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annual report

**INTERPROVINCIAL
PIPE LINE COMPANY**

PURVIS HALL
1 ARIEN

JUN 24 1954

McGILL UNIVERSITY



A N N U A L R E P O R T

1 9 5 2



Blasting on the right-of-way for the second crossing of the South Saskatchewan River.

*Preparing to X-ray tie-in on
16" "loop", Glenavon Station.*



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

| | | | |
|----------------------------|----------------|----------------|-----------------|
| | C. E. CARSON | T. S. JOHNSTON | R. H. REID |
| <i>Directors</i> | F. G. HALL | T. F. MOORE | D. R. A. WALKER |
| | J. K. JAMIESON | W. H. RAE | W. J. WILKINS |

| | | |
|---------------------------|-------------------------------------|--|
| | T. S. JOHNSTON <i>President</i> | |
| <i>Officers</i> | F. G. HALL <i>Vice-President</i> | D. R. A. WALKER <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

Annual Report to Shareholders



our Company's operations during 1952 substantiated the high hopes that were expressed at the beginning of the year. Interprovincial, by providing a more substantial and continuous outlet for western Canadian crude, contributed materially to the growth of the Canadian oil development.

The five new pumping stations, which were under construction at the end of 1951, were completed early in 1952 in sufficient time to utilize their added capacity throughout the navigation season. The one hundred mile "loop" of 16" line pipe was completed late in the season and will be placed in service in the early months of 1953.

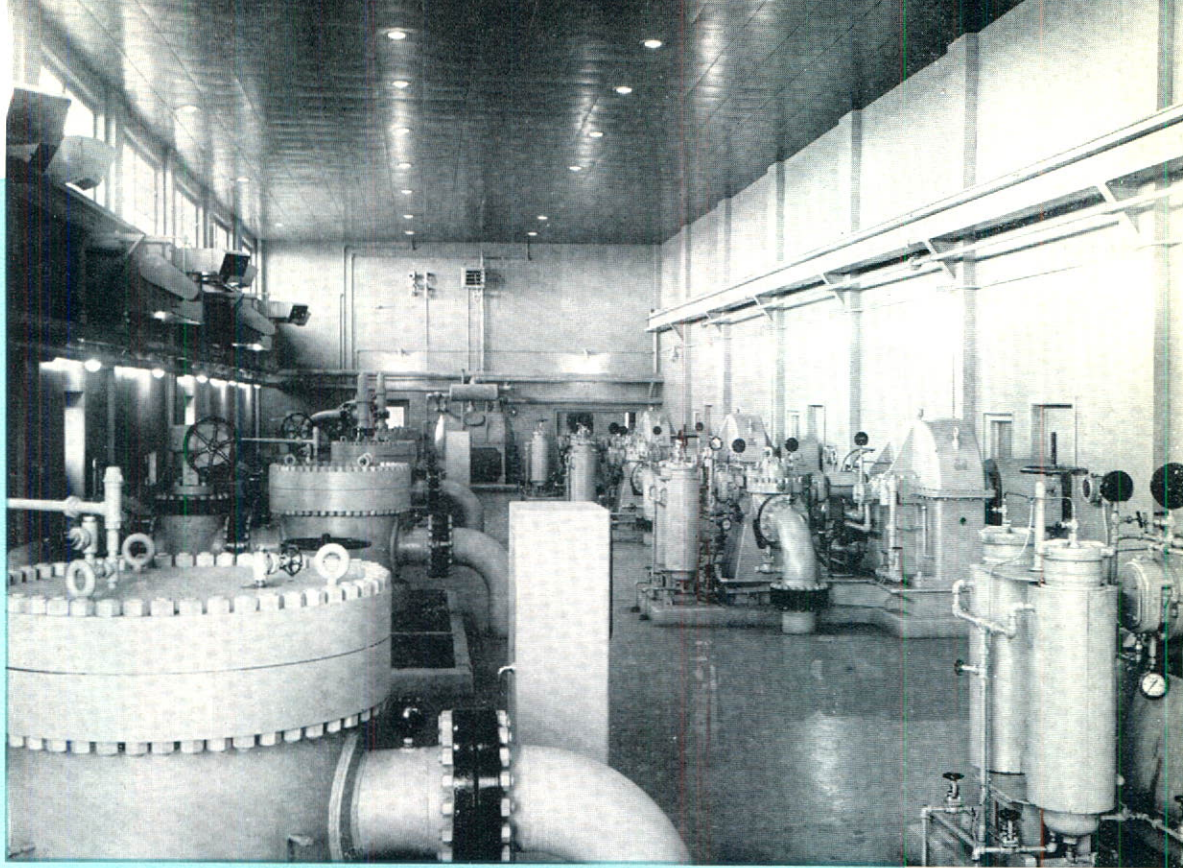
A comparison of 1952 pumping operations with those of the previous year is indicated below:

| | 1951 (000) | 1952 (000) | % Inc. |
|---|---------------|---------------|-----------|
| Received into System..... | 30,600 BBLs. | 41,800 BBLs. | 36.6 |
| Delivered to refineries, Edmonton area..... | 1,200 " | 2,400 " | 100.0 |
| Delivered to other prairie refineries..... | 14,400 " | 17,300 " | 20.1 |
| Delivered to refinery at Superior..... | 400 " | 1,000 " | 150.0 |
| In storage at Superior, year end..... | 800 " | 1,204 " | 50.5 |
| Loaded aboard tankers at Superior..... | 13,800 " | 19,900 " | 44.2 |
| Tankers loaded..... | 161 | 245 | 52.1 |

During 1952 a second river crossing was constructed across the South Saskatchewan River. The need for this line has always been recognized to provide the assurance of

"Beaver" on pipe line patrol.





