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stock



**INTERPROVINCIAL PIPE LINE COMPANY**

*Annual  
"Report  
1950*

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I N T E R P R O V I N C I A L

P I P E L I N E

C O M P A N Y

*Annual  
Report  
1950*





*Heavy trucks moved pipe joints from stockpiles*

I N T E R P R O V I N C I A L P I P E L I N E C O M P A N Y

*Directors . . . .*

C. E. CARSON	T. S. JOHNSTON	D. R. A. WALKER
F. G. HALL	L. F. KAHLE	J. R. WHITE
O. B. HOPKINS	T. F. MOORE	W. J. WILKINS

*Officers . . . .*

	O. B. HOPKINS <i>President</i>	
L. F. KAHLE <i>Executive Vice-President</i>	T. S. JOHNSTON <i>Vice-President</i>	F. G. HALL <i>Vice-President</i>
W. A. HARE <i>Secretary</i>		D. W. MCGIBBON <i>Treasurer</i>

*Head Office . . . .*

EDMONTON - - - - - ALBERTA, CANADA

*Executive Office . . . .*

TORONTO - - - - - ONTARIO, CANADA





*Stringing pipe started weeks before construction*

I N T E R P R O V I N C I A L   P I P E   L I N E   C O M P A N Y

*Annual Report*

T O   S H A R E H O L D E R S

**T**HE year 1950 was the first year of your company's active operation. A great deal of planning and engineering had been done in 1948 and 1949 but until last year the physical results of these efforts were not apparent. Most of 1950 was spent in actual construction but in the last months of the year, although all the pump stations had not been complete, oil was flowing towards the terminal at Superior, Wisconsin.

#### CONSTRUCTION

When the year began your company faced an undertaking to accumulate oil through the winter months at the lakehead terminal for tanker movement east on the opening of navigation in the following spring.



This required that the line be built during the favorable construction season of 150 days. From the standpoint of speed and magnitude such an undertaking was unprecedented and, it is believed, could have been accomplished only in such generally favorable territory as was chosen for the route.

