Statement of Sales,

1980

REVENUE (\$000)	
Residential . . . . .	\$ 21,862
Commercial . . . . .	18,577
Small industrial . . . . .	11,492
Large industrial and other . . . . .	46,900
Total natural gas revenue . . . . .	<u>\$ 98,831</u>

SALES VOLUME (MMcf)**	
Residential . . . . .	8,748
Commercial . . . . .	7,770
Small industrial . . . . .	5,664
Large industrial and other . . . . .	30,213
Total natural gas sales volume . . . . .	<u>52,395</u>

CUSTOMERS AT YEAR END	
Residential . . . . .	80,537
Commercial . . . . .	11,369
Small industrial . . . . .	114
Customers at year end . . . . .	<u>92,020</u>

CUSTOMER STATISTICS	
Average use per customer (Mcf)	
Residential . . . . .	114
Commercial . . . . .	705
Average rate per Mcf	
Residential . . . . .	\$ 2.50
Commercial . . . . .	\$ 2.39

COST OF NATURAL GAS	
PURCHASED (\$000) . . . . .	\$ 62,917

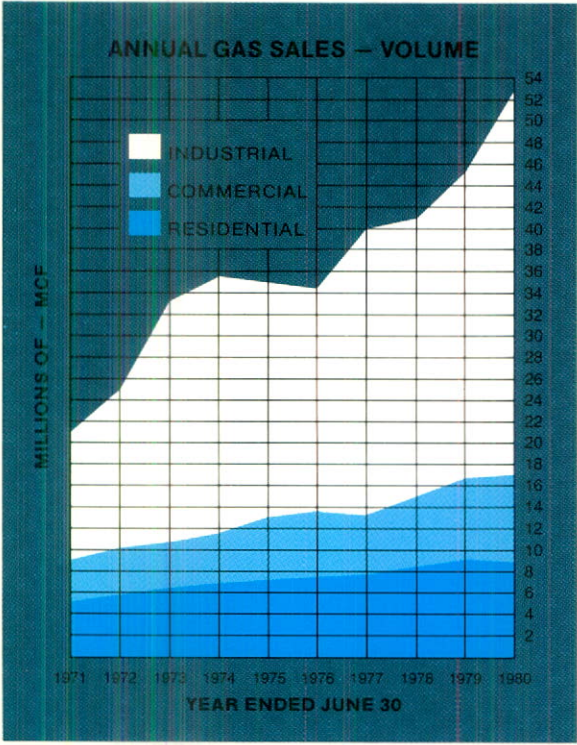
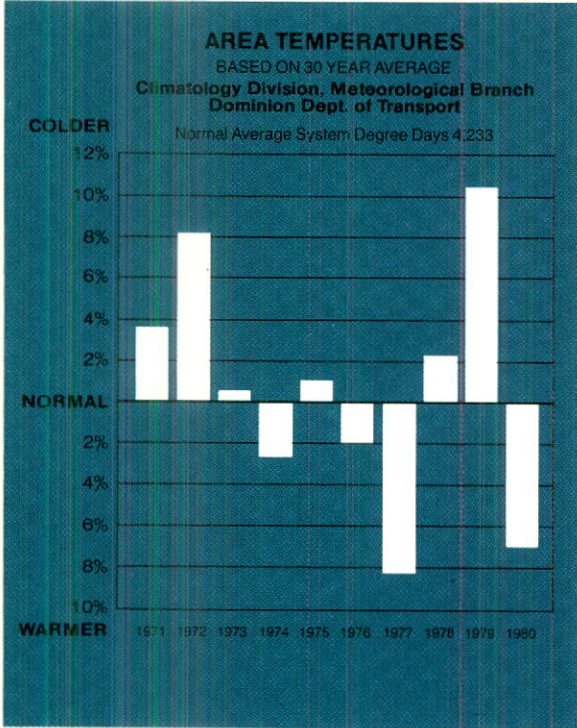
VOLUME OF NATURAL GAS	
PURCHASED (MMcf) . . . . .	52,799

MAXIMUM DAY SENDOUT (Mcf)	
Including interruptible . . . . .	248,706

DEGREE DAYS (base 18°C.) . . . . .	3,936
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PAYROLL STATISTICS	
Wages and benefits (\$000) . . . . .	\$ 8,878
Number of employees (average) . . . . .	325

\*Including Columbia Natural Gas Limited for 1980  
 \*\*1980 Volumes are adjusted for atmospheric pressure reduction factors.