Interior view of pumproom, Edmonton Station.

continued operation should the original river crossing become damaged from ice during the spring break-up. The second line has been laid to greater depth as a further precaution against scouring action of ice and debris.

The prolonged steel strike in the United States affected the construction of our storage tanks at Superior. Of the twelve tanks planned for completion by the opening of navigation 1953, only three will be completed. This delay of the construction schedule has, however, reacted to the advantage of your Company. Upon reaching the decision to extend the Interprovincial system from Superior to Sarnia (as explained elsewhere in these remarks), it became possible to cancel or otherwise dispose of the remaining nine storage tanks which it was planned to erect in 1953. There will be practically no financial loss to your company.

Principal capital expenditures for added plant facilities in 1952 amounted to approximately \$12,336,000 allocated as follows:

| | |
|---|-------------|
| New pumping stations: | |
| Hardisty, Alberta | } |
| Loreburn, Saskatchewan | |
| Glenavon, Saskatchewan | |
| Glenboro, Manitoba | |
| Viking, Minnesota | |
| Looping 16" section and second river crossing | \$2,351,000 |
| Tankage at Superior | \$5,937,000 |
| Other facilities | \$2,156,000 |
| | \$1,892,000 |

The construction of the pumping station at Deer River, Minnesota, has progressed most favourably and will be ready for operation before the opening of navigation 1953.

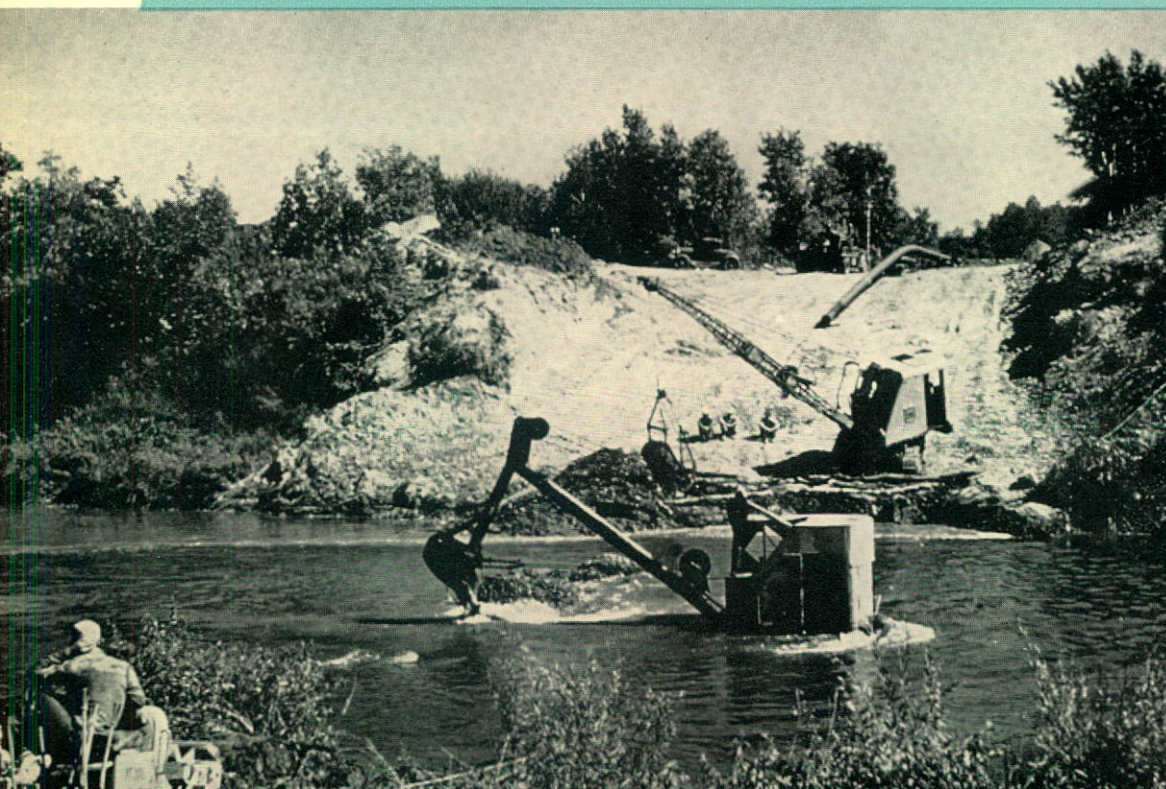
The most important decision made by your Management during the past year was to extend the existing pipe line system to Sarnia, Ontario, from the present terminus at Superior. This extension, approximately 635 miles long, will be constructed during 1953. It is planned to have the new line in operation by the beginning of 1954.

