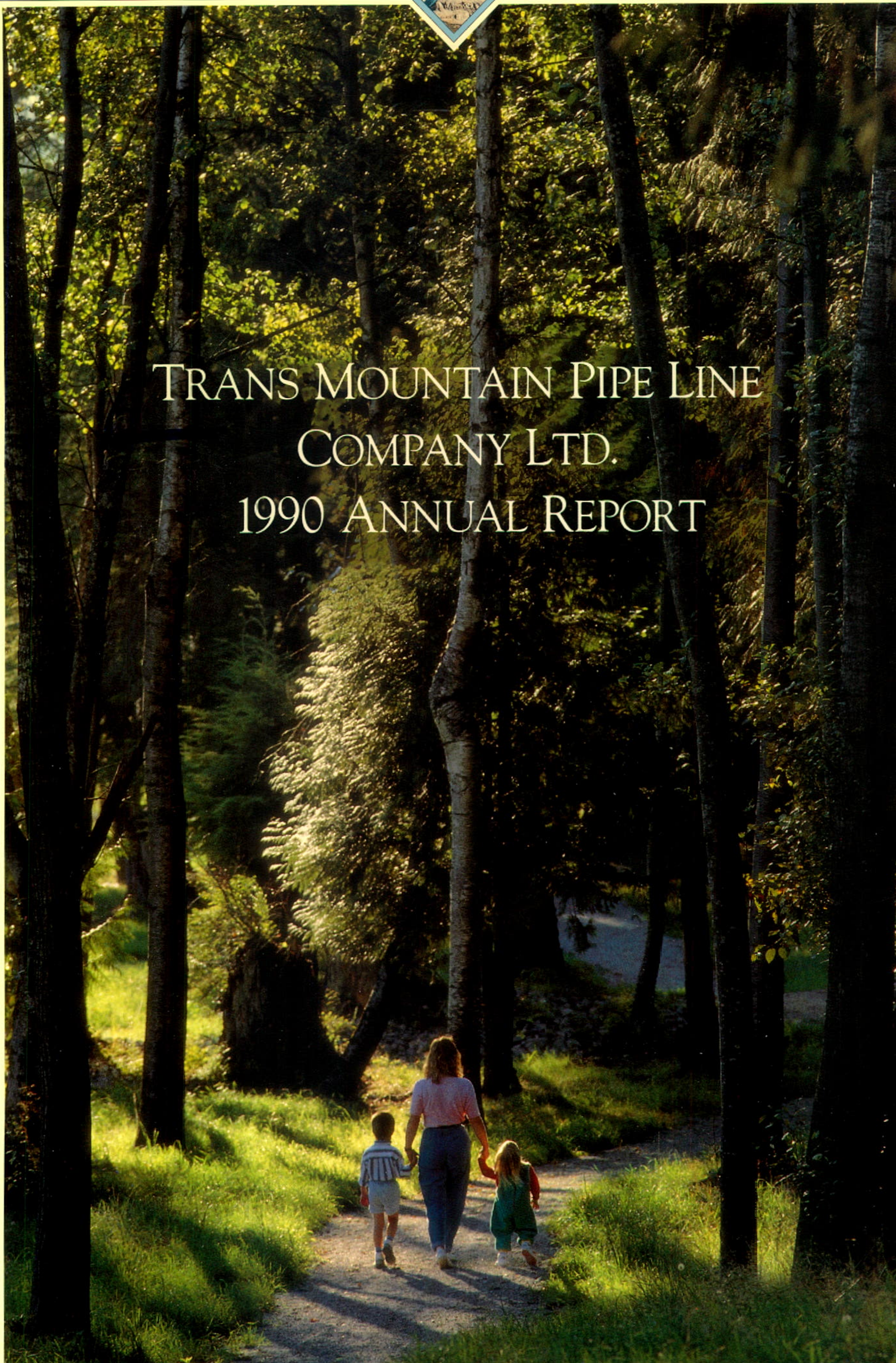
Trans Mountain Pipe Line Company Ltd.
1990 Annual Report



CORPORATE INFORMATION

Trans Mountain Pipe Line Company Ltd. owns and operates a pipeline system originating in Edmonton, Alberta for the transportation of refined products to Kamloops, British Columbia, and crude petroleum, and other refinery feedstocks to its tank farm and marine terminal in Burnaby, British Columbia. At the International Boundary, the Company's pipeline connects with a pipeline owned and operated by a wholly-owned subsidiary, Trans Mountain Oil Pipe Line Corporation, which delivers Canadian petroleum to refineries in northwestern Washington State.

The Company's Westridge port facility in Vancouver Harbour is used to load crude petroleum aboard ocean-going vessels and to import and store jet fuel. Another subsidiary, Trans Mountain Enterprises of British Columbia Limited, owns and operates a pipeline for the transportation of jet fuel from refineries in the Vancouver area and the Company's Westridge Terminal to the Vancouver International Airport. Trans Mountain Petroleums Ltd. is involved in oil and gas exploration and development in western Canada.

Trans Mountain Pipe Line Company Ltd. is federally incorporated and 91.8 per cent of the Company's shareholders are Canadian who hold 98.1 per cent of the Company's shares. The major shareholder is BC Gas Inc., a diversified energy company and the largest gas distribution utility in British Columbia.

CONTENTS

HEAD OFFICE

Suite 800, 601 West Broadway,
Vancouver, British Columbia, Canada
V5Z 4C5

TRANSFER AGENT & REGISTRAR

National Trust Company, Vancouver,
Calgary, Edmonton, Winnipeg,
Toronto, Montreal and Halifax, Canada

AUDITORS

Peat Marwick Thorne, Vancouver,
British Columbia, Canada

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Garibaldi Room of the Four Seasons Hotel, in the City of Vancouver, British Columbia, Canada, on Wednesday, April 17, 1991, at 11:00 a.m. (local time).

ANNUAL REPORT DISTRIBUTION

We make an effort to eliminate duplications in our shareholders' mailing list. However, if securities are registered in different names or addresses, multiple copies of our Annual Report and other material may be received. Those security holders receiving more than one copy of material may advise the Registrar that additional copies are not required. Parties interested in regular receipt of the Company's Annual Report, who are not shareholders, should contact the Company's Head Office directly.

HIGHLIGHTS

	1990	1989	1988
Total revenue	**$ 86,847,000**	$ 76,082,000	$ 66,514,000
Income before unusual items	**11,120,000**	11,882,000	8,643,000
Net income (loss)	**11,120,000**	12,994,000	(2,033,000)
Earnings per share before unusual items	**1.30**	1.50	1.14
Earnings (loss) per share	**1.30**	1.65	(0.27)
Dividends per share	**0.78**	0.69	0.60
Average rate base (NEB)	**154,100,000**	96,300,000	76,900,000
Capital expenditures property, plant, and equipment (1)	**25,590,000**	65,581,000	24,790,000
Total assets	**262,478,000**	242,302,000	181,255,000
Total deliveries (cubic metres per day)	**28,748**	30,090	30,043

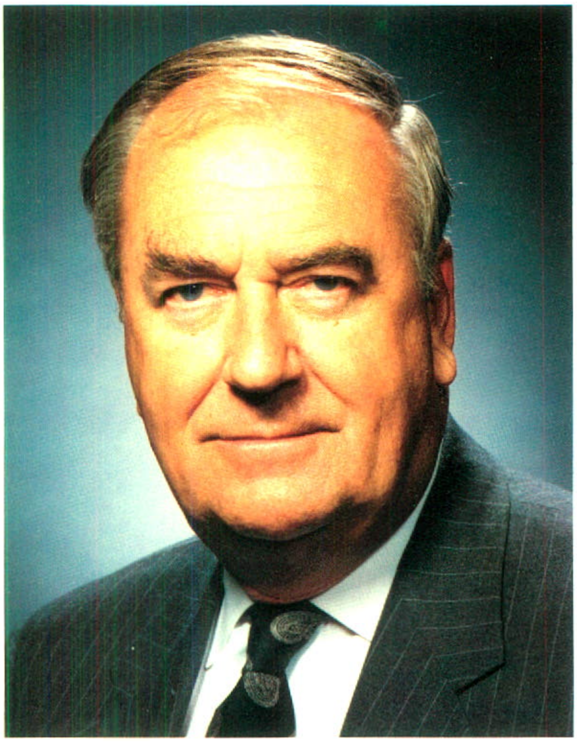
(1) Including allowance for equity funds used during construction ("Equity AFUDC").

Front Cover: The Company recently completed the "Trans Mountain Trail" which has quickly become a popular addition to Burnaby's growing system of pedestrian pathways. Located adjacent to the Company's tank farm, the trail offers a park-like setting for a walk of nearly one kilometre and connects to a system of pathways and bike trails throughout the Municipality.

