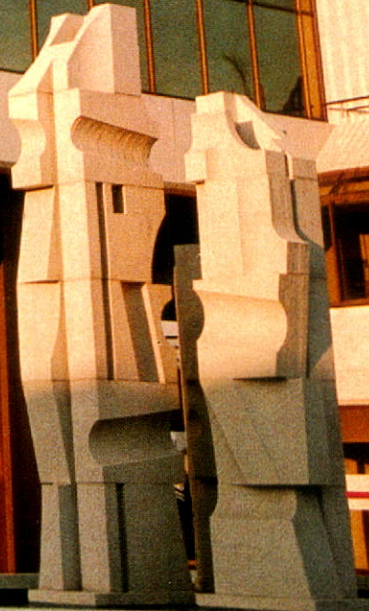


**TRANS MOUNTAIN PIPE LINE COMPANY LTD.  
ANNUAL REPORT 1980**

**B** **Broadway Plaza**

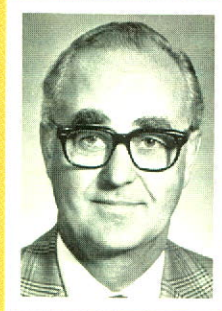
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BANK  
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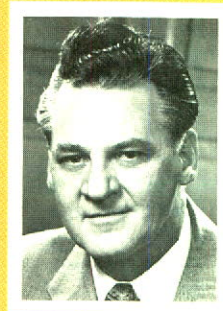




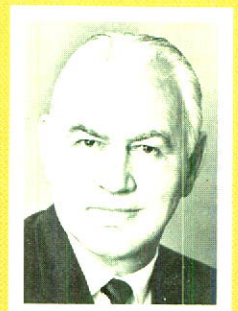
**BOARD OF DIRECTORS**



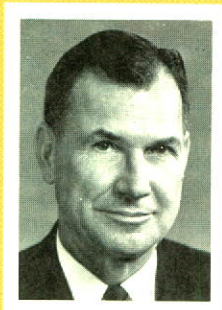
**K.L. HALL**  
President & C.E.O.



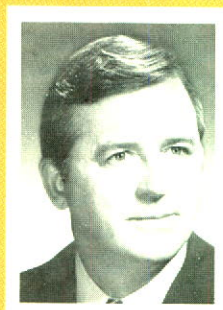
**K.P. BENSON**



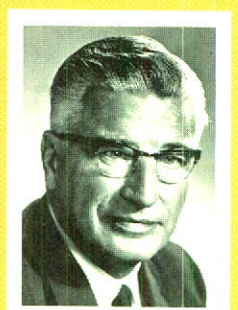
**L.P. BLASER**



**R.L. BRIDGES**



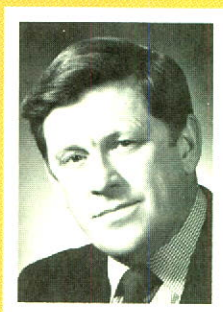
**C.B. MACDONALD**



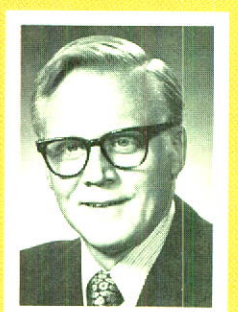
**A.M. MCGAVIN**



**J.S. MORRISON**

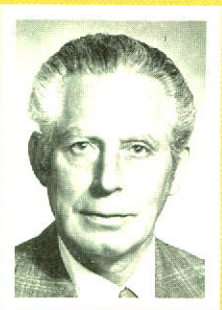


**A.G. SEAGER**

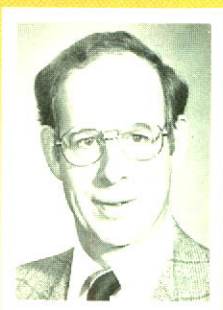


**W.A. WEST**

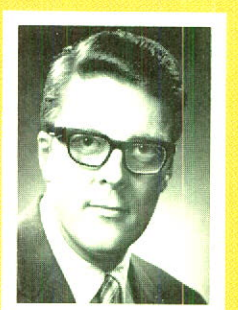
**SENIOR OFFICERS**



**A.A. GOULSON**  
Vice President-  
Treasurer



**E.J. LOCKWOOD**  
Vice President-  
Operations



**G.A. IRVING**  
Secretary



## **THIRTIETH ANNUAL REPORT TRANS MOUNTAIN PIPE LINE COMPANY LTD.**

### **DIRECTORS**

K.P. BENSON  
President & Chief Executive  
Officer and Director  
B.C. Forest Products Limited

L.P. BLASER  
President and Chairman  
Gulf Canada Products  
Company and Director of Gulf  
Canada Limited

R.L. BRIDGES  
Partner  
Thelen, Marrin, Johnson &  
Bridges

L.M. COOK  
Senior Vice President  
Atlantic Richfield Company  
(Resigned August 14, 1980)

K.L. HALL  
President &  
Chief Executive Officer  
Trans Mountain  
Pipe Line Company Ltd.

\*C.B. MACDONALD  
President and Managing  
Director  
Chevron Canada Limited

\*A.M. MCGAVIN  
Chairman of the Board  
McGavin Foods Limited

J.S. MORRISON  
Senior Vice President  
Atlantic Richfield Company  
(Elected August 14, 1980)

\*A.G. SEAGER  
Vice President - Oil Products  
Shell Canada Limited

W.A. WEST  
Vice President and  
General Manager Logistics  
Imperial Oil Limited

\*Member of Audit Committee

The Company owns and operates a pipe line system for the transportation of crude oil from Edmonton and Edson in Alberta and from Kamloops in British Columbia to its tank farm and marine terminal in Burnaby, B.C., together with a spur line from Sumas, B.C. to the International Boundary. At the International Boundary the Company's pipeline joins that of its wholly-owned subsidiary, Trans Mountain Oil Pipe Line Corporation, which owns and operates the system in the State of Washington.

The Company also operates a facility on Burrard Inlet for receiving, refrigerating and loading tankers with Canadian propane export, and through its B.C. subsidiary company, Trans Mountain Enterprises of British Columbia Limited, a pipeline for the transportation of jet fuels from refineries in the Vancouver area to the Vancouver International Airport.