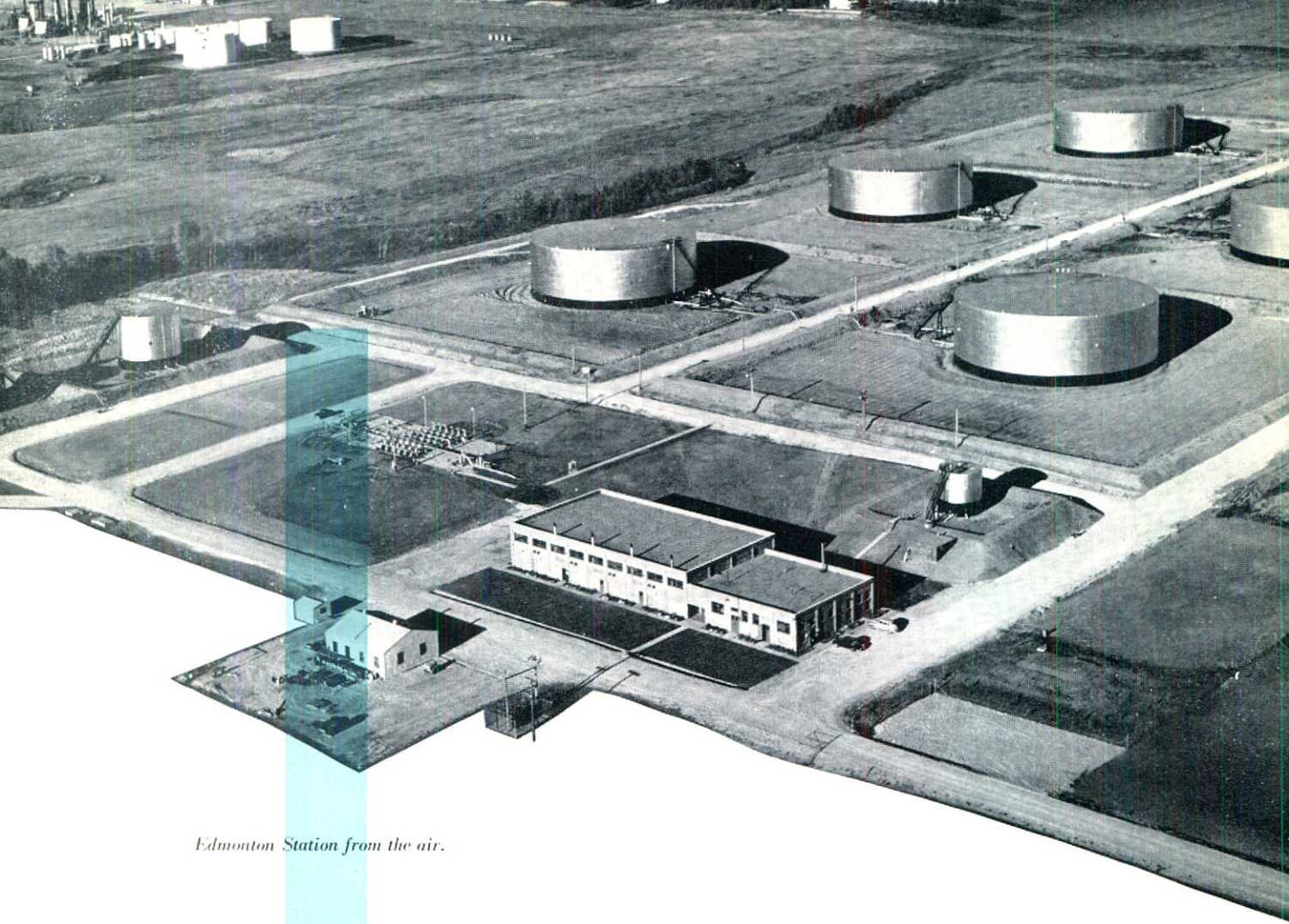
The proposed route of the extension is indicated on the map included in this report. It will be noted that it crosses northern Wisconsin, the upper Michigan peninsula, Mackinac Straits and proceeds in a southerly direction through lower Michigan and enters Canada by crossing under the St. Clair River at Sarnia, Ontario.

The line will be constructed with 30" diameter pipe and in the initial stages will have one pump station located at Superior. Arrangements have been concluded with the appropriate governmental agencies in Canada and the United States to secure an adequate allocation of pipe. Orders for necessary equipment and machinery have been placed with the manufacturers and work is well in hand towards finalizing the required governmental and state permits for construction and rights-of-way. When completed it will constitute the longest crude oil pipe line in the world.