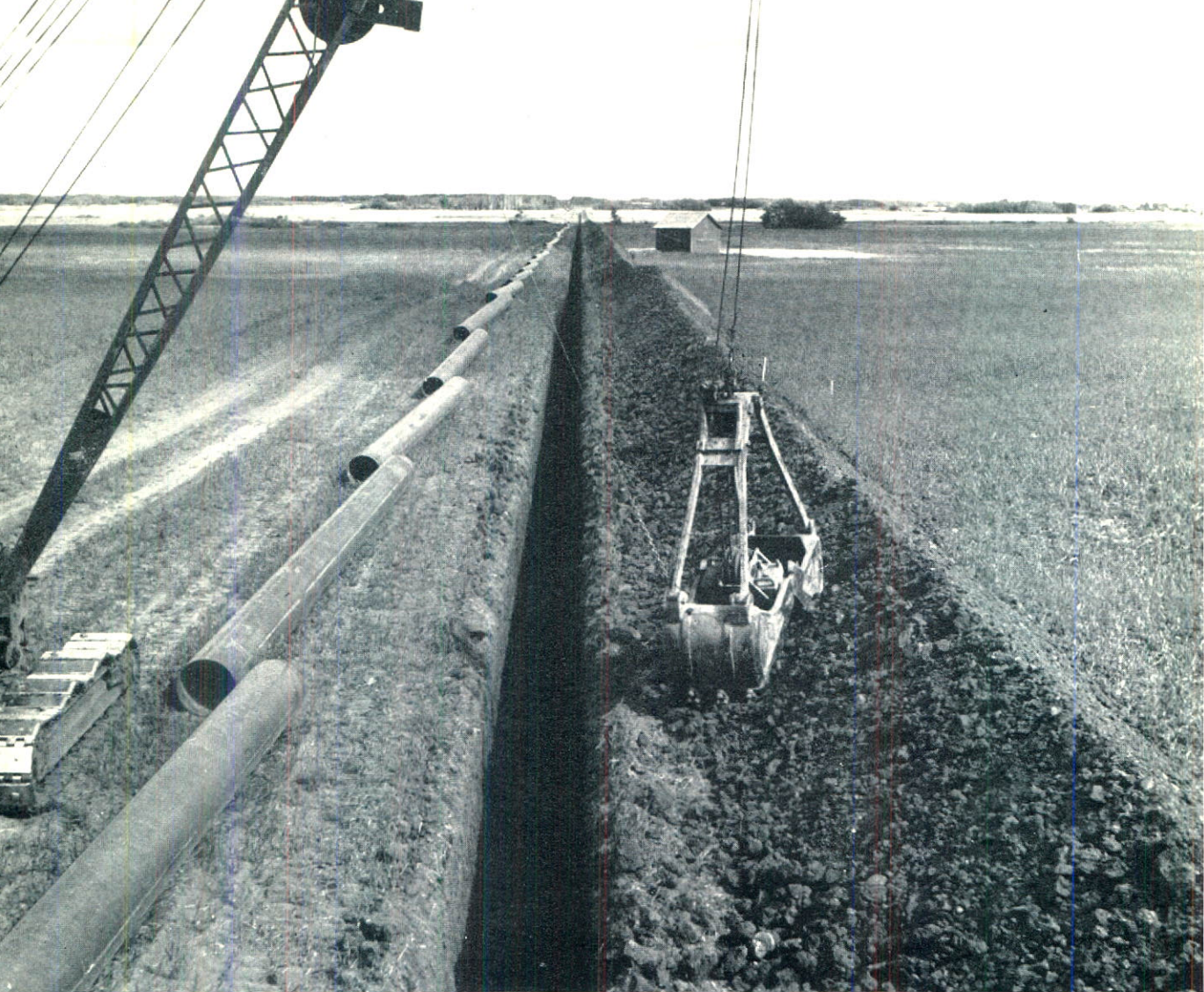
Contracts for line construction were awarded in the fall of 1949 in order that qualified contractors with highly specialized equipment and experience would be available and would have time for the necessary organization and planning. Bechtel-Mannix Company Limited were awarded the contract for the section between Edmonton and Regina; Williams Brothers Corp. the portion from Regina to the International Boundary; and Anderson Bros. Corp. the section from the International Boundary to Superior.

Construction work on the pipe line started on April 21st and it was hoped that all sections of the line would have work under way by May 1st, but two spreads were delayed until early June by floods in the Red River Valley.

*Clamshell excavators helped where ditchers encountered trouble* ■







■ *Ditchers cut neatly through flat, prairie farmland*

As the summer progressed, all of the contractors' spreads made excellent progress. Between July and September each of the nine spreads completed over one mile of line per day. As a result and in spite of the wet spring and a crippling railroad strike, the contractors completed their work within the specified time.

During the year it was decided to extend the Interprovincial system from Edmonton to the Redwater field—a distance of 29 miles. This additional section was completed under a separate contract with Williams Brothers Corp. and the first oil was turned into the line at Redwater on August 25th.

Meanwhile the contractors on the main Canadian sections were rapidly approaching the completion of their jobs. With appropriate ceremonies at Edmonton on October 4th, the Hon. E. C. Manning, Premier of Alberta, opened a valve to initiate the eastward movement of Alberta crude.

The completion of the section of the line in the United States followed closely. The last welds were made on October 28th and the system was then complete to the lakehead. Because of the



quantity of crude required to fill the line—over 1,800,000 barrels—and the fact that the prairie refineries were being supplied, it was not until December 5th that the first oil reached Superior. At the year end the pipe line contractors had completed all their work with the exception of a small amount of right-of-way clean up which will be carried out this spring.

Construction of the pumping stations was under way by June but progress was not as rapid as with the line itself. Shortage of materials played a large part in retarding this phase of the work. Suppliers in many cases were unable to meet promised delivery dates; but despite these delays the target dates for moving oil were met by installing temporary pumping units at Edmonton and Regina. These units served until the main pumps in the stations were ready. The Edmonton station began operating early in November and the Regina station in the latter part of December.

The remaining stations were nearing completion by the end of the year and will be ready for service by the time they are required to provide the maximum throughput needed during the period of open navigation.