Trans Mountain is a company authorized by Federal Statute to acquire rights-of-way and operate pipe lines over lands and facilities of individuals, corporate bodies and government authorities. As a carrier of petroleum from areas of production to refining centres and marine trans-shipment facilities, it provides a service and a transportation system vital to the Canadian economy and security. It also has the responsibility of conducting its business affairs in relation to landowners, government authorities, shippers, suppliers, shareholders and the general public in such a way as to satisfy the highest standards of ethical behaviour.

### **OFFICERS**

K.L. HALL, President & Chief Executive Officer  
E.J. LOCKWOOD, Vice President-Operations  
A.A. GOULSON, Vice President-Treasurer  
G.A. IRVING, Secretary  
G.F. REEKS, Comptroller and Assistant Treasurer  
F.W. ADAM, Assistant Secretary  
J.G. TORRANCE, Q.C., Assistant Secretary

### **HEAD OFFICE**

400 East Broadway, Vancouver, British Columbia, Canada V5T 1X2

### **TRANSFER AGENT AND REGISTRAR**

National Trust Company, Limited  
Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal

### **AUDITORS**

Price Waterhouse & Co.  
Vancouver, British Columbia, Canada

### **ANNUAL MEETING OF SHAREHOLDERS**

April 15, 1981 — 10:00 A.M.  
Social Suite — Hotel Vancouver  
Vancouver, British Columbia

### **THE COVER**

During 1980 arrangements were made to move the Company's head office operation to 601 West Broadway into a new highrise office building known as Broadway Plaza. It is anticipated the move will be completed in May, 1981.

# REPORT TO THE SHAREHOLDERS

## DELIVERY VOLUMES

Average deliveries of petroleum in 1980 of 27,497 cubic metres per day were about the same as the 1979 daily average. The throughput to British Columbia refineries increased slightly to 22,529 cubic metres per day, while the average volume delivered daily to a refinery in Washington State declined to 3,660. This was offset by eight shipments of crude oil loaded on tankers at the Company's Westridge Marine Terminal for delivery to eastern Canadian refineries.

Petroleum deliveries for 1981 are forecast to average approximately 27,000 cubic metres per day, including an estimate of continuing exchange volumes to Washington State, but with no provision for tanker loadings as it is not possible to predict whether any such shipments will be requested or approved.

Propane export loadings for Japan and pipeline deliveries of jet fuel to Vancouver International Airport each showed 1980 increases of about 5% over the previous year. In 1981 the propane volumes are expected to be moderately lower but jet fuel deliveries are forecast to increase by about 6%.

Tables of delivery volumes for the past three years are presented in an Oil Movements summary elsewhere in this Annual Report.

## OPERATIONS

During the year the pipeline system operated well and all deliveries were completed on schedule. In late December massive flooding occurred in the coastal mountains and flood plains of British Columbia and Washington State. Sections of the pipeline were exposed to record high water levels, particularly in the upper Coquihalla River Canyon. Erosion control systems installed in earlier years stood up well and, although several bridges and portions of access roads were washed out, no damage occurred to the pipeline itself. In an adjacent area severe erosion caused by the flood waters exposed a section of pipeline which was then damaged by a falling boulder. There was no oil leak and the damaged pipe section was replaced without affecting deliveries.

The roads and bridges will be repaired as soon as weather permits. Access for equipment to all sections of the right-of-way is essential to the continued maintenance program that protects against potential environmental damage from erosion of hillsides and river banks, or possible accidental damage to the pipe or mainline isolating valves.

In December the 397th tanker was loaded at the Company's Westridge crude oil and propane loading dock in Vancouver's inner harbour. This facility has operated without incident of spillage or damage for over 25 years. The presence of this oil loading facility has been of significant benefit to refineries in eastern Canada during periods of interruption to their normal sources of crude supply.

The management of the Company wishes to express its sincere appreciation for the efforts of all the employees. Their sincere and effective contribution is reflected in the continued high level of the efficiency and safety of the Company's operations.

## FINANCIAL RESULTS

Consolidated earnings for 1980 were \$7,517,000 or \$0.99 per share after provision for income taxes of \$7,828,000. These net earnings were approximately \$707,000 or 9 cents per share less than in the previous year.

Although transportation revenue was down from 1979 due primarily to the 4% reduction in tariff rates which was made late in that year, increased investment and sundry income served to maintain gross income at a slightly higher level of \$37,756,000.

Operating expenses of \$12,728,000 and taxes, other than income taxes of \$4,273,000 were each about \$1,000,000 greater than in the previous year while the provision for depreciation and amortization was reduced by \$1,000,000 to \$5,410,000 due to a revision of depreciation rates approved by the National Energy Board.

The Company paid dividends in the year totalling \$1.20 per share which exceeded the 1980 earnings by an amount of 21 cents per share. As a result the Company's retained earnings were reduced by approximately \$1,580,000.

To December 31, 1980 the Company has incurred costs of approximately 4½ million dollars in connection with its proposal to construct and operate a west-to-east crude oil delivery system to serve the needs of the northern tier states of the United States and, if required, refineries in eastern Canada. The proposal is still considered to be feasible at December 31, 1980 and the costs related thereto have been deferred in the financial statements. If the proposal proceeds to construction these costs will be capitalized. On the other hand, if at any time the Trans Mountain proposal is abandoned, the deferred costs will be charged against earnings in that fiscal year.

Costs of the 1980 rate application and hearing before the National Energy Board amounted to \$274,000. The NEB ruled that \$150,000 of these costs were to be amortized in 1981 and the balance to be deferred for later amortization.

## N.E.B. RATE REGULATION

In July of 1980 Trans Mountain filed an application with the NEB for new tariff rates. Based on estimates of throughputs and cost of service for 1981 the Company applied for an increase of approximately 22% in tariff rates in seeking a return on equity of 17% for its shareholders.

The application was set down for public hearing by the NEB and that hearing was concluded on November 7, 1980 in Ottawa. The Board awarded an approximate 8½% increase in tariff rates to be effective January 1, 1981 and issued its Reasons for Decision in mid-January.