REPORT TO OUR SHAREHOLDERS

Income for the year was $11.1 million or $1.30 per share compared to $13.0 million or $1.65 per share in 1989. Net income in 1989 was increased by $1.1 million or $0.15 per share by the unusual gain on the sale of the Company's interest in the methyl tertiary butyl ether ("MTBE") project.

Consolidated 1990 capital expenditures ($27.0 million) together with Equity AFUDC ($0.4 million) amounted to $27.4 million. These expenditures include carry-over costs from 1989 National Energy Board ("NEB") approved additions of $14.1 million and 1990 NEB approved routine expenditures of $7.8 million, other regulated capital additions of $3.7 million and petroleum and natural gas additions of $1.8 million. Consolidated capital expenditures for 1991 are expected to amount to $21.9 million. Included in this amount are $2.3 million of approved 1990 carry-over costs and $17.3 million of new 1991 NEB approved projects. Other regulated and non-regulated capital expenditures are expected to amount to $0.8 million.



Ronald L. Cliff, C.M.
Chairman of the Board

Petroleum and natural gas expenditures are estimated to be $1.5 million and are mainly comprised of investment in facilities to bring Border production on stream and development drilling on the Chedderville project.

In 1990 Trans Mountain Enterprises of British Columbia Limited ("Trans Mountain Enterprises") invested $1.6 million on upgrading the jet fuel system to current industry standards including modifications to facilitate the use of internal inspection equipment that is run through the line to monitor its condition, new custody transfer meters, and installation of computerized control and leak detection systems.

Trans Mountain Petroleums Ltd. ("Petroleums") operates its oil and gas interests by way of a joint venture with Inland Gas & Oil Ltd. and the operator, Canadian Hunter Exploration Ltd. ("CHEL"). During 1990 capital expenditures amounted to $1.8 million mainly for the development of the Border natural gas project in northeast British Columbia and the Chedderville oil project in Alberta. Continuing the rationalization of its holdings, Petroleums, through its operator, CHEL, has arranged a farm out of various project areas and the sale of its Saskatchewan properties. These transactions serve to dispose of properties that the joint venture determined it would not explore and enables Petroleums to have properties explored that would not have been otherwise pursued. Petroleums will continue to follow up high potential prospects associated with existing land positions and will seek to further consolidate its oil and gas interests.

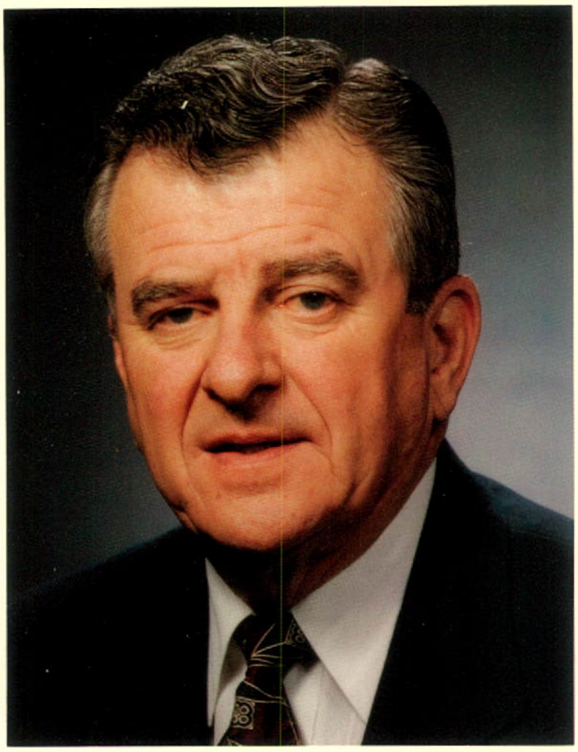
With its strong balance sheet, the Company has maintained its credit rating at the A(low) and R-1(low) levels for its unsecured debentures and commercial paper respectively. These ratings enable the Company to access institutional investors that do not purchase lower rated securities and serve to reduce the cost of debt financing. The Company's long-term financing for 1990 consisted of the June 20, 1990, placement of $35.0 million of 20-year, 11.5 per cent Series C Debentures underwritten on a "bought deal basis". The debt issue was put to bid from selected underwriters to ensure competitive pricing and was placed privately to reduce the administrative costs of issuing the securities.

On October 31, 1989, the Company filed a Class 2 Toll Application to adjust its tolls effective January 1, 1990, reflecting forecast changes in throughput, rate base, and cost of service. On April 5, 1990, the NEB approved a 32.5 per cent toll increase effective January 1, 1990.

Each month the Company files a rolling 13 month delivery forecast and a forecast of transportation revenue for the current year with the NEB. The delivery forecast is based on the latest information received from shippers and other sources. The NEB requires that the Company apply to adjust its tolls whenever the forecast transportation revenue for the current year varies by 4.0 per cent or more from the NEB approved level. The August forecast update resulted in an estimated deficit in 1990 transportation revenues in excess of the 4.0 per cent trigger. Accordingly, the Company filed a Class 1 Toll Application on August 30, 1990, to increase tolls by 4.1 per cent. The principle factors which gave rise to the decrease from allowed throughputs are the decrease in throughputs to the United States and lower than estimated exports of heavy oil. The 1990 throughput decline reflects the impact of world oil pricing on shipments of light crudes and condensates to Washington State refineries. The Persian Gulf crisis improved the economics of Alberta oil shipments to Puget Sound and offshore; however, given the volatile market created by the crisis, purchasers were reluctant to make longer term commitments. Monthly updates of throughput forecasts subsequent to August indicated marginally above and below the required 4.0 per cent revenue deficiency. The increase in throughputs over August's forecast resulted from additional heavy oil exports during the last quarter. The NEB dismissed the Company's application for interim tolls on November 22, 1990. Actual NEB regulated revenues for 1990 are 3.9 per cent or $3.1 million less than the revenues allowed by the NEB in its April 5, 1990, Class 2 toll decision.

Throughout 1990 the Company maintained its practice of consultative meetings with its shippers. In addition to exchanging information, consensus was reached on the key factors impacting the 1991 tolls. The Company views this approach as a means of expediting the regulatory process.

On October 15, 1990, the Company filed a Class 2 Toll Application to increase its tolls over the 1990 tolls by 6.4 per cent on average effective January 1, 1991. The new tolls are projected to increase 1991 revenues by 7.2 per cent to $85.4 million and are required to compensate for forecast changes in throughput, rate base, and cost of service for 1991. The cost of service includes an allowed after-tax rate of return on equity of 14.0 per cent and deems a 50/50 debt to equity structure. The NEB approved the Company's Class 2 Application for 1991 tolls without material adjustment on December 28, 1990. This timely favourable decision along with the December 20, 1990, approval of the Company's proposed capital program provides clarity to the Company's 1991 operating plans.

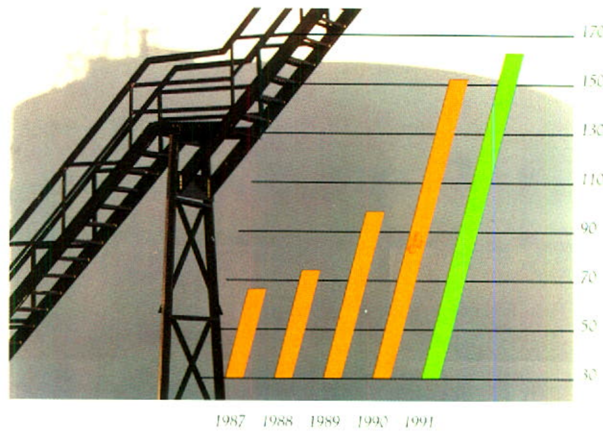


Richard B. Stokes
President and Chief Executive Officer

The NEB also directed that the Company file, by July 1, 1991, a Class 3 Toll Application for new tolls effective January 1, 1992. It is possible that this toll application could result in a public hearing during the last quarter of 1991 and would consider matters such as capital structure, costs of capital, rate of return and depreciation, in addition to the usual Class 2 operating costs and throughput projections.

In recent years the jet fuel tariff of Trans Mountain Enterprises has been regulated on a "complaint basis" by the British Columbia Utilities Commission ("BCUC"). During 1989 Trans Mountain Enterprises sought and obtained the agreement of its shippers to a major upgrading of the jet fuel pipeline and implementation of a new methodology for fixing and adjusting tolls similar to that employed by the NEB. The shippers also concurred with an increase in the toll effective January 1, 1990. Subsequently, these initiatives were approved by the BCUC.

During 1990 the toll was twice adjusted to take account of changes in throughput all in accordance



AVERAGE RATE BASE (NEB) ■ *Projected 1991*

($ Millions)

with the 4.0 per cent toll adjustment trigger mechanism.