*Welding was an exacting phase of construction* ■







■ *Self-propelled machines coated the welded pipe line*

## PUBLIC RELATIONS


One of the problems recognized from the inception of the project was the need to establish the company on a sound footing in the various communities through which the pipe line was to pass. Few people in these areas were familiar with pipe line operations and it was realized that unless understanding and goodwill were established there would be difficulty in acquiring right-of-way and maintaining friendly relationships. Meetings were held with groups along the route of the line and the policy of acquiring right-of-way through local agents also proved to be very successful. These men had the confidence of the landowners who were very co-operative and helpful. To obtain the right-of-way approximately the going price for the land involved was paid. Compensation was also made for damage to crops, buildings, fences, etc. Although the company had the right of expropriation, it was necessary to use it in only five cases out of more than two thousand right-of-way agreements concluded. These five cases involved absentee ownership or questionable title.



## EMPLOYEE RELATIONS

As the pace of operations quickened, the number of employees increased. In mid-summer Interprovincial had 188 employees and Lakehead Pipe Line Company, Inc., the U.S. operating subsidiary, had 106. At the year end these figures were reduced to 168 employees for Interprovincial and 71 for Lakehead.

On August 1st your company introduced its Retirement and Savings Plans for its employees. These plans are contributory on the part of both the company and employee. The excellent response from the employees to these plans is indicated by the large number participating at the year end. The company feels that the steps necessary to establish a sound Employer-Employee relationship have been taken.