In its decision, the NEB set a rate of return on rate base slightly higher than that awarded to most of the other pipelines which it regulates to reflect the Company's somewhat greater business risks. This results in a lower return on shareholder equity than the others due to Trans Mountain's debt-free capital structure. Trans Mountain has not been expanding in recent years, and with the rapid amortization ordered by the NEB of those assets no longer required for the reduced throughput, its depreciated plant rate base is diminishing rapidly. Under the present methods

of regulation, and failing any substantial new capital investment, its earnings will continue to decline regardless of throughput.

The Company remains highly critical of this method of rate regulation. The assumption that the earnings for the shareholder should depend solely on a rate of return on the depreciated first cost of the plant without regard to throughput, totally ignores recognition of the value of the service rendered. Under the present NEB methods within ten years Trans Mountain's earnings base, with ongoing depreciation and amortization, will approach zero. This philosophy, under which oil pipelines in Canada have been regulated since 1977, has been adopted by the Federal Government to ensure low cost transportation to the consumer. In Trans Mountain's recent application, the difference between the revenue requirement requested by the Company and that awarded by the NEB, amounted to  $\frac{1}{100}$  of a cent per litre for the volume of oil being transported. It is doubtful if the consumer could detect this saving even if passed on by the refining and marketing companies.

Trans Mountain for nearly thirty years has operated a safe and efficient pipeline system. The present tariff rate for transporting a litre of oil from Alberta to the west coast is just over  $\frac{1}{3}$  of a cent. In the Company's view, the consumer is already receiving a valuable service at nominal cost. The shareholder is entitled to a reasonable return on his share of ownership of a company performing a vital energy transportation service, and a fully depreciated first cost rate base does not provide that return.

The Company's recent application did not incorporate any revision to the present method of rate making. However, during this hearing, an expert witness engaged by the Company presented evidence on alternatives. The witness recommended that the depreciation charge in the cost of service be adjusted by an inflation factor to allow the Company to recover its capital in real dollar terms. The witness also suggested that maximum allowable tolls be set at the higher of average or marginal cost within reasonable limits.

The NEB commented that indexing depreciation charges at this time would not alter the basic problem of the vanishing rate base and that the concept of calculating tolls on other than an historical cost basis would present significant additional rate making complications.

In its Reasons for Decision the NEB added: "*As indicated in the 1978 Decision, the Board recognizes the problems that confront Trans Mountain as well as other pipeline companies as they mature. Trans Mountain should be encouraged, therefore, to continue its investigation of this matter and to submit its further proposals to resolve this problem.*"

Trans Mountain, in company with other oil pipelines in Canada, will continue to seek development of a more acceptable alternative to the present method of setting tariff rates.

#### **OIL PORT AND PIPELINE PROPOSAL**

The proposal to construct a west-to-east pipeline system from a marine terminal in Washington State to Edmonton, Alberta continues to make progress through the regulatory processes. On November 25, 1980 the NEB reopened the public hearing into Trans Mountain's application to construct an oil port at Low Point in Washington State with a connecting pipeline to Edmonton. The hearing opened in Vancouver, B.C., to consider evidence relating to the incremental impact of the project on the Canadian coastal

and marine environment. The hearing was essentially completed, except for final argument which will be presented in Ottawa commencing March 2. It is not expected that a decision will be announced before May, 1981.

Amendments to Trans Mountain's application to the Energy Facility Site Evaluation Council (EFSEC) were filed on December 30, 1980. The Draft Environmental Impact Statement, being prepared by EFSEC's consultants, will be issued on April 17, 1981. EFSEC has set May 26, 1981 for the commencement of the public contested case hearings. The hearing examiner, after consultations with the intervenors, is estimating that the hearings will take four to six months. Following the hearings, EFSEC will forward its decision to the Governor for his consideration. With this schedule it is not expected that certification by the Governor would be obtained before about the end of 1981. In the event that an unfavourable decision is received from the NEB in Canada, Trans Mountain will not proceed with the hearing before EFSEC.

Processing of these applications through the public hearings with the many intervenors to be heard is proving more costly and more time consuming than the Company had anticipated.

#### **HEAD OFFICE RELOCATION**

For 27 years Trans Mountain has maintained its head offices at 400 East Broadway in Vancouver, B.C. In recent years the Company has encountered substantially increased need for data processing in connection with rate regulation, governmental reporting, project development and potential investment studies. This has also caused some growth in numbers of head office personnel. It is neither economic nor practical to expand or replace the present wood-framed structure and a decision has been made to relocate the office facilities. An option has been exercised to lease three floors of a new office building at 601 West Broadway, known as the Broadway Plaza. A picture of this new building is shown on the cover of this Annual Report.

#### **GENERAL**

A number of enquiries have been made of the Company regarding its capability for moving a variety of liquids in bulk form from Alberta or central British Columbia to the west coast. These include liquid petroleum gases, refined products, methanol and products of coal liquefaction. The Company is exploring a number of possibilities but these are still in a very preliminary stage.

During the year one change occurred on the Trans Mountain Board of Directors. On August 14, 1980 Mr. J.S. Morrison of Atlantic Richfield Company was elected following the resignation of Mr. L.M. Cook. Company management is most appreciative of the valuable assistance given by Mr. Cook and other directors who have now retired and those presently serving on the Board.