In November, 1990, Trans Mountain Enterprises met with its shippers to review a number of matters including the requirement for a toll increase of 16.5 per cent effective January 1, 1991. The new toll was based on forecast changes in throughput, rate base, and cost of service for 1991. On November 30, 1990, an application was filed with the BCUC. The application was approved, as filed, with the concurrence of the shippers.

The toll is designed to generate an after-tax rate of return on equity of 14.0 per cent based on a deemed 50/50 debt equity ratio. The forecasted 1991 average rate base is projected to be $3.7 million compared to $2.1 million for 1990.

Environmental issues continue as a major public concern. Incidents such as the Exxon Valdez and Nestucca spills have precipitated industry, federal, and provincial reviews of all aspects of energy exploration, development and transportation, and particularly those associated with tanker traffic. The States/British Columbia Oil Spill Task Force ("Task Force") set up by the Province of British Columbia and the States of Alaska, Washington, Oregon, and California issued its final report on October 16, 1990.

The Prevention Alternatives Subcommittee of the Task Force stated, "There is a high level of spill risk and consequent costs from existing vessel movements on the West Coast". The Subcommittee further found that "a new common-use oil terminal in outer Juan de Fuca Strait could minimize the risk of a catastrophic spill impacting the highly vulnerable Puget Sound/ Strait of Georgia basin and reduce by half this risk for the rest of the British Columbia/Washington coast".

Subsequent to the release of the Task Force report, the State of Washington has established an agenda to examine its energy future. Questions to be addressed include the following: "What is the safest way to bring oil into Washington — by tanker or by building an oil pipeline to carry oil under Puget Sound?" This review indicates an opportunity which is explored further on in this report under the Company's Low Point Project.

Throughout its 37 year operating history, the Company has an exemplary record of prudent and environmentally safe operation. Trans Mountain's focus has been, and will continue to be, on preventative measures. In 1990 Trans Mountain furthered its ability to respond to environmental emergencies through additional investment in mobile spill response trailers and training programs not only for Company personnel, but as well for others such as staff of communities located along its pipeline system. Through its participation and financial support of industry cooperative organizations such as Burrard Clean (Canadian

As part of the Company's ongoing emergency preparedness procedures, field personnel receive regular training on the Company's oil spill equipment and field exercises are organized which simulate emergency situations. Trans Mountain involves municipal and emergency groups in its field exercises so that they can become more familiar with how to safely handle the materials carried in the pipeline.

marine waters), Clean Sound (U.S. marine waters) and Canadian Petroleum Association sponsored cooperatives in Alberta and the Canada West Petroleum Association cooperative in British Columbia, the Company has enhanced its ability and that of the petroleum industry to respond to incidents that might occur within its operating area. The Westridge Marine Terminal is also being upgraded to reduce odours emitted during some marine loading operations, through the installation of a system of chemical scrubbers for use on compatibly equipped vessels, to collect and neutralize odourous crude oil vapours.

Ongoing governmental reviews of West Coast tanker traffic have added to the usual market considerations that shippers must address before deciding to support the Company's expansion plans. The NEB has developed new guidelines for preapplication public notification and discussion to ensure adequate disclosure and to obtain public input into the regulatory process. While such procedures will certainly increase the lead time required for projects, they will ensure that appropriate consideration is given to the views of all interested parties. Trans Mountain believes that an informed and objective public will be supportive of economic and environmentally sound projects.

The Company's policy is to develop expansion applications in concert with its shippers. With the announcement of the activation of the Cold Lake heavy oil production phases 7 and 8 by Esso for 1991, the prospects of additional heavy oil shipments to export markets via the Company's system should be improved. At the writing of this report, the pipeline system is on allocation and projected throughputs in 1991 indicate periods when the system will be operating at capacity necessitating allocation of capacity to shippers reducing the volume of their nominated shipments. The Company is undertaking meetings with its shippers to explore the need for Stage 2 capacity addition. The Stage 2 expansion of the existing system, estimated to cost about $25.9 million, is designed to accommodate an additional 3,000 cubic metres per day of throughput, including additional volumes of light and/or heavy crude oil plus natural gas condensate, and refined products to Kamloops. The Stage 2 expansion includes new pump stations at Hinton, Alberta plus Rearguard and Kingsvale, British Columbia, along with reactivation of two existing 762 millimetre pipeline loops each 81 kilometres in length, the first between Edson and the new Hinton, Alberta station and the second between Darfield and Kamloops, British Columbia. It is anticipated that Stage 2 will be needed in order to avoid potential long-term allocation of available system capacity.

Capital additions in 1990 included a new Company helicopter. The helicopter is an integral part of the Company's ongoing safety program. It patrols the pipeline right-of-way on a weekly basis looking for problem areas or third party incursions. The integrity of the pipeline and its right-of-way is always in the minds of Trans Mountain's employees and maintenance crews are strategically located along the pipeline route. The Company is able to respond quickly to any situation identified by the patrols.

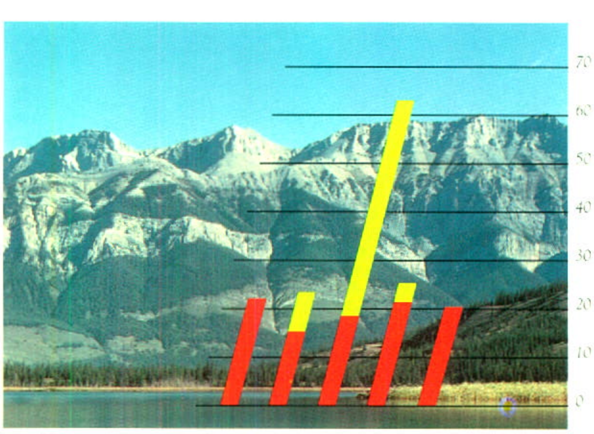
Trans Mountain believes that the Pacific Rim and U.S. West Coast are logical incremental markets for

Alberta and British Columbia producers. The Company believes this view is shared by industry and government. Accordingly, the Company is continuing to review the potential to further expand system capacity beyond the Stage 2 project most probably through the twinning of its existing line. Products that will require transportation include conventional crude oil, high density oil from bitumen and heavy oil projects, refinery feedstocks, refined products, and other clean materials such as MTBE and methanol. This project would increase the system's post Stage 2 capacity from 33,000 cubic metres per day to 56,000 cubic metres per day. The capital investment for such a parallel pipeline is estimated at about $500.0 million (in 1990 dollars).

The Company, through its U.S. subsidiary, is examining the potential for a Washington State marine terminal and pipeline. The Company proposes to construct an offshore oil terminal at Low Point, approximately 20 miles west of Port Angeles with a pipeline system connecting the port to the refineries at Anacortes, Ferndale, and Cherry Point and to the Company's existing pipeline at Burlington. This project responds to today's environmental concerns to reduce the risks of potential incidents involving the marine transportation of crude oil and petroleum products and is consistent with the recommendations of the States/British Columbia Oil Spill Task Force. The high risk of tanker traffic in Puget Sound and the excellent safety record of pipelines in transporting crude oil and petroleum products provides strong justification for the project which only marginally increases the cost of petroleum products in the area.

The Company has established an office in Seattle, Washington and has retained consultants to assist in determining the feasibility of submitting an application to Washington State Energy Facilities Site Evaluation Council ("EFSEC") for a permit to construct the system. Research and activities to this point have indicated that not only is the proposed system environmentally preferable to the current tanker system, it would as well provide a significant economic benefit to the State and particularly to Clallam County, which would be the major local beneficiary of the project. From a technical standpoint, the proposal should be able to meet the most stringent environmental requirements. Research has indicated evidence of strong pub-

This year Trans Mountain provided leadership funding to Simon Fraser University's Silver Anniversary Heritage Project, the Voyage of Discovery. The Company plays an active role in the communities along its route. It provides grants for special projects, support for community organizations, sponsorship for minor sports teams, scholarships and bursaries, and funds fisheries and stream enhancement programs. Its employees also play an important role in many community programs.



REGULATED CAPITAL EXPENDITURE PROGRAM

($ Millions)

■ *Routine Capital Additions*
■ *Stage 1 Expansion*

lic support for the project. It is likely that the Company's decision on proceeding with an application for an EFSEC permit will be made in early 1991.

The earnings for 1990 are disappointing given that with the addition of Stage 1, the base for improved earnings, was in place early in 1990. Throughputs to Washington State refineries have been significantly less than projected producing a shortfall from the NEB allowed revenues and are, along with reduced exports of heavy oil, the major factors leading to under earnings of $1.0 million or $0.12 per share on the mainline system. This compares to excess earnings of $1.4 million or $0.18 per share in 1989 which were attributable to higher than estimated throughputs again mainly driven by Washington State shipments.

Trans Mountain is well positioned entering 1991 with a solid earnings foundation in its year end, $163.1 million rate base, strong balance sheet, and a right-of-way that offers expansion potential.