*Coating and wrapping protect pipe from corrosion* 



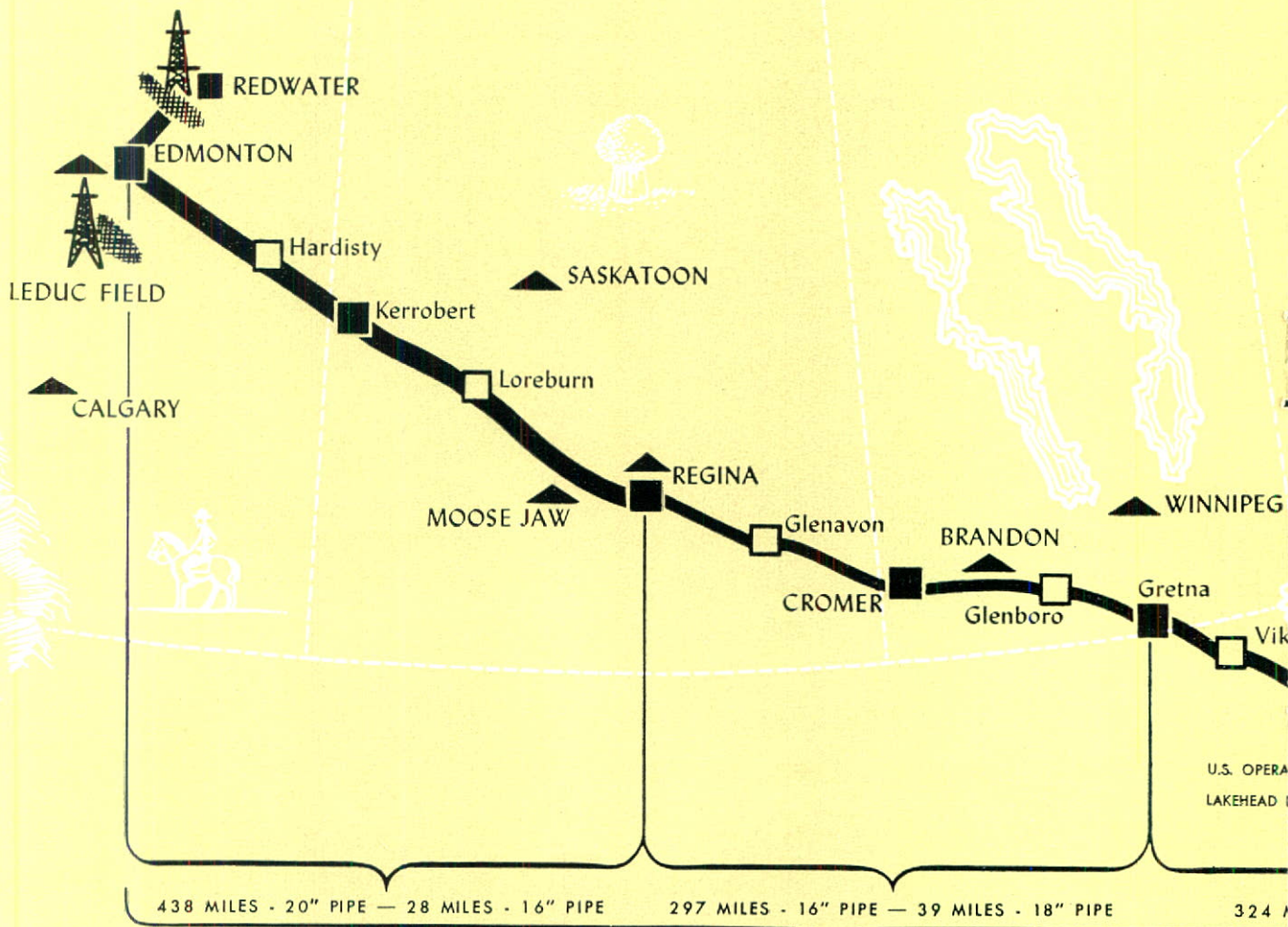


# INTERPROVINCIAL PIPE LINE

*Alberta*

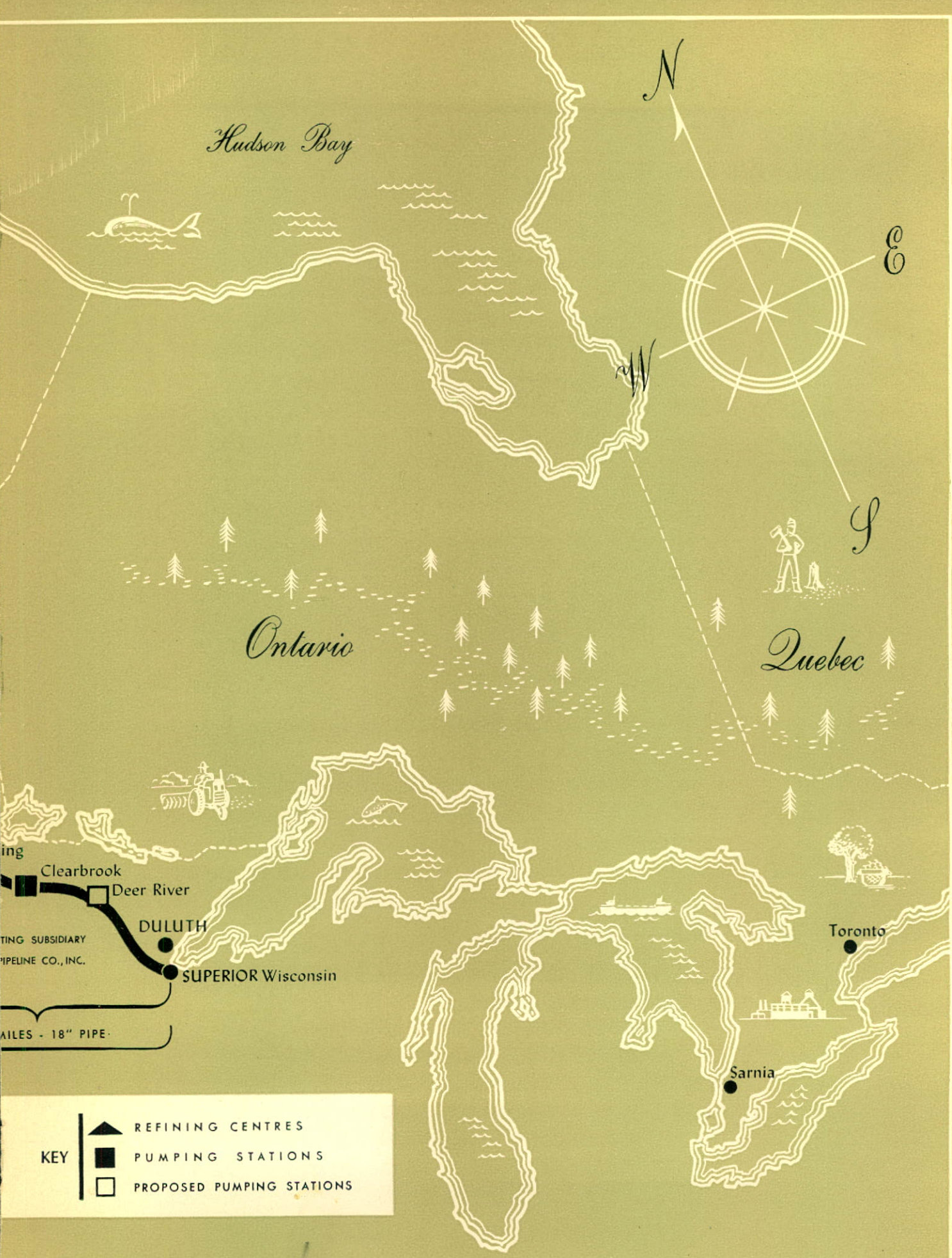
*Saskatchewan*

*Manitoba*



*U . S . A*





Hudson Bay






Ontario

Quebec

ing  
 Clearbrook  
 Deer River  
**DULUTH**  
 SUPERIOR Wisconsin  
 TING SUBSIDIARY  
 PIPELINE CO., INC.  
 MILES - 18" PIPE

Toronto

Sarnia

- KEY
-  REFINING CENTRES
  -  PUMPING STATIONS
  -  PROPOSED PUMPING STATIONS





■ *Backfilling did not disturb surrounding crops*

## FUTURE PLANS

From the start of the Interprovincial project it was intended that operating capacity would be increased as conditions warranted. Development of production and markets has, however, been at a pace more rapid than was originally contemplated and accordingly construction of six additional pump stations and additional tankage of 2,600,000 barrels at Superior has been projected for this summer. Engineering work in this connection is now well in hand and so far as possible the necessary equipment and materials have been arranged for. There is, of course, some concern about the availability of steel and other materials but the company is hopeful that the expansion will materialize as contemplated.

The six new pumping stations will be located at Hardisty, Alberta; Loreburn and Glenavon, Saskatchewan; Glenboro, Manitoba; and Viking and Deer River, Minnesota. These stations will be essentially



the same as the existing stations and will increase the line capacity out of Edmonton to 146,000 barrels per day. The yearly capacity for deliveries to Superior will be raised from the existing 13,000,000 barrels to about 19,000,000 barrels.

Assurance has been given that the tankers required to lift the additional oil from the Superior terminal will be provided by the shippers in 1952.