Although the Superior/Sarnia extension will have an ultimate capacity of over 300,000 barrels per day, it is proposed that in the first stage it will operate only at approximately 83,500 barrels per day. This throughput can be increased in an orderly stepwise manner as conditions warrant having regard to crude reserves, refining capacity, and market demand. The existing system between Edmonton and Superior is unable to accommodate quantities in excess of 155,000 barrels per day out of Edmonton. Accordingly a programme

Souris River Crossing 16" loop.





Edmonton Station from the air.

has been adopted which will provide for the required additions to the Edmonton/ Superior portion. The immediate plans provide for 135 miles of "loop" of 24" line pipe and the installation of additional pumping facilities during the summer of 1953. This work will run concurrently with the extension from Superior.

Estimated cost of the Superior/Sarnia pipe line is \$74,000,000 and about \$12,000,000 will be spent on additions to the existing system. Funds to carry out this work are being derived from further borrowings and equity financing. Considerable progress has been made towards concluding arrangements for the equity financing and placement of First Mortgage Bonds with institutions in Canada and the United States.

During the year three changes occurred in the personnel of your Board of Directors. Resigning from the Board were Dr. O. B. Hopkins, former President of the Company, Mr. J. R. White and Mr. L. F. Kahle. These three gentlemen saw Interprovincial from its very inception and their efforts were largely responsible for the growth and prosperity of the organization.

Elected to the Board to fill these three vacancies were Mr. W. H. Rae, Mr. R. H. Reid and Mr. J. K. Jamieson. Over the year their experience and advice has been of great assistance to your Management.

Mr. D. R. A. Walker was elected Vice-President subsequent to the last Annual Meeting.

FINANCIAL

The year-end condition of the Company and the results of operations for the year are shown in the accompanying Financial Statements. For ready reference, corresponding information for the previous year is also given.

Working Capital declined from \$18,679,117 to \$10,148,281 during the year, a reduction of \$8,530,836, reflecting, in large measure, the additional investment which was made in carrier properties.

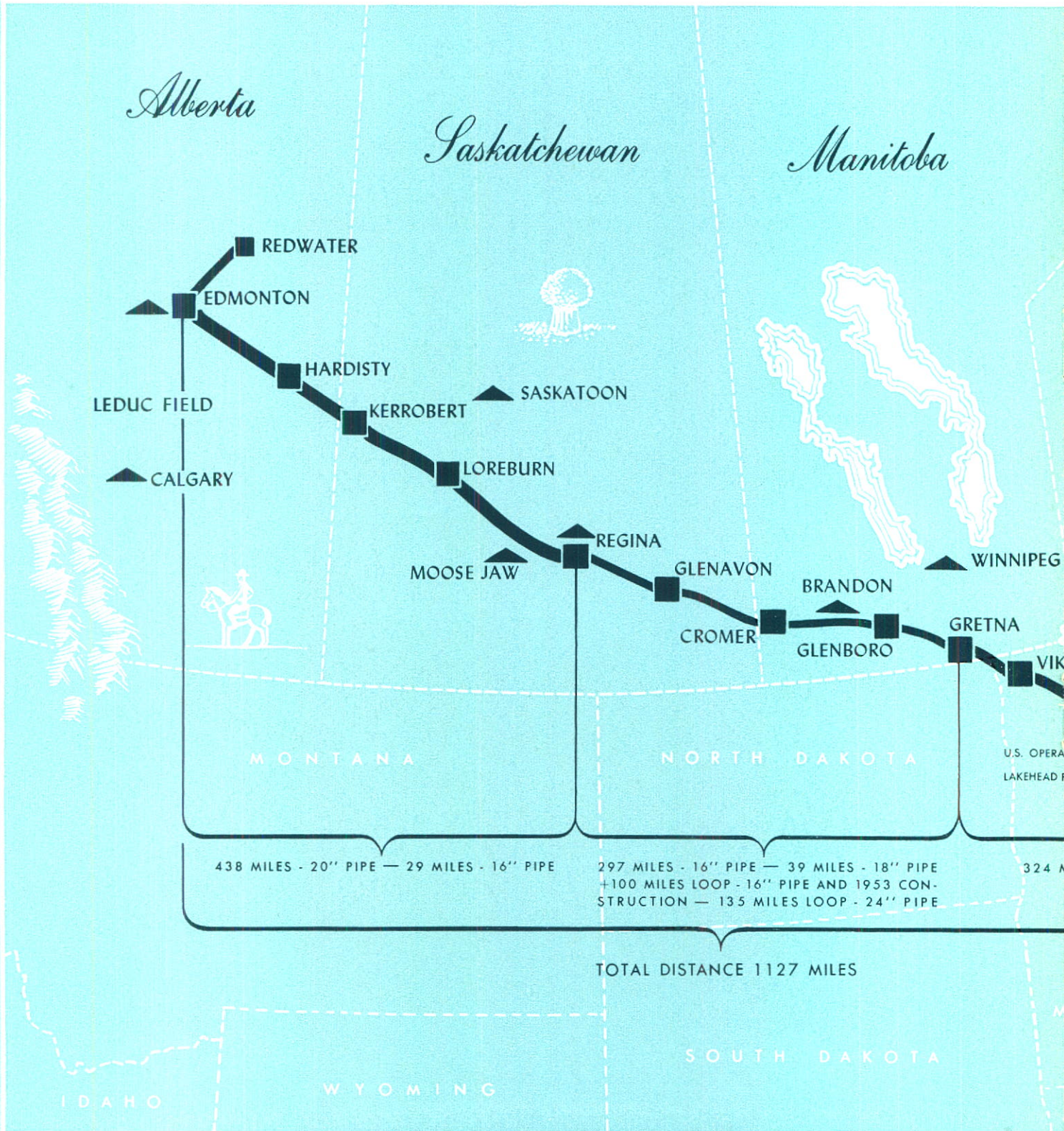
Investment in Fixed Assets increased from \$80,167,500 to \$92,465,608, a growth of \$12,298,108.