Through the efforts of its dedicated employees the Company continues to meet the challenges of an ever changing environment and we would like to take this opportunity to express to them our sincere thanks and appreciation.

On behalf of the Board of Directors

Chairman of the Board

President and Chief Executive Officer

Vancouver, British Columbia
February 22, 1991

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues from continuing operations of $86.8 million are up 14.1 per cent from those of the prior year while expenses have risen to $70.2 million, an increase of 19.7 per cent. The resultant net income amounts to $11.1 million for a decrease of 14.4 per cent over 1989. After adjusting for unusual earnings of $1.1 million or $0.15 per share from the sale of MTBE interests in 1989, the decrease in 1990 earnings amounts to $0.8 million or $0.20 per share.

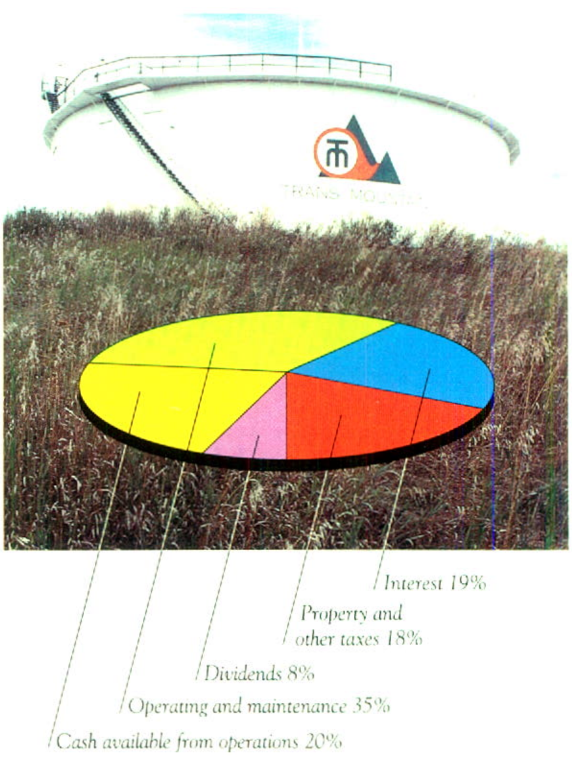
With its operating costs largely fixed in nature, Company earnings are highly dependent on throughput volumes and product mix. Transportation revenues are reprojected and reported to the NEB monthly for the fiscal year based primarily on shipper input. In 1989 projected revenues exceeded the 4.0 per cent variance to trigger a toll adjustment in October. Despite filing for the required Class 1 toll reduction of 4.9 per cent immediately upon projecting the annual revenues to be more than 104.0 per cent of those allowed, the Company accumulated excess earnings of $1.4 million which contributed about $0.18 per share to net income for 1989. Conversely, in August of 1990 the Company projected a 4.1 per cent shortfall in revenues and filed a Class 1 Toll Application for a 4.1 per cent increase in tolls effective September 1, 1990. Subsequent monthly reprojections indicated revenue shortfalls below the 4.0 per cent trigger and on November 22, 1990, the NEB denied the application for a Class 1 toll increase. As a result of lower than estimated throughputs the Company experienced a revenue shortfall of $3.1 million (3.9 per cent below NEB allowed revenue) and this, net of variances from projected expenses, amounted to an earnings shortfall of $1.0 million or $0.12 per share. As can be seen by 1989 and 1990, there is a probability, given the number of factors employed in toll applications used to determine allowed revenue, that the resultant tolls will produce either deficient or excess revenue. Over a number of years, using a consistent methodology, the actual and allowed revenues should, on average, yield about the allowed return on equity. However, as can be seen from 1989 and 1990 these variations can dramatically impact the year-over-year earnings trend.

Volume variances in 1989 and 1990 have significance beyond that reflected above on the Canadian system in that a major element is throughput related to U.S. destined volumes. These volumes add a U.S. tariff of $0.30 U.S. per barrel and while in 1989 U.S. operations contributed $0.10 per share in 1990 the comparable amount is ($0.02) per share.

REVENUES

The Company's transportation and terminalling revenues are broken down as shown in Table 1.

The increase in the Canadian transportation and terminalling revenues of $13.4 million (21.5 per cent) results from higher NEB allowed average rate base in service ($155.5 million compared to $102.0 million for



1990 DISTRIBUTION OF REVENUE
Cash generated from operations

State-of-the-art operating facilities and sophisticated control systems ensure safe and efficient transportation of crude oil and petroleum products through the pipeline system. Trans Mountain recently developed and implemented a computer-based leak detection system which represents a major improvement in leak detection technology and is one of the most sophisticated systems anywhere in the world.

1989), operating cost inflation and change in product mix shipped offset by throughput that averaged 1,137 cubic metres per day less than that allowed by the NEB in deriving the allowed tolls.

The drop in U.S. transportation and terminalling revenue of $1.5 million (68.2 per cent) is attributable to spot market pricing and supply conditions that occurred prior to the Persian Gulf crisis which reduced shipments of crude oil and condensates from Canadian producers to the Washington State refineries. These volumes are difficult to predict as they are extremely sensitive to world-wide price movements and supply conditions.

Commencing in 1990 tolls on the jet fuel system are computed using a methodology identical to that used by the NEB in regulating the Company's pipeline tolls. The 1990 average rate base amounted to $2.1 million. This system of tolls increased 1990 revenues marginally over 1989.

The $2.5 million of revenue from jet fuel handling relates to the unloading and storage of jet fuel at the Westridge Terminal. This service is provided under a 10-year contract with Canadian Airlines International that expires October 31, 1996, and utilizes one of two storage tanks at Westridge. The second tank has potential to generate additional revenues and the Company continues to search for commercial opportunities to activate it and improve the contribution from the Westridge Terminal.

Equity AFUDC has dropped $1.7 million (80.6 per cent) over the prior year. This is a direct function of the size and timing of the capital programs as it reflects the capitalization of the allowed equity return on investment in plant and facilities under construction up until they are placed in service. With the transfer into service (rate base) of Stage 1 in late 1989 and early 1990 and reduced capital spending in 1990, Equity AFUDC has returned to more normal levels. The Company has estimated in its Class 2 Application that for 1991 this allowance would amount to about $0.4 million.

The Company continues to hold its investment (4,592,094 common shares) in BC Gas Inc. for capital appreciation and dividend income. The increase in

TABLE 1

($ Millions)	1990	1989
TRANSPORTATION & TERMINALLING		
Trans Mountain — Canadian Operations	**$75.7**	$62.3
Trans Mountain — U.S. Operations	**0.7**	2.2
Jet Fuel System	**1.5**	1.4
Jet Fuel Handling*	**2.5**	2.5
Total	**$80.4**	$68.4

*NON-REGULATED

TABLE 2

	Proved		Probable		Total	
	1990	1989	1990	1989	1990	1989
Oil (MSTB)	**75.0**	91.1	**35.0**	61.6	**110.0**	152.7
Gas (BCF)	**15.0**	5.7	**5.0**	6.8	**20.0**	12.5
NGL (MSTB)	**335.0**	272.0	**319.0**	106.6	**654.0**	378.6

dividend income to $3.7 million is purely a function of higher dividend payout in 1990.

Revenue from petroleum and gas operations increased $0.3 million (26.2 per cent) over 1989. This improvement results from stronger product pricing and slightly increased production volumes.

1990 production of oil rose to 13.0 thousand stock tank barrels ("MSTB") from 10.8 MSTB in 1989 being concentrated in the Tableland and Bear Canyon projects. Natural gas production remained constant and came from the Company's James River and Minehead projects amounting to 0.3 billion cubic feet ("BCF"). Co-produced natural gas liquids increased to 21.4 MSTB compared to 20.2 MSTB in the prior year.

Petroleum and natural gas reserve estimates increased significantly over the prior year. The increased reserves result mainly from the Border project in north eastern British Columbia. Overall proved plus probable gas and NGL's reserves have increased 60.0 per cent and 72.7 per cent respectively. Oil reserves have declined 28.0 per cent due mainly to the December 31, 1990, sale of Saskatchewan properties offset by the addition of Chedderville project reserves. The closing of this sale is pending final documentation and the Company anticipates the conclusion of this transaction in early 1991. The year end reserve position is shown in Table 2.

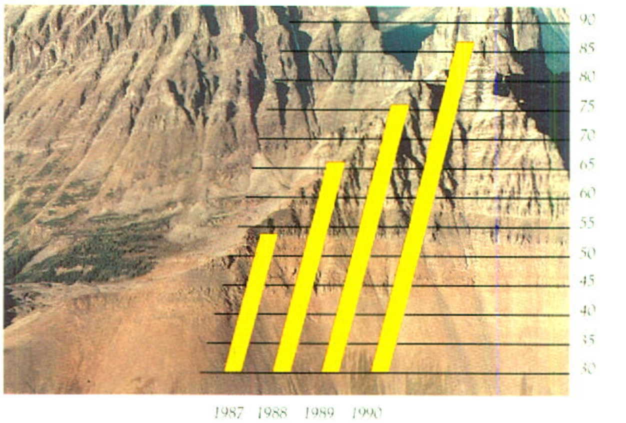
Other revenues decreased $0.3 million (29.2 per cent) over that of 1989. This revenue is unpredictable and results mainly from transactions with third parties whose projects or operations impact the Company's pipeline system.