# Purchases and Other Statistics\*

1979	1978	1977	1976	1975	1974	1973	1972	1971
20,022	16,253	12,465	10,561	9,531	7,633	6,406	6,224	5,477
17,021	13,286	9,869	8,318	7,567	5,759	4,593	4,375	4,226
12,024	10,113	7,772	5,053	3,787	3,509	3,158	2,426	1,452
32,976	26,328	19,218	11,854	11,529	10,371	8,507	5,245	4,390
<u>82,043</u>	<u>65,980</u>	<u>49,324</u>	<u>35,786</u>	<u>32,414</u>	<u>27,272</u>	<u>22,664</u>	<u>18,270</u>	<u>15,545</u>
8,853	8,170	7,445	7,522	7,173	6,527	6,020	5,604	4,794
7,758	6,914	6,199	6,221	5,959	5,207	4,753	4,510	4,366
6,438	6,294	5,938	4,723	3,847	4,081	4,188	3,415	2,124
22,603	21,322	20,594	16,156	18,516	19,721	18,700	11,311	9,635
<u>45,652</u>	<u>42,700</u>	<u>40,176</u>	<u>34,622</u>	<u>35,495</u>	<u>35,536</u>	<u>33,661</u>	<u>24,840</u>	<u>20,919</u>
67,358	65,206	62,763	59,300	54,910	51,027	45,870	41,094	36,972
9,385	8,942	8,580	8,034	7,481	6,955	6,362	5,800	5,360
105	104	108	100	90	86	90	98	62
<u>76,848</u>	<u>74,252</u>	<u>71,451</u>	<u>67,434</u>	<u>62,481</u>	<u>58,068</u>	<u>52,322</u>	<u>46,992</u>	<u>42,394</u>
133	128	122	132	135	135	138	144	135
847	789	746	802	826	782	782	808	833
2.26	1.99	1.67	1.40	1.33	1.17	1.06	1.11	1.14
2.19	1.92	1.59	1.34	1.27	1.11	0.97	0.97	0.97
50,817	41,164	29,515	19,423	18,664	14,155	10,403	8,117	6,949
45,125	42,134	39,763	34,247	35,111	35,169	33,120	24,430	20,858
229,986	204,292	169,224	157,966	148,233	136,485	127,926	105,869	92,848
4,524	4,191	3,763	4,018	4,140	4,002	4,130	4,443	4,257
7,397	6,248	5,996	4,887	3,831	3,142	2,625	2,328	1,889
278	262	271	249	240	224	213	205	188



### INLAND PEOPLE

Many of Inland's 325 employees are highly trained technicians in specialized fields. This page illustrates just a few of the many job functions.

Top left: Operating Gate Station control valve.

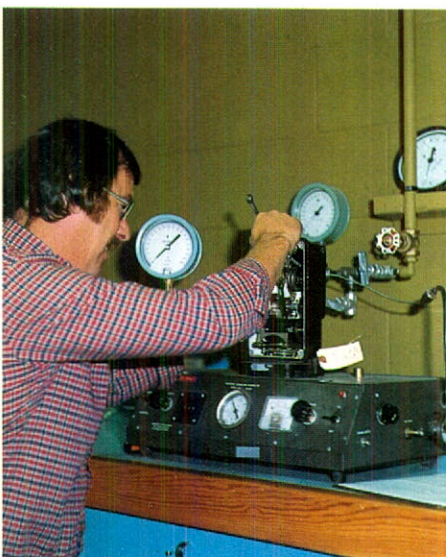
Top right: Draughting in a regional office.

Centre left: Checking automatic proving equipment.

Centre right: Recording gas consumption.

Bottom left: Business office computer terminal.

Bottom right: Adjusting high pressure measurement device.