On December 12th the Company called for redemption on January 15, 1953, its outstanding 4% Convertible Debentures, Series A. These Debentures were convertible into capital stock of the Company at the rate of two shares of stock of \$50 par value for each \$100 principal amount of Debentures. Of the \$17,000,000 Debentures originally

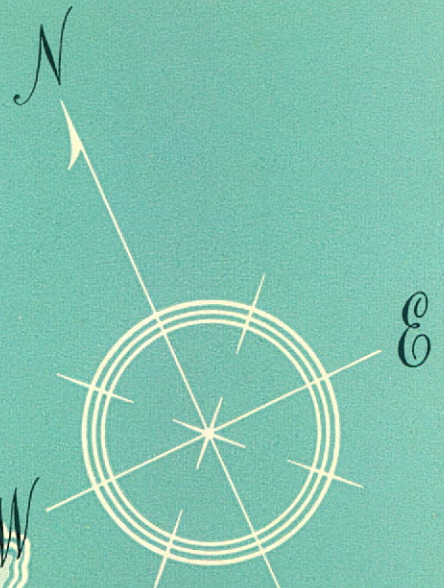
*Accumulated wax taken from trap
ahead of 20" scraper.*







INTERPROVINCIAL PIPE LINE



Hudson Bay

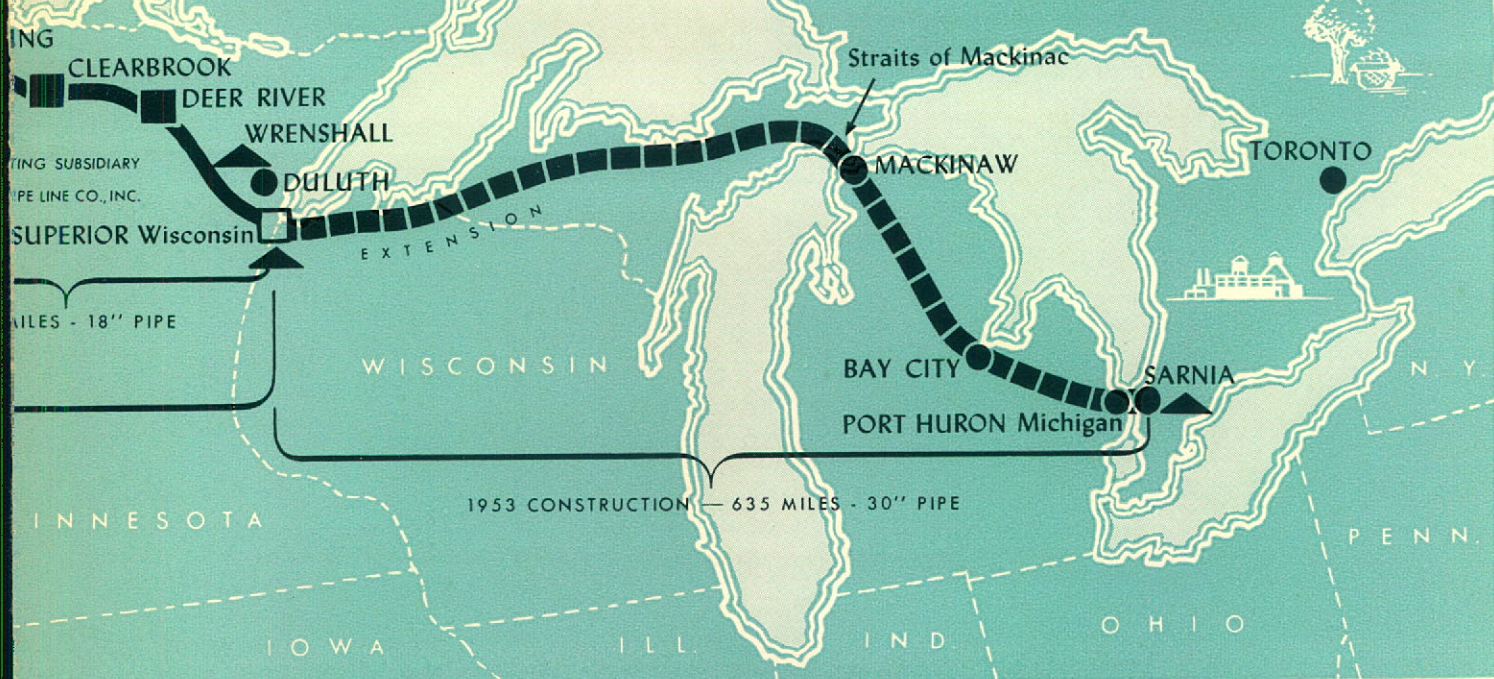


KEY

-  REFINING CENTRES
-  PUMPING STATIONS
-  PROPOSED PUMPING STATION
-  PROPOSED EXTENSION

Ontario

Quebec



ING SUBSIDIARY
PIPE LINE CO., INC.

SUPERIOR Wisconsin

MILES - 18" PIPE

MINNESOTA

IOWA

ILL.

IND.

OHIO

PENN.

N. Y.



Dispatcher's office, Edmonton.