EXPENSES

Operating and maintenance expenses related to petroleum transportation and terminalling increased $4.1 million (15.9 per cent) over 1989. This is attributable mainly to expanded operations from Stage 1 facilities, reduced transfers to capital projects and cost inflation. Property taxes also reflect the Stage 1 plant additions and escalation of mill rates which combined were higher by $1.5 million (10.6 per cent).

Depreciation of petroleum transportation and terminalling assets rose $2.8 million (53.9 per cent) over the prior year being driven by plant additions during the year and reflecting full year depreciation on prior year additions.

The operating costs and depletion associated with petroleum and natural gas revenues decreased to $0.7 million from $1.4 million in 1989. This decrease relates mainly to lower depletion charges reflecting increased reserve estimates over 1989.



COMPARATIVE REVENUE *($ Millions)*

Interest expense is up by $3.8 million (32.9 per cent) over 1989. This relates to growth in rate base investment and resultant higher levels of debt financing. A further major factor contributing to higher interest expense is the inverted yield curve that continued during 1990 and made short-term funding via commercial paper more costly. As part of its allowed cost of capital (rate of return), the Company capitalized interest related to plant and facilities under construction in the amount of $0.4 million compared to $1.8 million in 1989. The decrease in capitalized interest reflects the completion of Stage 1 construction in late 1989 and a return to more normal levels of construction activity.

Inflation estimates are incorporated in the Company's toll applications. Through the toll adjustment process the Company is allowed to recover reasonable cost increases attributable to inflation. With the inflation rate relatively low in Canada and the inclusion of inflation factors in costs recovered via its tolls, the impact of inflation on the Company is not material.

UNUSUAL ITEMS

The Company follows the practice of focusing on income from continuing operations and sets forth by separate disclosure unusual items that may distort reported earnings for the period. In 1989 the Company disposed of its interest in the MTBE project and realized $2.0 million before costs of $0.4 million. After provision for income taxes this disposition added $1.1 million to net income ($0.15 per share). The Company believes it is important to disclose unusual transactions in assessing its performance, and believes that the focus must be on the long-term trend in continuing operations and sustainable returns.

LIQUIDITY AND CAPITAL RESOURCES

The major funding requirement for 1990 was investment in plant and facilities of $27.0 million compared to $64.4 million the prior year. Dividends paid rose to $6.7 million versus $5.4 million in 1989 reflecting the increase in quarterly dividend rate to $0.20 per share as of the June 30, 1990, and the additional shares outstanding as a result of the issue of 1.0 million shares in September of 1989. The net change in working capital including accounts receivable, inventory, and prepaid expenses, all net of accounts payable, amounted to an investment of $2.0 million.

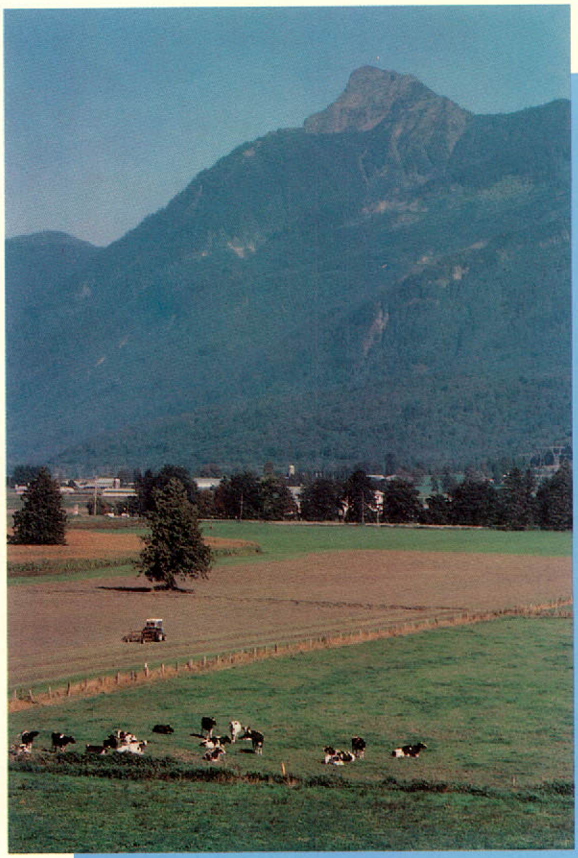
Accounts receivable are lower due mainly to the inclusion in 1989 of the funds receivable on the Company's sale of its interest in the MTBE project. Conversely, accounts payable have decreased, when compared to the prior year, due to the reduction of construction activity at the year end.

Expenditures on deferred costs amount to a net of $3.6 million, up $2.0 million or 130.0 per cent over 1989. These costs are mainly comprised of projects that will, in due course, be incorporated into capital programs related to NEB regulated operations. The $5.8 million total as at December 31, 1990, includes $1.4 million associated with the Low Point Project in Washington State.

The above 1990 funding requirements totalled $39.3 million. Cash resources generated by operations, provided $26.3 million, up from $23.3 million, a 12.7 per cent increase over 1989. The external funding requirement of $13.0 million was covered by way of $35.0 million on the privately placed issue of 11.50 per cent Series C Debentures, which also provided funds to reduce the Company's short-term borrowings by $22.0 million.

Trans Mountain's long-term debt amounted to $110.0 million at December 31, 1990. Shareholders' equity, including retained earnings, totalled $89.5 million producing a debt to equity ratio of 55.1 per cent debt and 44.9 per cent equity.

The Company's present bank line of credit totals $105.0 million. This credit is available to support issuing of the Company's commercial paper (up to $65.0 million) and/or to fund future capital requirements. As market conditions permit and the Company's funding objectives require, short-term financing may be replaced with long-term securities.



Preserving the natural environment is one of Trans Mountain's top priorities. The pipeline right-of-way crosses the property of over 3,000 landowners, including a major national park and several provincial parks. It also crosses some of the country's most important salmon spawning streams. The Company takes a proactive approach to environmental issues, identifying potential problems and taking action to prevent them from occurring. Environmental impact studies are done prior to the construction of new pipeline facilities.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

(THOUSANDS OF DOLLARS)

ASSETS	1990	1989
Current Assets		
Cash	$ 266	$ —
Accounts receivable	6,765	8,328
Inventories	3,557	3,361
Prepaid expenses and other	1,238	1,051
	11,826	12,740
Investment in BC Gas Inc.		
Current market value, $67,733,000 (1989: $70,029,000)	48,431	48,431
Property, Plant and Equipment (note 1)	324,806	300,292
Less accumulated depreciation and amortization	141,278	134,461
	183,528	165,831
Other Assets and Deferred Charges		
Petroleum and natural gas properties (note 2)	12,932	11,437
Deferred charges (note 3)	5,761	3,863
	18,693	15,300
	$ 262,478	$ 242,302

(THOUSANDS OF DOLLARS)		
LIABILITIES	1990	1989
Current Liabilities		
Bank indebtedness	$ —	$ 3,487
Short-term notes (note 4)	39,300	49,525
Accounts payable and accrued liabilities	7,731	10,904
Current portion of long-term debt	—	8,000
	47,031	71,916
Long-Term Debt (note 4)	110,000	75,000
Deferred Income Taxes	15,969	10,335
	173,000	157,251
SHAREHOLDERS' EQUITY		
Capital Stock (note 5)		
Authorized		
Unlimited number of shares		
Issued 8,580,640 shares	31,721	31,721
Retained Earnings	57,757	53,330
	89,478	85,051
	$ 262,478	$ 242,302

Approved by the Board of Directors:

R. Lawrence Clifft

Director

R B Stokes

Director

(SEE ACCOMPANYING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES)

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31

(THOUSANDS OF DOLLARS)

	1990	1989
Revenue		
Petroleum transportation and terminalling	$ 80,451	$ 68,434
Dividends from BC Gas Inc.	3,766	3,398
Petroleum and natural gas	1,544	1,223
Allowance for equity funds used during construction	399	2,058
Other	687	969
	86,847	76,082
Expenses		
Operating and maintenance	30,560	26,582
Property and other taxes	15,959	14,424
Depreciation and amortization	8,231	6,029
Interest (note 7)	15,441	11,622
	70,191	58,657
Income before income taxes and unusual item	16,656	17,425
Income taxes (note 8)		
Current (recovery)	(98)	350
Deferred	5,634	5,193
	5,536	5,543
Income Before Unusual Item	11,120	11,882
Gain on sale of interest in MTBE project	—	1,577
Deferred income taxes	—	(465)
	—	1,112
Net Income	$ 11,120	$ 12,994
Earnings Per Share Before Unusual Item	$ 1.30	$ 1.50
Unusual item per share	—	.15
Earnings Per Share	$ 1.30	$ 1.65
Retained Earnings at Beginning of Year	$ 53,330	$ 45,747
Net income	11,120	12,994
	64,450	58,741
Dividends of $0.78 (1989: $0.69) per share	6,693	5,411
Retained Earnings at End of Year	$ 57,757	$ 53,330