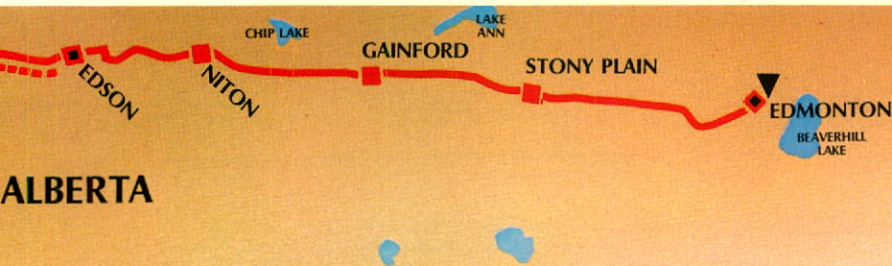
K.L. Hall  
President and  
Chief Executive Officer

# TRANS MOUNTAIN PIPE LINE COMPANY SYSTEM LEGEND

- |  |                                |  |                         |  |
|--|--------------------------------|--|-------------------------|--|
|  | MAIN LINE                      |  | FUTURE EXTENSIONS       | 1 GULF OIL CANADA LIMITED                          |
|  | MAIN LINE LOOP                 |  | TERMINAL TANK FARM      | 2 IMPERIAL OIL LIMITED                             |
|  | ELECTRIC PUMP STATION          |  | DIESEL PUMP STATION     | 3 STANDARD OIL COMPANY OF BRITISH COLUMBIA LIMITED |
|  | ELECTRIC & DIESEL PUMP STATION |  | PRESSURE RELIEF STATION | 4 SHELL CANADA LIMITED                             |
|  | REFINERIES                     |  |                         | 5 GULF OIL CANADA LIMITED                          |
|  |                                |  |                         | 6 ATLANTIC RICHFIELD COMPANY                       |
|  |                                |  |                         | 7 MOBIL OIL CORPORATION                            |
|  |                                |  |                         | 8 SHELL OIL COMPANY                                |
|  |                                |  |                         | 9 TEXACO, INC.                                     |

February 1974





ALBERTA

## TWENTY-SEVEN YEARS OF OPERATION

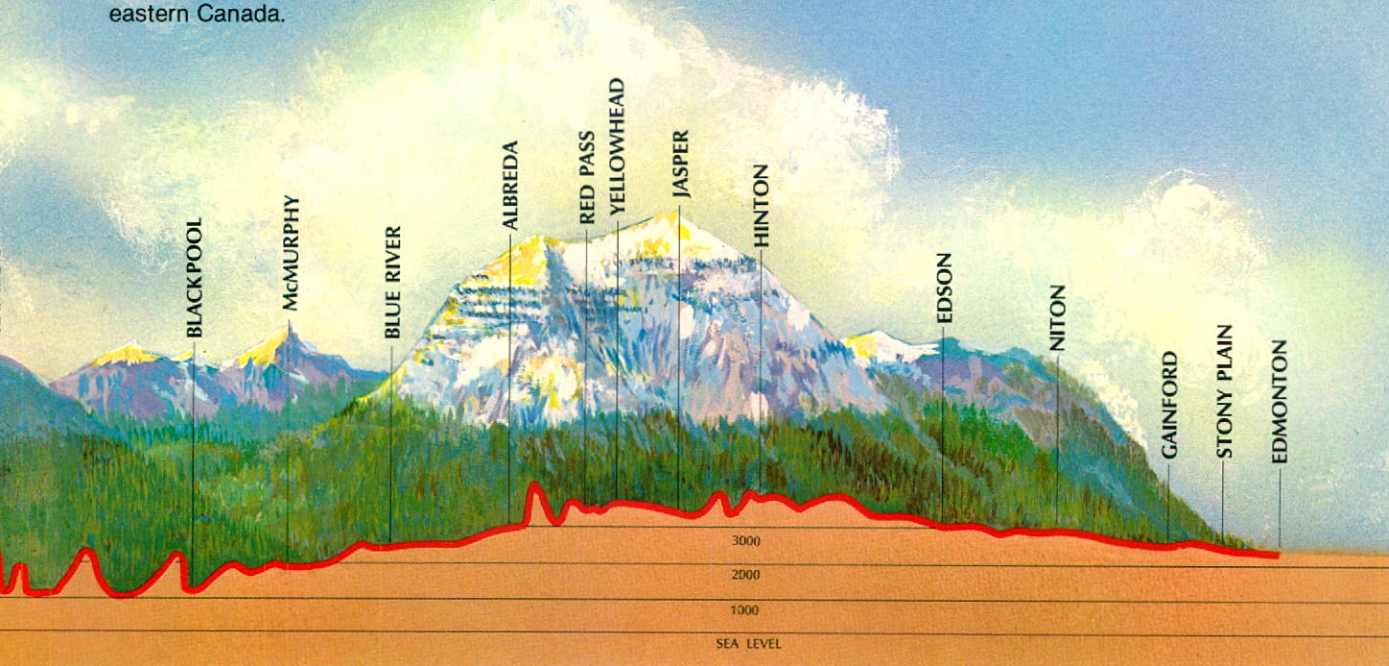
The pipe line system map shown on these pages was produced in February, 1974 after a year in which the delivery capacity and volume of deliveries reached their peak.

Trans Mountain's pipe line system and its volumes of crude oil deliveries have undergone significant changes in the twenty-seven years since operations began in October, 1953. The extension of deliveries to U.S. refineries on Puget Sound, the opening of additional refineries in British Columbia and Washington State, tanker-rates competition, interruptions in available supplies of foreign crude, Alaskan oil discoveries and production, and changes in U.S. and Canadian oil import and export policies have all contributed to the ups and downs.

When operations began in 1953 there were only two pump stations operating and two connected refineries in the Vancouver area. In 1973 twenty pump stations were operating to deliver to eight separate refineries. In 1980 regular deliveries were only made to four B.C. refineries with this throughput being supplemented by deliveries under an exchange agreement to one Washington refinery and eight spot tanker shipments loaded for delivery to refineries in eastern Canada.

	1954	1973	1980
Kilometres of main line pipe	1,200	1,258	1,258
Kilometres of main line loop	—	162	162
No. of connected pump stations	4	20	7
Delivery capacity (Cu. metres/day)	24,000	65,000	38,000
Average throughput (Cu. metres/day)	6,322	60,475	27,497

The proposed new west-to-east pipe line for which Trans Mountain is seeking certification in both Canada and the U.S. would extend from an unloading terminal at Low Point on the Olympic Peninsula in Washington to meet the present pipe line system at the Burlington pump station site. It would run from there to Edmonton, Alberta, paralleling the existing main line in Canada from Sumas, B.C. eastward.