issued, \$16,630,000 had been converted at December 31, 1952, into 332,600 shares. By January 15, 1953, all of the Debentures were converted except \$18,000 principal amount.

Income was higher in 1952 than in 1951 as a result of a substantial increase in deliveries of crude oil through the Company's pipe line system. After deducting all expenses and income taxes, the net income for the year increased by \$754,983 to \$4,107,689.

Your Company voluntarily reduced its through tariff from Edmonton and Redwater to Superior by 10¢ per barrel with proportionate reductions to intermediate points on October 15.

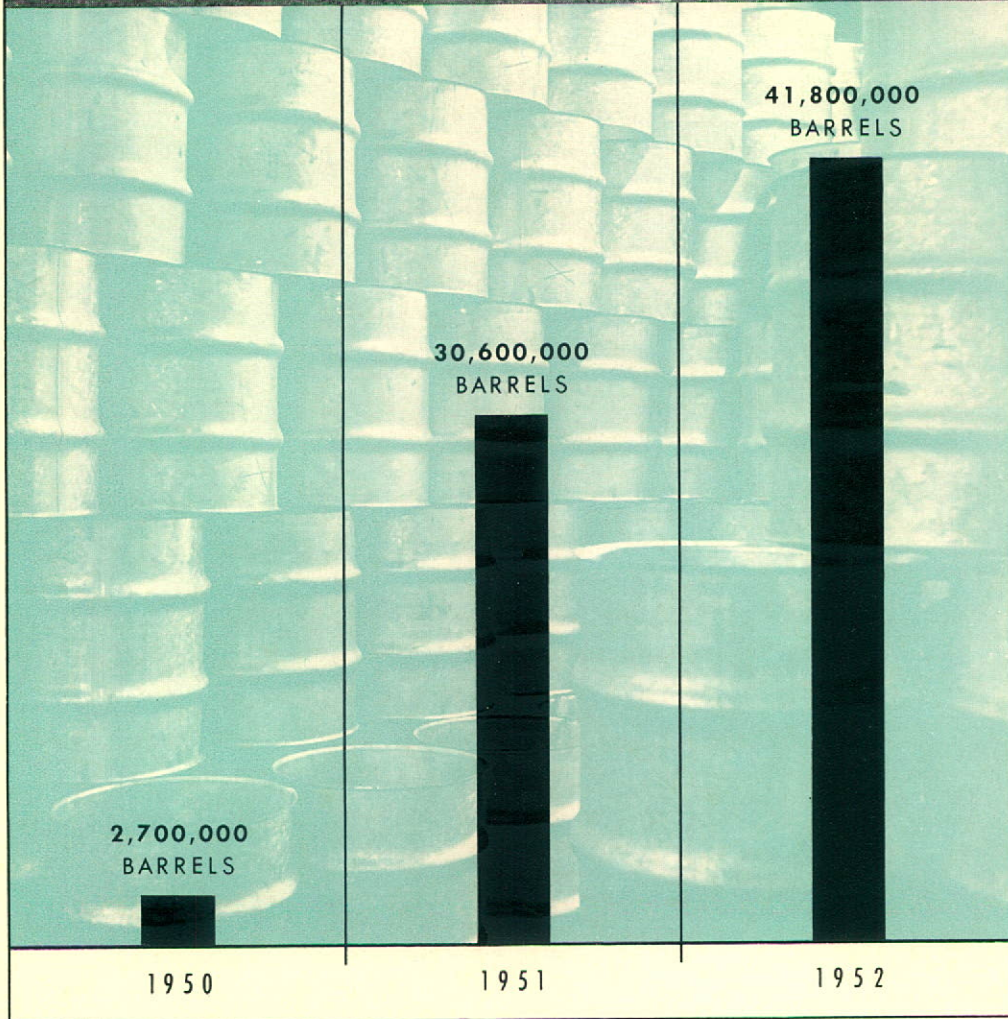
On August 1, 1952, the Company paid its initial dividend of \$1.50 per share on the \$50 par value stock. A second dividend of \$1.50 per share was declared on December 12, 1952, for payment on February 2, 1953.