(SEE ACCOMPANYING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES)

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	1990	1989
	YEARS ENDED DECEMBER 31 (THOUSANDS OF DOLLARS)	
Cash Resources Provided By (Used For):		
Operations		
Net income	$ 11,120	$ 12,994
Items not involving cash		
Depreciation and amortization	8,231	6,029
Amortization of deferred charges	1,705	2,290
Deferred income taxes	5,634	5,658
Allowance for equity funds used during construction	(399)	(2,058)
Gain on sale of interest in MTBE project	—	(1,577)
	26,291	23,336
Changes in non-cash operating capital		
Accounts receivable	1,563	(1,199)
Inventories	(196)	(679)
Prepaid expenses and other	(187)	143
Accounts payable and accrued liabilities	(3,173)	219
	24,298	21,820
Financing		
Increase (decrease) in short-term notes	(10,225)	10,725
Increase in long-term debt	27,000	18,000
Issue of shares net of issue costs	—	15,886
Dividends paid	(6,693)	(5,411)
	10,082	39,200
Investments		
Additions to:		
Property, plant and equipment	(25,191)	(63,523)
Petroleum and natural gas properties	(1,833)	(911)
Deferred charges	(5,031)	(2,571)
Proceeds on sale of interest in MTBE project	—	2,000
Transfers from deferred charges to property, plant and equipment	1,428	1,009
	(30,627)	(63,996)
Increase (Decrease) in Cash Position	3,753	(2,976)
Cash position at beginning of year	(3,487)	(511)
Cash Position at End of Year	$ 266	$ (3,487)

(SEE ACCOMPANYING SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards on a historical cost basis. The significant accounting policies are summarized as follows.

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, Alpac Construction & Surveys Limited, Trans Mountain Holdings Ltd. and Trans Mountain Petroleums Ltd., and those of Trans Mountain Oil Pipe Line Corporation, a wholly-owned subsidiary in the United States.

INVESTMENT IN BC GAS INC.

Trans Mountain Holdings Ltd. owns 4,592,094 or 21.9% of the issued common shares of BC Gas Inc., formerly Inland Natural Gas Co. Ltd. This investment is recorded by the cost method and accordingly, only dividends received are included in income.

REGULATION

The Company is primarily engaged in the transportation of crude oil and related products from Alberta to British Columbia and Washington State. The crude oil pipeline is regulated in Canada by the National Energy Board and in the United States tariff matters are regulated by the Federal Energy Regulatory Commission. The Company is also engaged in the intraprovincial transportation of jet fuels to the Vancouver International Airport from its facilities in the Lower Mainland. Jet fuel pipeline tariff matters are regulated by the British Columbia Utilities Commission. Regulation covers such matters as tolls, pipeline tariff provisions, capital additions and accounting practices. The companies follow the accounting policies prescribed or authorized by the regulatory authorities.

FOREIGN CURRENCY TRANSLATION

The United States operations, which are considered to be operationally dependent on the parent company, have been translated to Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities and average rates for the year for revenue and expense, except depreciation which is translated at the rate of exchange applicable to the related assets. Gains and losses arising on translation are included in income and are not material.

INVENTORIES

Inventories consist of supplies and spare parts and are valued at the lower of cost, determined mainly on a moving average basis, and replacement cost.

DEFERRED CHARGES

Deferred costs subject to regulation are amortized as directed by the Company's regulators over periods which coincide with their recovery in future rates. Deferred costs not subject to regulation relate to projects which may benefit future periods and will be capitalized on completion or expensed on abandonment of the projects.

PETROLEUM AND NATURAL GAS PROPERTIES

The Company follows the Canadian Institute of Chartered Accountants' ("CICA") accounting guideline relating to the full cost method of accounting for petroleum and natural gas properties whereby all costs of acquisition of, exploration for, and development of, petroleum and natural gas reserves, together with interest, are capitalized in separate cost centres on a country by country basis. The capitalization of interest ceases when production commences. Capitalized costs are limited by a "ceiling test" to the value of future net revenues from estimated production of proved reserves at current prices and costs plus the cost of unproved properties. Costs are depleted by cost centre using the composite unit-of-production method based upon proved reserves estimated by professional engineers of the joint venture operator, supplemented by independently prepared reserve studies. Reserves are converted to equivalent units on the basis of approximate relative energy content.

All exploration and production activities related to petroleum and natural gas are conducted jointly with others. The joint ventures are accounted for on a proportionate basis. Under this method, the Company includes in its accounts its proportionate share of assets, liabilities, revenues and expenses of the joint ventures. The Company's proportionate share of assets is carried at cost (see note 2).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at 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. As directed by the Company's Regulators, the original cost of depreciable property retired, together with the net cost of removal, less salvage, is charged to accumulated depreciation.

Depreciation is provided on a straight-line basis on plant in service at rates approved by the Company's Regulators which vary from 0.6% to 20.9%. The application of the rates in the current year is equivalent to a composite annual rate of 2.61% (1989:2.24%).

INCOME TAXES

The Company and its subsidiaries 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 arise as a result of differences in timing between the treatment of expenses for income tax and accounting purposes.

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors of the Company. The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management has established and maintains appropriate systems of internal control, policies, and procedures, which are designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The Board of Directors has appointed an Audit Committee consisting of members who are not officers of the Company who review with management and the auditors the annual financial statements of the Company prior to submission to the Board of Directors for final approval.

Peat Marwick Thorne, the auditors appointed by the shareholders, have examined the consolidated financial statements for the purpose of expressing an independent opinion thereon. Their report is included below.

AUDITORS' REPORT

To the Shareholders of Trans Mountain Pipe Line Company Ltd.

We have audited the consolidated balance sheets of Trans Mountain Pipe Line Company Ltd. as at December 31, 1990 and 1989 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Peat Marwick Thorne

Chartered Accountants
Vancouver, Canada
February 8, 1991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1990 AND 1989
(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

1. PROPERTY, PLANT AND EQUIPMENT

	1990			
	Average depreciation rate	Cost	Accumulated depreciation and amortization	Net book value
CANADA				
Crude oil pipeline system	2.72%	$ 303,148	$ 129,708	$ 173,440
Construction in progress	—	2,759	—	2,759
Westridge loading and common dock facilities	1.03	5,754	4,432	1,322
Jet fuel pipeline system	2.22	4,517	1,789	2,728
UNITED STATES				
Crude oil pipeline system	2.05	8,628	5,349	3,279
		$ 324,806	$ 141,278	$ 183,528

	1989			
	Average depreciation rate	Cost	Accumulated depreciation and amortization	Net book value
CANADA				
Crude oil pipeline system	2.33%	$ 274,753	$ 123,260	$ 151,493
Construction in progress		8,113	—	8,113
Westridge loading and common dock facilities	1.53	5,754	4,373	1,381
Jet fuel pipeline system	4.39	3,908	1,703	2,205
UNITED STATES				
Crude oil pipeline system	2.03	7,764	5,125	2,639
		$ 300,292	$ 134,461	$ 165,831

2. PETROLEUM AND NATURAL GAS PROPERTIES

As at December 31, 1990, costs of $12,932,000 (1989: $11,437,000), net of accumulated depletion of $20,522,000 (1989: $20,184,000) include $500,000 (1989: $1,140,000) relating to unproved properties which have been excluded from depletion calculations. At December 31, 1990, costs of petroleum and natural gas properties have been reduced by credits of $4,351,000 (1989: $4,198,000) relating to government incentive programs.

3. DEFERRED CHARGES

	1990	1989
Low Point project development costs	$ 1,375	$ —
Deferred property taxes	—	1,360
Head Office relocation	397	—
Debenture issue costs	905	596
Pipeline expansion program — Stage 2	2,121	636
Jet fuel storage facility costs	328	384
Other	635	887
	$ 5,761	$ 3,863

4. LONG-TERM DEBT

	1990	1989
Bank term notes due August 31, 1990, interest at 14.60%	$ —	$ 8,000
Debentures		
9.50% Series A due February 18, 1994, 9.75% to February 18, 2002, if extended by the holder	45,000	45,000
10.75% Series B due November 22, 2004	30,000	30,000
11.50% Series C due June 20, 2010	35,000	—
	110,000	83,000
Less current portion of long-term debt	—	8,000
	$ 110,000	$ 75,000

The term notes and the short-term notes are secured by the hypothecation of 2,160,000 common shares of BC Gas Inc.