# FIVE YEAR COMPARISON

IN MILLIONS OF DOLLARS		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
<b>EARNINGS</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				7,517,000
<b>DIVIDENDS</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				9,097,000
<b>DECREASE IN RETAINED EARNINGS</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				1,580,000
<b>TAXES</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				12,100,000
<b>OPERATING COSTS</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				12,728,000
<b>INTEREST ON DEBT</b>	1976	(None)																		
	1977	(None)																		
	1978	(None)																		
	1979	(None)																		
	1980	(None)																		
<b>DEPRECIATION*</b>	1976																			
	1977																			
	1978																			
	1979																			
	1980																			
																				5,410,000

\*(INCLUDES ACCELERATED AMORTIZATION IN 1978, 1979 AND 1980 ON ASSETS SPECIALLY CLASSIFIED AS NOT FULLY IN USE)



## OIL MOVEMENTS

<b>TOTAL DELIVERIES</b>	1980		1979		1978	
Cubic metres per day (including propane and jet fuel) . . .	30,330.6		30,345.4		24,839.9	
<b>DELIVERIES BY DESTINATIONS</b>	1980		1979		1978	
	Cu. metres per day	%	Cu. metres per day	%	Cu. metres per day	%
British Columbia refineries . . . . .	22,529.0	74.3	22,450.8	74.0	19,737.5	79.5
Washington refineries . . . . .	3,660.5	12.1	5,043.0	16.6	2,704.8	10.9
Westridge tankers (petroleum) . . . . .	1,307.2	4.3	152.5	.5	—	—
Westridge tankers (propane) . . . . .	1,279.1	4.2	1,216.1	4.0	1,171.8	4.7
Vancouver Airport (jet fuel) . . . . .	1,554.8	5.1	1,483.0	4.9	1,225.8	4.9
	30,330.6	100.0	30,345.4	100.0	24,839.9	100.0

Natural gas liquids, in the form of condensate and butane, represented approximately 4.4% of the total volume transported. In 1979 these accounted for about 6.0% of the volume.

<b>DELIVERIES BY CALENDAR QUARTERS</b>	<i>Cubic Metres Per Day</i>		
	1980	1979	1978
<b>Petroleum</b>			
First Quarter . . . . .	27,897.3	26,063.2	21,398.2
Second Quarter . . . . .	25,783.5	26,590.0	22,369.6
Third Quarter . . . . .	30,201.3	28,147.5	21,654.5
Fourth Quarter . . . . .	26,090.4	29,738.7	24,323.4
<b>Propane</b>			
First Quarter . . . . .	1,410.2	1,425.0	951.8
Second Quarter . . . . .	917.8	938.0	939.2
Third Quarter . . . . .	1,391.6	1,571.6	1,394.2
Fourth Quarter . . . . .	1,394.3	931.5	1,394.5
<b>Jet Fuel</b>			
First Quarter . . . . .	1,420.6	1,295.1	1,110.3
Second Quarter . . . . .	1,610.0	1,524.2	1,237.1
Third Quarter . . . . .	1,786.1	1,751.5	1,395.7
Fourth Quarter . . . . .	1,401.8	1,357.7	1,158.0

Total deliveries for the first quarter of 1981 are expected to average 31,500 cubic metres per day.

<b>SUMMARY OF OIL RECEIVED</b>	<i>Cubic Metres Per Day</i>		
	1980	1979	1978
<b>Petroleum</b>			
Edmonton . . . . .	23,521.6	23,147.7	18,616.1
Edson . . . . .	1,236.4	1,386.3	1,407.4
Kamloops . . . . .	2,807.4	2,961.3	2,580.5
	27,565.4	27,495.3	22,604.0
<b>Propane</b>			
Westridge . . . . .	1,207.3	1,244.0	1,205.6
<b>Jet Fuel</b>			
Vancouver refineries . . . . .	1,556.3	1,482.4	1,225.7

<b>STATISTICS FOR COMPARATIVE PURPOSES</b>	1980	1979	1978
Cubic metre kilometres (millions) . . . . .	10,510	10,554	8,523
Average length of haul (kilometres) . . . . .	1,044.3	1,045.9	1,040.5

## THE 393<sup>RD</sup> TANKER LOADED AT WESTRIDGE

The importance of the Trans Mountain marine terminal operation since it began offshore crude loadings in January, 1956 and liquid propane gas in 1966 cannot be over-emphasized.

The first year's business was good, with a total of 53 tankers coming through the straits into Burrard Inlet. California was the destination of these shipments.

In 1958 tanker loadings were nil and although a new wharf was built it was decided not to complete the installation of oil loading facilities until signs of tanker traffic reappeared. The drought continued until 1966 when regular shipments of refrigerated liquid propane gas to Japan were started from a newly-completed facility at the Westridge Terminal.

Tanker shipments of crude oil have been spasmodic down through the years but there have been occasions when the Trans Mountain facility has been called upon to alleviate an unforeseen emergency. For example, in late 1973 an Arab oil embargo created a severe fuel shortage in eastern Canada. The prospects for the long cold winter that lay ahead were anything but good.

To help fill the breach, the National Energy Board in Ottawa allocated Alberta crude oil for shipment to Eastern Canada by way of Westridge.

The first tanker was loaded with crude oil November 21 and 22. By March 31, 1974, 51 tankers had been loaded with a total of 12,525,000 barrels of oil. During the period the crude shipments were made it was estimated that they represented approximately 10% of the total shipping tonnage moved out of the Port of Vancouver.

Oil tankers have been serving British Columbia and Washington State requirements for crude oil and petroleum products for more than fifty years. At the present time some 600 tankers each year enter and leave the Strait of Juan de Fuca. About half of these carry crude oil inbound to the refineries in Washington State. The other half carry refined petroleum products to various destinations in British Columbia and Washington or cargoes of product outbound from the refineries.

In accordance with the proposed phasing out of oil exports from Canada, a number of important refineries in the north central area of the U.S. are in serious need of an alternate source of supply of crude oil. For many years these refineries have been supplied by pipelines originating in Alberta; primarily the pipeline systems of Interprovincial Pipe Line Limited running from Edmonton, Alberta and the Rangeland system to Montana.

If a sufficient volume of oil of the right ranges of quality can be transported to Edmonton, the requirements of the land-locked refineries in the north central United States can be met.