## GENERAL

This first year has been one of intense activity in all phases of the company. The real credit for the successful completion of the project within specified time and financial limits goes to those individuals, who, from the start, gave so unstintingly of their time and effort. It is encouraging to know that this loyal and enthusiastic spirit still exists and is an asset of real value for the future.

*Clean-up crews leave little evidence of construction* ■







Welded pipe was floated across the Saskatchewan river

## FINANCIAL STATEMENTS

The financial position of the company at December 31, 1950, is shown by the accompanying Balance Sheet.

The First Mortgage and Collateral Trust Bonds, Series A and B, which were subscribed for in 1949, were issued to the purchasers during 1950 and the proceeds deposited with the Bondholders' Trustee. Initially the company used money derived from the sale of the Convertible Debentures to finance construction costs. The rapid construction program involved making expenditures at a correspondingly rapid rate and in one month expenditures averaged more than \$300,000 daily. As work progressed and properties became mortgageable the company forwarded Gross Property Additions Certificates to the Trustee who then released bond money to reimburse the company for the cost of the assets acquired. This enabled the company to finance further expenditures on the project.



By the end of 1950, \$68,365,073 had been added to Plant Account for construction of the pipe line, pumping stations and terminal facilities. The company and the Trustee together held \$26,381,015 which was sufficient to complete the original project and carry out the 1951 expansion program. At December 31st Current Assets totalled \$12,876,737 while Current Liabilities amounted to \$3,802,620. Net Working Capital was, therefore, \$9,074,117.