The debentures are unsecured obligations subject to the terms and conditions of a trust indenture dated February 18, 1987, and supplemental indentures dated February 19, 1987, November 22, 1989, and June 20, 1990.

The Series B and C debentures are redeemable in whole, or in part, at the option of the Company at a price equal to the greater of the Canada Yield Price, as defined in the indenture, and, the principal amount of the debenture to be redeemed, plus accrued and unpaid interest to the date specified for redemption. The Canada Yield Price will be based upon quotes from investment dealers for Government of Canada securities.

5. CAPITAL STOCK

Share Option Plan

In 1989, the Company instituted a Share Option Plan authorizing grants of options to employees and directors to purchase up to 750,000 shares, in aggregate. The purchase price of shares so acquired is the closing sale price of the shares on the Toronto Stock Exchange on the date of grant, or if there is no sale on that date, the average of the closing bid and closing asked price.

In 1989, options were granted to purchase 293,500 shares, the option price being $16.125. In 1990, options were granted to purchase 10,000 shares, the option price being $16.00. The options are exercisable on a cumulative basis; 20.0 per cent initially and an additional 20.0 per cent on each of the next four anniversaries and expire 10 years from the date the options are granted. No options have been exercised as at December 31, 1990.

Underwriting Agreement

On September 6, 1989, the Company issued 1,000,000 shares for gross cash proceeds of $16,000,000. Issue costs, after a deferred income tax reduction of $49,000, amounted to $65,000.

6. PENSION PLAN

The Company has a defined benefit contributory pension plan covering substantially all employees. The most recent actuarial valuation was performed as at December 31, 1989. As at December 31, 1990, actuarial projections of employees' compensation levels to the time of retirement indicate that the present value of accrued pension benefits is $28.6 million, and the market related value of the assets available to provide these benefits is $30.1 million. The pension expense for the year of $1,089,000 (1989: $1,083,000) includes adjustments for plan amendments and experience gains which are being amortized using the level blended principal and interest method over the expected average remaining service life of the employees.

7. INTEREST

	1990	1989
Long-term debt interest	$ 10,425	$ 6,675
Short-term debt interest	5,449	6,798
Interest capitalized during construction	(433)	(1,851)
Charged to earnings	$ 15,441	$ 11,622

8. VARIATION IN EFFECTIVE INCOME TAX RATE

Consolidated income tax expense varies from the amount that would be computed by applying the Canadian and United States federal, British Columbia and Alberta statutory income tax rates to income before income taxes as shown in the following table:

	1990		1989	
	Amount	Rate	Amount	Rate
Income before income taxes and unusual items	$ 16,656		$ 17,425	
Statutory corporate income taxes in British Columbia, Alberta and the United States	$ 7,300	43.83%	$ 7,677	44.06%
Change in income taxes resulting from:				
Non-taxable dividend income	(1,624)	(9.75)	(1,466)	(8.41)
Allowance for equity funds used during construction	(172)	(1.03)	(888)	(5.10)
Other, net	(269)	(1.62)	220	1.26
Large corporation tax	301	1.81	—	—
Actual consolidated corporate income taxes	$ 5,536	33.24%	$ 5,543	31.81%

9. SEGMENTED INFORMATION

Substantially all of the Company's operations comprise transportation of petroleum. At the present time, the United States oil pipeline corporation and the petroleum and natural gas production operations are not of significant size to be reportable as geographic or industry segments.

TEN YEAR SUMMARY

(THOUSANDS OF DOLLARS)	1990	1989
OPERATIONS		
Revenue	86,847	76,082
Income before unusual and extraordinary items	11,120	11,882
Net income (loss)	11,120	12,994
Dividends	6,693	5,411
PER SHARE		
Weighted average shares outstanding	8,580,640	7,898,448
Income before unusual and extraordinary items ($)	1.30	1.50
Net income (loss) ($)	1.30	1.65
Dividends ($)	0.78	0.69
Dividend payout ratio (%)	60.0	42.0
ASSETS		
Property, plant, and equipment	324,806	300,292
Accumulated depreciation and amortization	141,278	134,461
Net plant	183,528	165,831
Additions to property, plant, and equipment (including allowance for funds used during construction)	25,590	65,581
Petroleum and natural gas properties	12,932	11,437
Long-term investments	48,431	48,431
Total assets	262,478	242,302
CAPITALIZATION		
Long-term debt	110,000	83,000
Shareholders' equity	89,478	85,051
Return on average shareholders' equity (%)	12.7	17.7
CAPITALIZATION RATIOS (%)		
Long-term debt	55.1	49.4
Shareholders' equity	44.9	50.6
DELIVERIES (cubic metres per day)		
Petroleum	26,534	27,930
Jet fuel	2,214	2,160
Number of shareholders	3,505	3,750
Number of employees	241	229

1988	1987	1986	1985	1984	1983	1982	1981
66,514	54,100	49,052	50,533	46,925	44,068	39,108	38,007
8,643	7,161	6,810	8,558	6,419	6,035	2,878	4,853
(2,033)	8,775	6,810	8,558	7,088	5,885	2,711	1,274
4,548	4,548	4,359	3,601	3,032	3,790	6,823	9,097
7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640	7,580,640
1.14	0.95	0.90	1.13	0.85	0.80	0.38	0.64
(0.27)	1.16	0.90	1.13	0.94	0.78	0.36	0.17
0.60	0.60	0.575	0.475	0.40	0.50	0.90	1.20
—	52.0	64.0	42.0	43.0	64.0	252.0	714.0
236,773	212,936	191,749	174,282	164,113	171,048	169,569	167,560
131,394	128,042	126,185	124,652	122,920	132,317	139,290	133,524
105,379	84,894	65,564	49,630	41,193	38,731	30,279	34,036
24,790	23,087	19,037	11,185	5,677	1,479	2,009	1,944
11,426	25,116	13,980	1,480	—	—	—	—
48,431	48,431	61,086	64,320	63,300	63,919	11,580	2,230
181,255	176,474	151,624	124,496	119,672	113,785	53,940	56,434
65,000	65,000	72,300	49,000	47,250	49,855	—	—
61,533	68,114	63,887	61,436	56,480	52,423	50,428	54,440
—	13.3	10.9	14.5	13.0	11.5	5.2	2.2
51.4	48.8	53.1	44.4	45.5	48.7	—	—
48.6	51.2	46.9	55.6	54.5	51.3	100	100
28,189	26,225	*26,135	25,288	23,005	22,213	23,867	26,157
1,854	1,584	1,447	1,291	1,159	1,149	1,204	1,509
4,131	4,471	5,043	5,642	6,206	6,902	10,056	10,935
227	214	205	196	188	197	198	191

*INCLUDES BUTANE AND METHANOL DELIVERIES

BOARD OF DIRECTORS

Robert G. Brodie
President, Cardiff Estates Limited

Donald A. Carlson
Chairman, Vencap Equities Alberta Ltd.

Ronald L. Cliff, C.M.
Chairman of the Board, Trans Mountain Pipe Line Company Ltd., and Chairman of the Board, BC Gas Inc.

Thomas D. Doyle
Executive Vice President and Chief Operating Officer, Trans Mountain Pipe Line Company Ltd.

Robert E. Kadlec
President and Chief Executive Officer, BC Gas Inc.

Thomas G. Rust, C.M.
Chairman, Canada Harbour Place Corporation

Richard B. Stokes
President and Chief Executive Officer,
Trans Mountain Pipe Line Company Ltd.