And this is where Trans Mountain hopes to enter the picture.

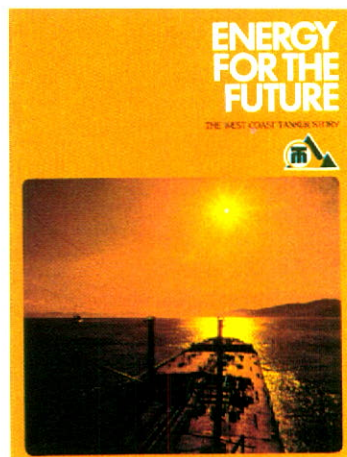
Our company proposes to build a marine terminal at Low Point, some 20 miles west of Port Angeles, Washington, plus 148 miles of new pipeline within the U.S., crossing the Puget Sound and connecting with Canada, plus 573 miles of

new pipeline to a terminus at Edmonton — and thus into the Interprovincial Pipe Line system that ultimately connects with refineries in eastern Canada and north-eastern U.S.

As the new pipeline will parallel the existing east-west line this proposal will in no way inhibit Trans Mountain's capability of delivering the required volumes of Canadian oil to west coast refineries in British Columbia and Washington State.



On August 7th the loading of the largest single cargo of crude oil was completed from T.M.'s Westridge Terminal in Vancouver. The 92,000 ton tanker "Golden Dolphin" took on 474,000 barrels for delivery to eastern Canada. This was the sixth of eight loadings in 1980. Since January, 1956, 230 tankers have been loaded with Alberta crude oil at Trans Mountain's Westridge facility.



An informative booklet "Energy For The Future" was published in October to explain the west coast tanker story. Anyone wishing to obtain a copy should write:

Glen A. Irving  
Secretary and  
General Counsel  
Trans Mountain  
Pipe Line Company Ltd.  
400 East Broadway  
Vancouver, B.C. V5T 1X2

## FINANCIAL STATEMENTS



### 1980 — The Year In Brief

	1980	1979	Increase (Decrease)
Deliveries (cubic metres per day)* .....	30,330.6	30,345.4	(0.05) %
Income .....	\$ 37,755,997	\$ 37,590,894	0.04 %
Expense .....	22,410,877	21,303,815	5.20 %
Earnings (after income taxes) .....	7,517,120	8,224,079	(8.60) %
Per share .....	0.99	1.08	
Dividends per share .....	1.20	1.20	
Capital expenditures .....	491,370	537,670	
Fixed assets at cost .....	165,616,109	165,474,497	

\*Including propane and jet fuel.



## CONSOLIDATED BALANCE SHEET

**Trans Mountain Pipe Line Company Ltd.** AND WHOLLY-OWNED SUBSIDIARY COMPANIES

### ASSETS

December 31

	1980	1979
Current assets:		
Cash	\$ 544,427	\$ 288,724
Short-term bank deposits	12,703,000	13,119,760
Commercial notes, at cost plus amortized discount	1,416,046	1,973,432
Accounts receivable	3,001,349	3,910,062
Income taxes recoverable	249,327	—
Inventories —		
Supplies	1,715,278	1,702,809
Oil	1,082,796	1,064,866
Prepaid expenses	548,113	486,637
	<u>21,260,336</u>	<u>22,546,290</u>
Other assets and deferred charges:		
Deposits, mortgages and deferred charges	1,020,349	590,810
Marketable securities, at cost (market value — \$2,450,232; 1979 — \$3,033,232)	2,930,472	2,986,498
Project development costs (Note 3)	<u>4,560,329</u>	<u>1,359,142</u>
	8,511,150	4,936,450
Fixed assets (Note 2):		
Plant, at cost	165,616,109	165,474,497
Less: Accumulated depreciation and amortization	<u>127,752,796</u>	<u>122,544,928</u>
	37,863,313	42,929,569
	<u>\$ 67,634,799</u>	<u>\$ 70,412,309</u>

**LIABILITIES**

December 31

	1980	1979
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,081,234	\$ 1,376,232
Income taxes payable	—	1,438,737
	<u>2,081,234</u>	<u>2,814,969</u>
Deferred income taxes	<u>3,291,092</u>	<u>3,755,219</u>
	<u>5,372,326</u>	<u>6,570,188</u>

**SHAREHOLDERS' EQUITY**

Capital stock:		
Issued and outstanding —		
7,580,640 common shares		
without nominal or par value	15,785,767	15,785,767
Retained earnings	<u>46,476,706</u>	<u>48,056,354</u>
	<u>62,262,473</u>	<u>63,842,121</u>
	<u>\$ 67,634,799</u>	<u>\$ 70,412,309</u>

Approved by the Board of Directors:

 Director Director

## **CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

### **INCOME**

Year ended December 31

**1980**

**1979**

Income:

Operating revenue	\$34,631,095	\$35,338,023
Income from investments	2,259,841	1,979,291
Gain on sale of land and buildings	280,829	—
Sundry income	546,602	336,223
Exchange gain (loss) on consolidation of U.S. subsidiary	37,630	(62,643)
	<u>37,755,997</u>	<u>37,590,894</u>

Charges:

Operating expenses, other than those stated below	12,728,028	11,581,890
Taxes, other than income taxes	4,272,618	3,311,640
Depreciation and amortization [Note 1(d)]	5,410,231	6,410,285
	<u>22,410,877</u>	<u>21,303,815</u>

Income before income taxes

	<u>15,345,120</u>	<u>16,287,079</u>
--	-------------------	-------------------

Provision for income taxes:

Current	8,292,127	9,690,319
Deferred	(464,127)	(1,627,319)
	<u>7,828,000</u>	<u>8,063,000</u>

Net income for the year

	<u>\$ 7,517,120</u>	<u>\$ 8,224,079</u>
--	---------------------	---------------------

Net income per share

	<u>\$0.99</u>	<u>\$1.08</u>
--	---------------	---------------

### **RETAINED EARNINGS**

Retained earnings at beginning of year	\$48,056,354	\$48,929,043
Net income for the year	7,517,120	8,224,079
	<u>55,573,474</u>	<u>57,153,122</u>
Dividends — \$1.20 per share	9,096,768	9,096,768
Retained earnings at end of year	<u>\$46,476,706</u>	<u>\$48,056,354</u>