On behalf of the Board,

Edmonton, Alberta,
January 30, 1953.

T. S. JOHNSTON,
President.

PUMPING OPERATIONS 1950 - 1952



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 Subsidiary Companies

ASSETS

| | As at December 31 | |
|--|-------------------|-------------|
| CURRENT ASSETS: | 1952 | 1951 |
| Cash..... | \$ 2,302,982 | 3,327,533 |
| Deposit with bondholders' trustees and bank for payment of bond interest (per contra)..... | 1,242,008 | 1,270,336 |
| Government of Canada bonds and United States treasury bills at market value not in excess of cost, plus accrued interest.. | 11,231,137 | 13,365,726 |
| Accounts receivable— | | |
| Transportation charges..... | 1,381,218 | 1,182,221 |
| Claims and other accounts receivable..... | 252,816 | 81,042 |
| Inventories— | | |
| Crude oil (from pipe line allowance), at quoted market price | 82,429 | 493,167 |
| Materials and supplies, at cost..... | 1,006,200 | 1,368,223 |
| Prepaid insurance, rentals, etc..... | 133,381 | 176,690 |
| | \$ 17,632,171 | 21,264,941 |
| PIPE LINE CONSTRUCTION FUND HELD BY BONDHOLDERS' TRUSTEES: | | |
| Cash..... | \$ | 3,430 |
| Government of Canada bonds and United States treasury bills, at cost (which approximates market value), plus accrued interest..... | | 3,076,861 |
| | \$ | 3,080,291 |
| OTHER ASSETS AND DEFERRED CHARGES: | | |
| Mortgages receivable..... | \$ 84,525 | 88,599 |
| Deposit on purchase of aircraft..... | 120,000 | |
| Preliminary costs of extension to carrier system..... | 70,652 | |
| Organization costs..... | 67,233 | 50,262 |
| Other deferred charges..... | 69,240 | 12,440 |
| | \$ 411,650 | 151,301 |
| FIXED (CAPITAL) ASSETS: (Note 1) | | |
| Carrier system and other physical properties, at cost..... | \$ 92,465,608 | 80,167,500 |
| Less—Accumulated depreciation and amortization (Note 3).. | 4,660,666 | 2,135,733 |
| | \$ 87,804,942 | 78,031,767 |
| SIGNED ON BEHALF OF THE BOARD: | | |
| T. S. JOHNSTON, <i>Director</i> | | |
| D. R. WALKER, <i>Director</i> | | |
| | \$ 105,848,763 | 102,528,300 |

Consolidated Balance Sheet

(Expressed in Canadian Currency)

| | LIABILITIES | |
|--|--------------------|-------------|
| | As at December 31 | |
| | 1952 | 1951 |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued..... | \$ 596,312 | 1,836,913 |
| Bond interest payable..... | 1,242,008 | 1,270,336 |
| Dividend payable February 2 1953..... | 539,502 | |
| Accrued interest on debentures..... | | 169,930 |
| Accrued income and other taxes..... | 3,634,620 | 2,388,936 |
| Bond Sinking Fund payments due within one year..... | 1,471,448 | |
| | \$ 7,483,890 | 5,666,115 |
| LONG TERM DEBTS: | | |
| 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 | 37,000,000 |
| Series B—3½% bonds due January 1 1970, payable in | | |
| United States funds (U.S. \$35,000,000)..... | 38,675,000 | 38,675,000 |
| | \$ 75,675,000 | 75,675,000 |
| Less—Series A bonds reacquired \$500,000, and other | | |
| Sinking Fund requirements transferred to current | | |
| liabilities..... | 2,102,060 | |
| | \$ 73,572,940 | 75,675,000 |
| 4% Convertible Sinking Fund Debentures—(Note 2) | | |
| Authorized..... | \$25,000,000 | |
| Issued and outstanding..... | 370,000 | 16,993,000 |
| | \$ 73,942,940 | 92,668,000 |
| DEFERRED CREDITS: | | |
| Unamortized premium and expense on funded debt (net).... | \$ 69,021 | (71,833) |
| Foreign exchange adjustments..... | 130,613 | (201,936) |
| | \$ 199,634 | (273,769) |
| CAPITAL STOCK AND RETAINED EARNINGS: | | |
| Capital stock—(Note 2) | | |
| Authorized—\$200,000,000 divided into 4,000,000 shares, | | |
| par value \$50.00 each | | |
| Issued—1952—352,628; 1951—20,162 shares..... | \$ 17,631,400 | 1,008,100 |
| Retained earnings, per statement attached..... | 6,590,899 | 3,459,854 |
| | \$ 24,222,299 | 4,467,954 |
| COMMITMENTS (Note 1) | | |
| | \$105,848,763 | 102,528,300 |