## Corporate Data

### DIRECTORS

Robert G. Brodie	Chairman and Chief Executive Officer, Merit Oil Co. Ltd.
+ * Ronald L. Cliff	Chairman of the Board, Inland Natural Gas Co. Ltd.
Roderick M. Hungerford	President, Flex-Lox Industries Ltd.
+ * J. Norman Hyland	President, Granduc Mines Ltd.
+ Robert E. Kadlec	President, Inland Natural Gas Co. Ltd.
Thomas G. Rust	President and Chief Executive Officer, Crown Zellerbach Canada Limited
* Horace B. Simpson	Vice-President, Okanagan Holdings Ltd.
+ Richard B. Stokes	Executive Vice-President and Chief Financial Officer, Inland Natural Gas Co. Ltd.
* H. Richard Whittall	Partner, Richardson Securities of Canada

+Member of the Executive Committee  
\*Member of the Audit Committee.

All Directors reside in British Columbia.

### OFFICERS

Ronald L. Cliff	Chairman of the Board
Robert E. Kadlec	President
Richard B. Stokes	Executive Vice-President and Chief Financial Officer
Geoffrey M.O. Solly	Vice-President, Operations
Clifford I. Kleven	Vice-President, Finance
Ardelle F. Clark	Secretary

### HEAD OFFICE

1066 West Hastings Street, Vancouver, B.C. V6E 3G3

### REGISTRAR

Canada Permanent Trust Company, Vancouver, B.C.

### TRANSFER AGENT

Canada Permanent Trust Company,  
Vancouver — Calgary — Toronto — Montreal — Halifax