## **CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

	Year ended December 31	
	1980	1979
Financial resources were provided by:		
Operations —		
Net income for the year	\$ 7,517,120	\$ 8,224,079
Items not involving an outlay (inflow) of working capital —		
Depreciation and amortization	5,410,231	6,410,285
Abandonment of unused rights-of-way	—	383,277
Deferred income taxes	(464,127)	(1,627,319)
Gain on sale of land and buildings	(280,829)	—
	<u>12,182,395</u>	<u>13,390,322</u>
Net proceeds on disposal of fixed assets	428,223	14,856
Redemption of marketable securities	<u>56,026</u>	<u>68,770</u>
	<u>12,666,644</u>	<u>13,473,948</u>
Financial resources were used for:		
Additions to fixed assets	491,370	537,670
Increase in other assets and deferred charges	3,630,725	1,302,714
Dividends paid	<u>9,096,768</u>	<u>9,096,768</u>
	<u>13,218,863</u>	<u>10,937,152</u>
(Decrease) increase in working capital	(552,219)	2,536,796
Working capital at beginning of year	<u>19,731,321</u>	<u>17,194,525</u>
Working capital at end of year	<u><u>\$19,179,102</u></u>	<u><u>\$19,731,321</u></u>

# NOTES TO FINANCIAL STATEMENTS

December 31, 1980

## 1. ACCOUNTING POLICIES:

### (a) Principles of consolidation —

The consolidated financial statements include the accounts of Trans Mountain Pipe Line Company Ltd. and its wholly-owned Canadian subsidiaries, Trans Mountain Enterprises of British Columbia Limited, Trans Mountain Housing Limited and Alpac Construction & Surveys Limited and Trans Mountain Oil Pipe Line Corporation in the United States.

### (b) Foreign currency translations —

The accounts of Trans Mountain Oil Pipe Line Corporation, the United States subsidiary company which owns and operates the pipe line in the State of Washington, and United States dollar balances of Trans Mountain Pipe Line Company Ltd. have been expressed in Canadian dollars on the following bases —

Current assets and liabilities, at the rate of exchange on December 31;

Fixed assets, project development costs and deferred income taxes, at historical rates of exchange;

Accumulated depreciation, on the basis of the equivalent Canadian dollar cost of the related fixed assets;

Income and expenses, except depreciation, at month-end rates of exchange.

### (c) Inventories —

Supplies are valued at the lower of cost and replacement cost, cost being determined principally on a moving-

average basis. Crude oil inventories are valued at net realizable value.

### (d) Depreciation and amortization of fixed assets —

Depreciation is generally provided by the straight-line method on the basis of service life according to class of assets at rates varying from 1.4% to 20%. The average rate on depreciable assets was 2.46% in 1980 and 3.20% in 1979. Certain assets, on the direction of The National Energy Board, have been designated as not fully in use and are being amortized over a period of five years ending in 1982.

In 1979 the Company completed a review of depreciation rates and practices and concluded that a reasonable estimate of the remaining useful economic life of the pipeline facility would be a period of ten years ending January 1, 1990. As a result, with the approval of The National Energy Board, certain depreciation rates were adjusted effective January 1, 1980 to reflect the extended service life. Certain other changes were also approved at that date to the asset groupings for depreciation purposes and to the methods of calculating depreciation in order to more equitably reflect future annual depreciation charges. The effect of these changes was to reduce depreciation expense for the year ending December 31, 1980 by approximately \$1,000,000.

## 2. FIXED ASSETS:

Fixed assets comprise —

	1980		1979	
	Cost	Accumulated depreciation and/or amortization	Net book value	Net book value
Canada —				
Crude oil pipeline system in service	\$121,724,483	\$ 95,559,767	\$26,164,716	\$28,810,675
Incomplete construction	27,357	—	27,357	7,607
Assets specially classified	27,554,246	23,441,485	4,112,761	6,185,116
Propane handling and common dock facilities	6,825,517	3,924,637	2,900,880	3,049,727
Jet fuel pipeline system	2,342,126	795,663	1,546,463	1,600,109
U.S.A. —				
Crude oil pipeline system	7,142,380	4,031,244	3,111,136	3,276,335
	<u>\$165,616,109</u>	<u>\$127,752,796</u>	<u>\$37,863,313</u>	<u>\$42,929,569</u>



At the present time crude oil deliveries to refineries in the State of Washington have been reduced to only modest quantities arranged through exchange agreements. This has resulted in uncertainty as to the ability of Trans Mountain Oil Pipe Line Corporation, the wholly-owned United States subsidiary which serves this area, to recover in full the undepreciated cost of its facilities, which at December 31, 1980 aggregated \$3,111,136 (\$3,153,372 U.S.). Recovery of this investment is dependent on the volume of future throughput or alternative use of the facilities.

### 3. PROJECT DEVELOPMENT COSTS:

To December 31, 1980, the Company has incurred costs of \$4,560,329 in connection with its proposal to construct and operate a west-to-east crude oil delivery system to serve the needs of the northern tier states of the United States. In January 1980, a competing proposal was awarded certain privileges in the form of federal permit expediting by the U.S. Federal Government subject to that group being able to arrange suitable financing within specified time limits. In view of the significantly higher cost of that proposal, uncertainty exists as to the ability to raise the necessary funds. If such funding is not obtained, the U.S. Federal Government has identified the Trans Mountain proposal as the only viable alternative. As a result, the proposal is still considered to be feasible at December 31, 1980 and the costs related thereto have been deferred in the financial statements. If at any time the Trans Mountain proposal is abandoned, the deferred costs will be charged against earnings in that fiscal year.

### 4. RETIREMENT PLAN:

The Company has a retirement plan covering substantially all employees. An actuarial report on the plan as at December 31, 1979 indicated that additional funding of

\$1,021,205 in respect of past service benefits was required. Based on actuarial advice, \$330,000 of this obligation was provided for and funded in 1980 and the remainder is being funded and charged to operations principally over the period from 1981 to 1983 inclusive.