During the year 2,711,223 barrels were delivered through the system and the company's total income amounted to \$1,086,919. After paying all expenses and taxes there remained net income of \$107,148 which was retained as Surplus. No dividends were paid on the Capital Stock during the year.

*On behalf of the Board,*

OLIVER B. HOPKINS,  
*President.*

*Edmonton, March 15, 1951.*

*Ice is cut during a winter river crossing* ■





# I N T E R P R O V I N C I A L   P I P E   L I N E   C O M P A N Y

*And its Wholly-Owned Subsidiary Companies*

L A K E   S U P E R I O R   P I P E   L I N E   C O R P O R A T I O N      L A K E H E A D   P I P E   L I N E   C O M P A N Y ,   I N C .

● **A S S E T S**

**CURRENT ASSETS:**

Cash in banks.....	\$ 2,572,396	
Deposit with Bondholders' Trustees for payment of bond interest (per contra).....		1,296,367
Government of Canada bonds and United States treasury bills at cost, plus accrued interest (Quoted market value \$7,179,625).....		7,218,125
Accounts and notes receivable—		
Transportation charges.....	\$603,848	
Claims and other accounts receivable.....	575,882	
		1,179,730
Inventories—		
Crude oil (arising from pipe line allowance), at market price at point of acceptance.....	\$131,228	
Materials and supplies, at cost.....	478,891	
		610,119
		\$12,876,737
PIPE LINE CONSTRUCTION FUND HELD BY BONDHOLDERS' TRUSTEES (NOTE 2).....		16,590,494
MORTGAGES RECEIVABLE.....		72,222
<b>PREPAID EXPENSES AND DEFERRED CHARGES:</b>		
Rents, insurance premiums and taxes paid in advance.....	\$ 133,032	
Working fund advances and service deposits.....	33,537	
Cost of organization.....	46,239	
		212,808
DEFERRED FOREIGN EXCHANGE CONVERSION ADJUSTMENTS (NOTE 1).....		417,764
<b>FIXED (CAPITAL) ASSETS, at cost:</b>		
Carrier system and other physical properties.....	\$68,365,073	
<i>Less—Accrued depreciation and amortization.....</i>	<i>407,651</i>	
		67,957,422

SIGNED ON BEHALF OF THE BOARD:

OLIVER B. HOPKINS, *Director*

LOREN F. KAHLE, *Director*

\$98,127,447

# Consolidated Balance Sheet

DECEMBER 31, 1950

(Expressed in Canadian currency)

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable and accrued.....	\$ 2,184,481
Bond interest due January 1, 1951.....	1,296,367
Accrued interest on debentures.....	169,990
Accrued income and other taxes.....	151,782
	\$ 3,802,620

### FUNDED DEBT:

#### First Mortgage and Collateral Trust Bonds—

Authorized—no fixed limitation

Issued—

Series A—3½% bonds due January 1, 1970, payable in Canadian funds..... \$37,000,000

Series B—3½% bonds due January 1, 1970, payable in United States funds \$35,000,000..... 38,675,000

\$75,675,000

#### Convertible Debentures—

Authorized..... \$25,000,000

Issued—

4% Convertible Sinking Fund Debentures, Series A, due October 1, 1970, payable in Canadian funds..... \$17,000,000

Less—Redeemed by conversion into shares of capital stock..... 1,000

16,999,000

92,674,000

UNAMORTIZED PREMIUM AND DISCOUNT ON FUNDED DEBT (NET)..... 541,579

### CAPITAL AND SURPLUS:

#### Capital Stock—

Authorized—\$200,000,000 divided into 4,000,000 shares having a par value of \$50 each, of which 339,980 shares are reserved for issuance from time to time upon conversion of the convertible debentures

Issued—20,042 shares (of which 6 were issued in 1950)..... \$ 1,002,100

#### Surplus—

Earnings retained in the business..... 107,148

1,109,248

\$98,127,447

# INTERPROVINCIAL PIPE LINE COMPANY

*And its Wholly-Owned Subsidiary Companies*

LAKE SUPERIOR PIPE LINE CORPORATION

LAKEHEAD PIPE LINE COMPANY, INC.