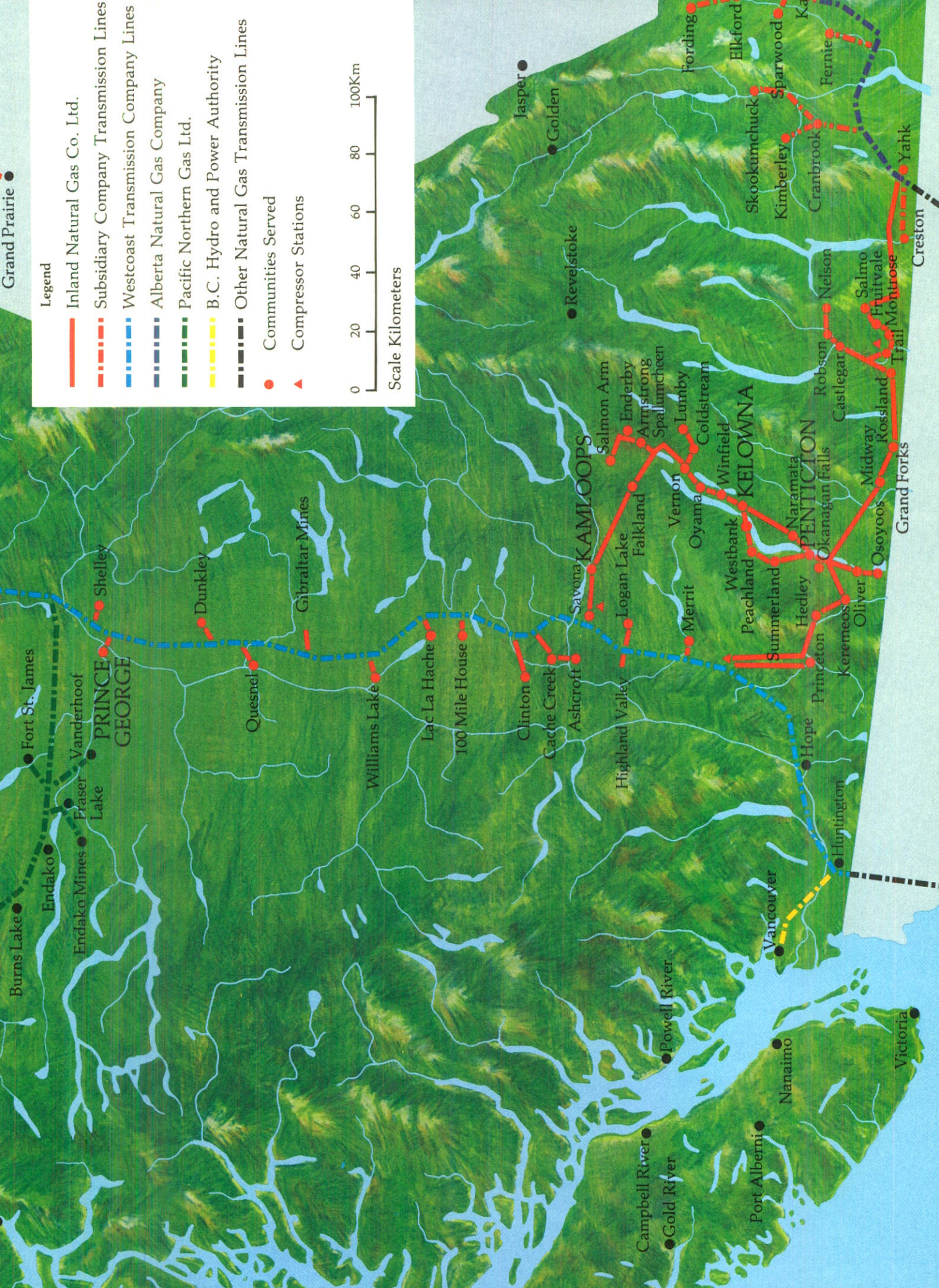
### AUDITORS

Thorne Riddell

### Communities Served

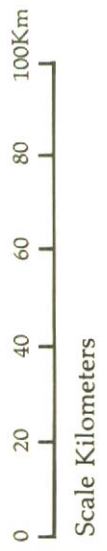
1957	Quesnel		Nelson		Coldstream
	Williams Lake		Chetwynd		Peachland
	100 Mile House	1958	Prince George		Westbank
	Merritt		Shelley		Naramata
	Kamloops	1960	Oyama		Midway
	Armstrong	1961	Lac La Hache		Lakeview Heights
	Enderby	1962	Creston	1969	Clinton
	Spallumcheen		Cranbrook		Lumby
	Salmon Arm		Kimberley		Sparwood
	Vernon		Fernie	1971	Logan Lake
	Kelowna		Savona		Cache Creek
	Summerland	1964	Winfield		Ashcroft
	Penticton		Okanagan Falls		Elkford
	Oliver		Hudson Hope	1972	Keremeos
	Osoyoos	1965	Robson	1974	Yahk
	Grand Forks		Mackenzie	1975	Hedley
	Roseland	1967	Princeton		Salmo
	Trail	1968	Falkland		Fruitvale
	Warfield				Montrose
	Castlegar				

Fold out for system map



**Legend**

- Inland Natural Gas Co. Ltd.
- - - Subsidiary Company Transmission Lines
- - - Westcoast Transmission Company Lines
- - - Alberta Natural Gas Company
- - - Pacific Northern Gas Ltd.
- - - B.C. Hydro and Power Authority
- - - Other Natural Gas Transmission Lines
- Communities Served
- ▲ Compressor Stations



Grand Prairie ●

Burns Lake ●  
 Endako ●  
 Endako Mines ●  
 Fraser Lake ●  
 Vanderhoof ●  
 Fort St. James ●  
 Prince George ●  
 Shelley ●  
 Dunklevy ●  
 Quesnel ●  
 Williams Lake ●  
 Lac La Hache ●  
 100 Mile House ●  
 Clinton ●  
 Cache Creek ●  
 Ashcroft ●  
 Highland Valley ●  
 Merrit ●  
 Savona ●  
 Kamloops ●  
 Salmon Arm ●  
 Enderby ●  
 Armstrong ●  
 Spallumcheen ●  
 Lumby ●  
 Coldstream ●  
 Winfield ●  
 Kelowna ●  
 Westbank ●  
 Peachland ●  
 Summerland ●  
 Naramata ●  
 Penticton ●  
 Okanagan Falls ●  
 Robson ●  
 Castlegar ●  
 Nelson ●  
 Cranbrook ●  
 Kimberley ●  
 Sparwood ●  
 Skookumchuck ●  
 Hording ●  
 Elkford ●  
 Fernie ●  
 Trail ●  
 Montrose ●  
 Fruitvale ●  
 Salmo ●  
 Rossland ●  
 Midway ●  
 Osyoos ●  
 Grand Forks ●  
 Creston ●  
 Jasper ●  
 Golden ●  
 Revelstoke ●  
 Vancouver ●  
 Hope ●  
 Huntington ●  
 Powell River ●  
 Campbell River ●  
 Gold River ●  
 Port Alberni ●  
 Nanaimo ●  
 Victoria ●

# INLAND NATURAL GAS CO. LTD. DISTRIBUTION AREA