H. Richard Whittall
Corporate Director

John B. Zaozirny, Q.C.
Counsel to the Calgary and Vancouver offices of the law firm of McCarthy Tetrault

OFFICERS

Ronald L. Cliff, C.M.
Chairman of the Board

Richard B. Stokes
President and Chief Executive Officer

Thomas D. Doyle
Executive Vice President and Chief Operating Officer

Barry E. Harper
Senior Vice President, Finance, Chief Financial Officer and Treasurer

Glenn A. Irving
Vice President, Secretary and General Counsel

Grayden R. Hayward
Vice President, Environment, Government and Community Relations

Liisa A. O'Hara
Vice President, Human Resources and Regulatory Affairs

Michael W.P. Boyle
Corporate Solicitor and Assistant Secretary

Gordon E. Cook
Controller

EXECUTIVE COMMITTEE

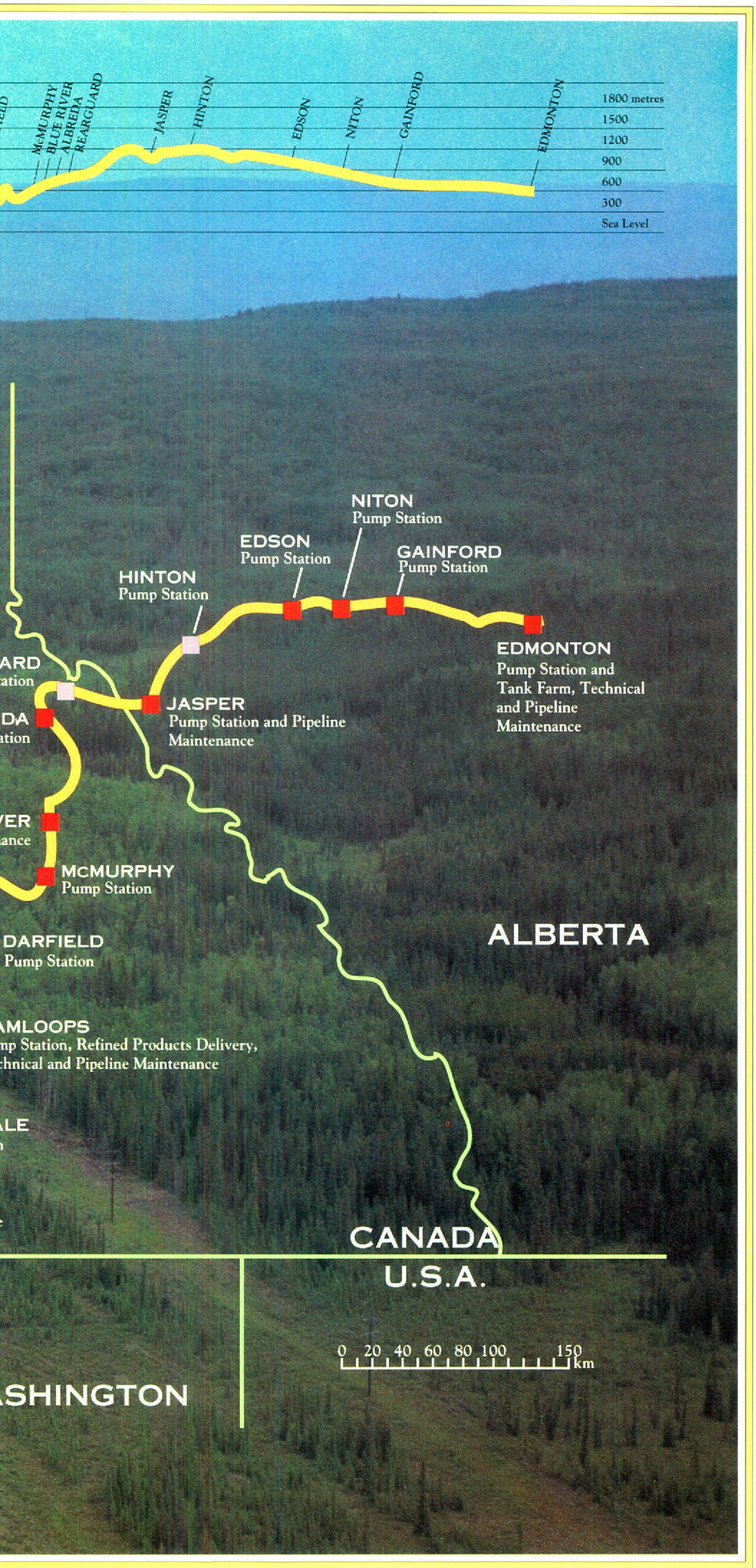
R.L. Cliff
R.E. Kadlec
R.B. Stokes
H.R. Whittall

AUDIT COMMITTEE

R.G. Brodie
D.A. Carlson
R.E. Kadlec
J.B. Zaozirny

EXECUTIVE COMPENSATION COMMITTEE

R.L. Cliff
T.G. Rust
H.R. Whittall



LEGEND

Trans Mountain
Pipe Line Company Ltd.
1146.3 km

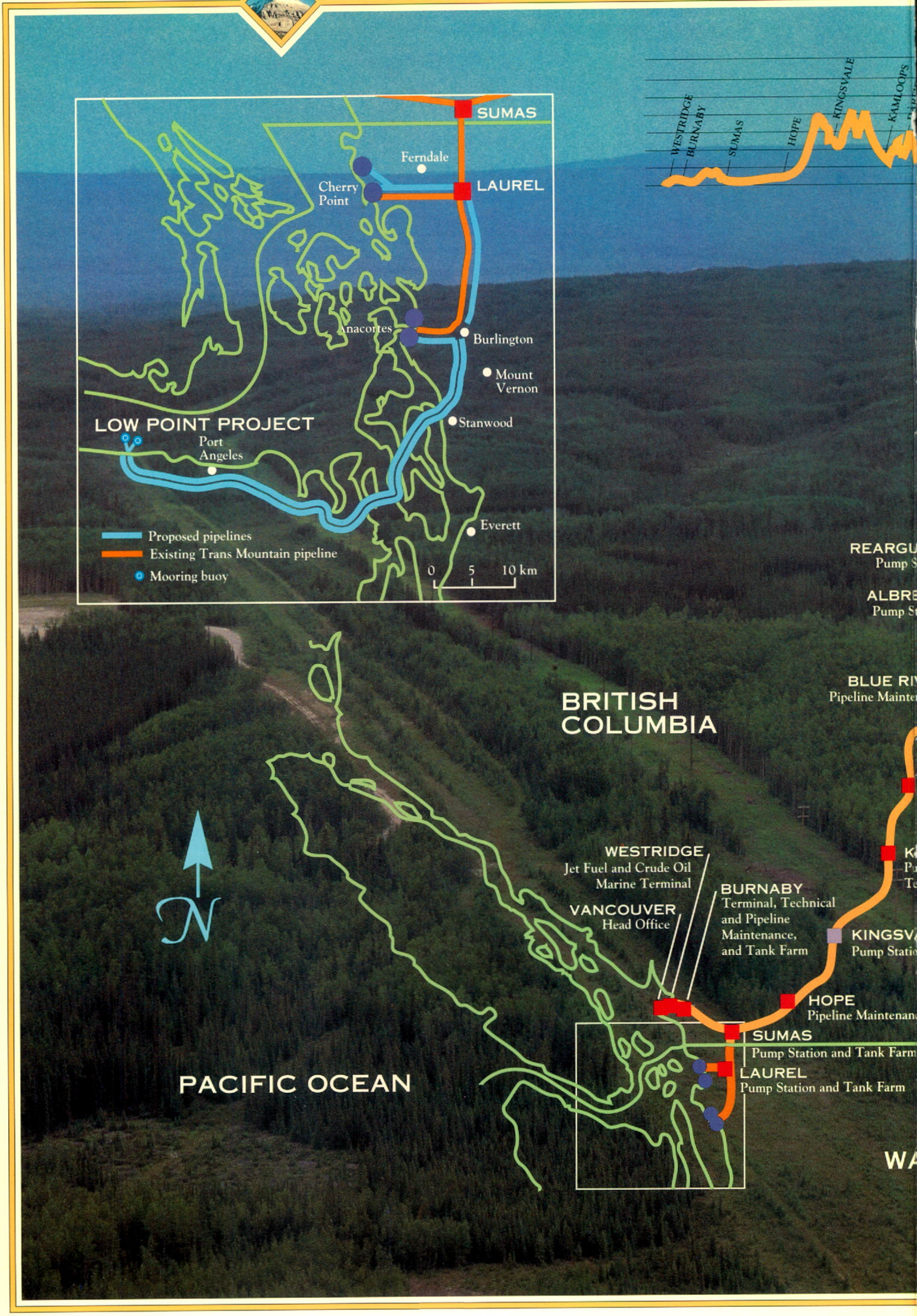
Trans Mountain
Oil Pipe Line Corporation
110 km

U.S. Connected Refineries
(Ferndale, Anacortes)

Proposed Expansion Stage 2

INSET

Low Point Project


SUMAS
Ferndale
Cherry Point
LAUREL
Anacortes
Burlington
Mount Vernon
Stanwood
LOW POINT PROJECT
Port Angeles
Everett
Proposed pipelines
Existing Trans Mountain pipeline
Mooring buoy
0 5 10 km
WESTRIDGE
BURNABY
SUMAS
HOPE
KINGSVALE
KAMLOOPS
REARGU
Pump S
ALBRE
Pump St
BLUE RI
Pipeline Mainte
BRITISH COLUMBIA
N
WESTRIDGE
Jet Fuel and Crude Oil Marine Terminal
VANCOUVER
Head Office
BURNABY
Terminal, Technical and Pipeline Maintenance, and Tank Farm
KINGSV
Pump Statio
HOPE
Pipeline Maintenan
SUMAS
Pump Station and Tank Farm
LAUREL
Pump Station and Tank Farm
PACIFIC OCEAN
WA