## *Notes to Financial Statements*

### 1—BASIS OF CONSOLIDATION:

The consolidated balance sheet includes the accounts of Interprovincial Pipe Line Company and its wholly-owned subsidiaries. The accounts of the subsidiary companies are maintained in United States dollars. In the consolidated financial statements these accounts have been stated in Canadian dollars. For this purpose funded debt payable in United States funds was converted at the rate of exchange prevailing when the debt was incurred; to the extent that the proceeds from the funded debt were invested in properties, the properties have been converted at the same exchange rate as the funded debt. The unexpended balance of the proceeds has been converted at the closing rate of exchange on December 31, 1950, and with unimportant exceptions this rate has been applied to all other assets and liabilities in United States dollars. As a result of the foregoing methods, the exchange difference amounted to a debit of \$417,764 which has been carried forward on the balance sheet and will be charged to the cost of future construction to the extent that it is applicable thereto.

For accounting purposes, depreciation on the Canadian section of the pipe line system was deemed to have commenced when oil first entered the line; depreciation on the United States section was deemed to have commenced when the oil first crossed the Canadian-United States border. Depreciation on vehicles, construction equipment and office furniture commenced from the dates that such assets were put into use; that portion of depreciation accruing on equipment used during construction amounting to \$20,206 was treated as a cost of construction.

Earnings of the companies were deemed to have commenced on those dates in 1950 when oil reached the end of each division of the pipe line system. Interest on the funded debt applicable to the cost of each division was charged to operations as from the dates such divisions were deemed to have commenced to earn income; interest accruing prior to commencement of earnings has been included in the cost of construction.

### 2—PIPE LINE CONSTRUCTION FUND:

As at December 31, 1950 the pipe line construction fund held by the Bondholders' Trustees was comprised of:

Cash in banks.....	\$ 51,253
Government of Canada bonds.....	7,732,590
United States Treasury bills.....	8,806,651
	<u>\$16,590,494</u>

Construction of certain facilities to complete the main line project was in progress as at December 31, 1950 and further expenditures will be incurred to meet the companies' obligations under the contracts for the completion of this work. The construction fund held by the Bondholders' Trustees and other resources of the companies are considered sufficient to meet the expenditures under contracts in progress.

When the pipe line system is completed, the companies may use the balance, if any, of the pipe line construction fund to make capital expenditures within a period of three years to extend the pipe line system or increase its capacity, or to redeem Series A and B bonds.



# INTERPROVINCIAL PIPE LINE COMPANY

— And its Wholly-Owned Subsidiary Companies —

LAKE SUPERIOR PIPE LINE CORPORATION

LAKEHEAD PIPE LINE COMPANY, INC.

## *Statement of Consolidated Income*

FOR THE PERIOD FROM COMMENCEMENT OF PIPE LINE OPERATIONS IN 1950 TO DECEMBER 31, 1950

(Expressed in Canadian Currency.)

Operating income (Note 1).....	\$1,084,009
Interest and other sundry income.....	2,910
	<u>\$1,086,919</u>
Operating expenses.....	\$268,067
Taxes (other than income taxes).....	2,692
	<u>270,759</u>
	\$ 816,160
Provision for depreciation and amortization (Note 1).....	\$387,445
Interest on funded debt (Note 1).....	261,458
	<u>648,903</u>
	\$ 167,257
Provision for income taxes.....	60,109
	<u>107,148</u>
NET INCOME FOR THE PERIOD.....	<u><u>\$ 107,148</u></u>

To the Shareholders of

INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and subsidiary companies as at December 31, 1950 and the related statement of consolidated income for the period from commencement of operations in 1950 to December 31, 1950 and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

In our opinion, the accompanying consolidated balance sheet with the notes thereto and the related statement of consolidated income are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1950 and the results of operations for the period ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

March 1, 1951.

PRICE, WATERHOUSE & CO.  
Auditors.