### 5. REMUNERATION OF DIRECTORS AND OFFICERS:

The remuneration received by directors and officers of the Company (of which \$7,000 was received by directors from a subsidiary company) is as follows —

Directors		Officers		Officers who were also directors
Number	Amount	Number	Amount	
10	\$24,100	5	\$357,721	1

## AUDITORS' REPORT

To the Shareholders of Trans Mountain Pipe Line Company Ltd.:

We have examined the consolidated balance sheet of Trans Mountain Pipe Line Company Ltd. and wholly-owned subsidiary companies as at December 31, 1980 and the consolidated statements of income and 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 December 31, 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.

February 16, 1981  
Vancouver, B.C.

PRICE WATERHOUSE & CO.  
Chartered Accountants



For the past 27 years our Company has scheduled helicopter patrols of the right-of-way. Our "eye in the sky" helicopter patrols the entire length of the pipeline every week. One week it's a westbound flight and then east the next, the helicopter being grounded alternately in Vancouver and Edmonton on the weekends. The right-of-way in the State of Washington is patrolled on the same schedule.

A two-way radio which fits into the Company's communication system keeps the pilot and observers in direct contact with every location at all times.

With the ability to land almost anywhere the helicopter has proved to be invaluable, not only as a protective measure for the pipeline but it has served our landowner friends in more than one emergency down through the years.

## TEN YEAR SUMMARY

### FINANCIAL (in thousands of dollars)

Revenue	.....
Expense (including depreciation)	.....
Income taxes	.....
Net earnings	.....
Net earnings per share	.....
Dividends distributed	.....
Percentage of net earnings paid	.....
Dividends paid per share	.....
Working capital	.....
Capital additions to pipe line system	.....
Investment in plant (original cost)	.....
Investment in plant (less accumulated depreciation)	.....
Long term debt — (after deducting payments due within one year)	.....
Number of shares issued	.....
Number of shareholders	.....
Canadian	.....
U.S.A.	.....
U.K.	.....
Other	.....

### OIL MOVEMENT STATISTICS (in thousands of cubic metres)

#### Receipts:

Petroleum	
Alberta	.....
British Columbia	.....
Total	.....
Jet Fuel	.....
Propane	
Alberta	.....
British Columbia	.....
Total	.....

#### Deliveries:

Petroleum	
British Columbia	.....
Washington State	.....
Tankers	.....
Total	.....
Jet Fuel	.....
Propane	
Tankers	.....

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
\$	37,756	37,591	30,641	31,042	37,683	44,901	52,042	53,231	52,978	45,735
\$	22,411	21,304	20,645	19,544	22,020	22,032	21,977	21,702	19,644	17,045
\$	7,828	8,063	5,065	5,585	7,935	11,530	15,713	15,905	15,984	14,318
\$	7,517	8,224	4,931	5,912	7,728	11,339	14,352	15,624	14,321	14,372
\$	0.99	1.08	0.65	0.78	1.02	1.50	1.89	2.06	1.89	1.89
\$	9,097	9,097	9,097	9,097	9,097	9,476	9,476	9,476	9,476	8,326
	121%	111%	184%	154%	118%	84%	66%	61%	66%	58%
\$	1.20	1.20	1.20	1.20	1.20	1.25	1.25	1.25	1.25	1.10
\$	19,179	19,731	17,195	17,230	15,782	14,247	10,486	4,205	1,424	7,268
\$	491	538	811	830	866	1,749	1,269	6,151	4,025	4,422
\$	165,616	165,474	165,896	165,438	164,944	164,363	162,965	162,216	156,323	152,578
\$	37,863	42,930	49,200	55,026	59,939	64,542	68,279	72,461	71,466	72,437
\$	—	—	—	—	—	—	—	2,000	5,000	20,000
	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640
	12,139	12,976	13,468	14,079	14,351	14,879	15,058	15,100	15,568	16,609
	11,331	12,053	12,434	12,932	13,564	14,062	14,229	14,255	14,671	15,682
	734	847	959	1,065	697	725	734	738	766	777
	29	28	28	31	36	36	36	36	36	46
	45	48	47	51	54	56	59	71	92	104

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
	9,061	8,955	7,308	7,669	11,674	16,152	19,208	19,748	19,621	15,883
	1,028	1,081	942	1,024	1,097	1,245	1,875	2,359	2,648	2,826
	10,089	10,036	8,250	8,693	12,771	17,397	21,083	22,107	22,269	18,709
	570	541	447	423	420	430	354	322	257	250
	395	410	393	462	484	442	476	478	498	398
	47	44	47	26	1	4	1	—	12	15
	442	454	440	488	485	446	477	478	510	413
	8,246	8,194	7,204	7,194	7,008	6,708	6,728	6,696	6,069	5,869
	1,340	1,841	987	1,491	5,799	10,400	11,704	14,913	16,080	12,598
	478	56	—	—	—	225	2,583	535	—	178
	10,064	10,091	8,191	8,685	12,807	17,333	21,015	22,144	22,149	18,645
	569	541	447	423	420	430	354	321	256	249
	468	444	428	481	495	461	464	464	550	386

### **THE T.M. TUBE SERVICE**

The Trans Mountain pipe line runs under this field and through the forest. A silent river of crude petroleum, flowing in controlled movement from the oilfields of Western Canada to the growing markets of the Pacific Northwest.

Because pipelines are hidden from view under farms, meadows and city streets, landowners are able to utilize the land above them. Pipelines operate quietly, 24 hours a day, in all kinds of weather. They do not belch pollutants into the air, nor do they add to the congestion of the streets and highways.

What pipelines do is remarkable. As a specialized mode of transportation they perform efficiently as the largest single transporter of petroleum in the country. It costs less to move a barrel of crude oil by pipeline than by any other means of overland transportation. It costs about ten times more to send a letter than it does to transport a gallon of petroleum to the same destination by pipeline.

Pipelines are also safer. They are approximately 1400 times safer than trucks and 500 times safer than railroads on a ton-mile basis. Pipelines also require much less energy to move products on a ton-mile basis.

In 1980, the 27th year of continuous operation, the record of safe, efficient operation by Trans Mountain speaks for itself.