INTERPROVINCIAL PIPE LINE COMPANY

And Subsidiary Companies

Statement of Consolidated Income and Retained Earnings

(Expressed in Canadian Currency)

| | For the years ended December 31 | |
|---|------------------------------------|--------------------------|
| | 1952 | 1951 |
| INCOME: | | |
| Operating revenue (Note 4)..... | \$ 18,902,583 | <i>14,125,870</i> |
| Income from Government of Canada bonds and United States treasury bills (net)..... | 213,323 | <i>271,441</i> |
| Sundry income (net)..... | 77,575 | <i>58,884</i> |
| | <u>\$ 19,193,481</u> | <u><i>14,456,195</i></u> |
| CHARGES: | | |
| Operating expense, other than below..... | \$ 3,692,784 | <i>2,261,870</i> |
| Taxes, other than income taxes..... | 631,601 | <i>516,287</i> |
| Provision for depreciation and amortization (Note 3)..... | 2,536,118 | <i>1,739,638</i> |
| Interest on long term debt..... | 2,715,893 | <i>2,811,567</i> |
| Loss on foreign exchange..... | 183,981 | <i>186,502</i> |
| Unamortized discount and expense on debentures called for redemption (Note 2)..... | 142,544 | |
| Cost of capital projects abandoned (Note 1)..... | 303,937 | |
| | <u>\$ 10,206,858</u> | <u><i>7,515,864</i></u> |
| BALANCE BEFORE INCOME TAXES..... | <u>\$ 8,986,623</u> | <u><i>6,940,331</i></u> |
| TAXES ON INCOME: | | |
| Canadian..... | \$ 3,682,662 | <i>2,692,487</i> |
| United States..... | 1,196,272 | <i>895,138</i> |
| | <u>\$ 4,878,934</u> | <u><i>3,587,625</i></u> |
| NET INCOME FOR THE YEAR..... | <u>\$ 4,107,689</u> | <u><i>3,352,706</i></u> |
| RETAINED EARNINGS AT BEGINNING OF YEAR..... | <u>3,459,854</u> | <u><i>107,148</i></u> |
| | <u>\$ 7,567,543</u> | <u><i>3,459,854</i></u> |
| DIVIDENDS..... | <u>976,644</u> | |
| Retained earnings at end of year..... | <u>\$ 6,590,899</u> | <u><i>3,459,854</i></u> |

INTERPROVINCIAL PIPE LINE COMPANY

And Subsidiary Companies

Notes to Financial Statements

1. CARRIER SYSTEM EXTENSION:

It is estimated that expenditures in 1953 for the extension of the carrier system to Sarnia, Ontario, and for increasing the capacity of the present system, will amount to approximately \$86,400,000.

On completion of the extension to Sarnia, Ontario, storage facilities at Superior, Wisconsin, may exceed current operating requirements. However, it is expected that within a reasonable period all storage tanks, including three under construction, will be required at Superior or elsewhere along the system. The cost of certain capital projects abandoned as a result of the extension have been charged to 1952 income.

2. CONVERTIBLE DEBENTURES AND CAPITAL STOCK:

The Company's debentures are convertible into capital stock at the rate of two shares of stock for each \$100 principal amount of debentures. On December 12 1952 the outstanding debentures were called for redemption on January 15 1953. Of the \$17,000,000 debentures originally issued, \$16,630,000 had been converted at December 31 1952 into 332,600 shares of capital stock, of which 332,460 shares were issued in the year 1952 (140 shares were issued in prior years). All of the debentures outstanding at December 31 1952 were converted before January 15 1953 except \$18,000 principal amount. The unamortized balance of debenture discount and expense was charged against income in 1952.

Pursuant to a By-Law approved by shareholders in a Special General Meeting held September 5 1952, application has been made to the Parliament of Canada for the passage of an Act subdividing the Company's capital stock of \$50 par value each into 10 shares of \$5 par value each. The necessary legislation has been passed by Parliament and now awaits Royal Assent.

3. CHANGES IN ACCOUNTING PROCEDURES:

In 1952 the companies provided for depreciation at higher rates than in previous years with the result that the depreciation charge was greater by \$372,558, and net income was less by \$170,261 for 1952 than would have resulted had the change not been made.

4. TARIFF REDUCTION:

After taking into account increased throughput and other factors the Company voluntarily reduced its transportation tariffs effective October 15 1952 from Edmonton and Redwater, Alberta to Superior, Wisconsin by 10¢ per barrel with proportionate reductions to intermediate delivery points.

AUDITORS' REPORT TO THE SHAREHOLDERS

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 1952 and the statement of consolidated income and retained earnings for the year ended on that date, and have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related statement of consolidated income and retained earnings 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 1952 and the results of the companies' operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change (with which we concur) explained in Note 3 to the financial statements.

PRICE WATERHOUSE & CO.

Chartered Accountants.

EDMONTON, January 30 1953.





The cover shows aerial views of the Superior Terminal on the front, and the St. Clair River near Sarnia, Ontario, on the back; the points where the proposed extension will begin and terminate.