# TransCanada PipeLines

# Annual Report 1984

## The Company

*TransCanada PipeLines is a major Canadian energy company with assets of approximately $5.8 billion and interests in Canada, the United States and around the world.*

*The company is Canada's largest buyer of natural gas, which it transports and resells to customers in Canada and the United States.*

*The TransCanada pipeline runs from Alberta to Montreal and the company owns interests in other major North American pipeline systems. It is also developing proposals to transport gas from Canada's frontiers.*

*Building on its success in creating and operating one of the world's largest natural gas transmission systems, TransCanada is now expanding into related businesses with high potential for growth.*

*The company is an emerging force in oil and natural gas exploration in Canada and the United States and has oil and gas interests in Australia, Indonesia, Italy and the North Sea.*

*With some 1,900 productive and capable employees, TransCanada PipeLines is building for the future on the solid foundation of its past accomplishments.*

*The Annual Meeting of Shareholders will be held in the Crystal Ballroom of the Palliser Hotel, 133 Ninth Avenue S.W., Calgary, Alberta, on Thursday, May 2, 1985, commencing at 10:00 a.m. Mountain Daylight Time.*

*Si vous désirez vous procurer une copie de ce rapport en français, veuillez vous adresser au secrétaire, TransCanada PipeLines, C.P. 54, Commerce Court West, Toronto, Ontario M5L 1C2.*

*This report uses the Imperial System of Units for oil and gas operations and the International System of Units (Metric) for utility operations. Approximate conversions can be calculated using the following table:*

| From | to | multiply by |
|---|---|---|
| kilometres | miles | x 0.62 |
| millimetres | inches | x 0.0[illegible] |
| kilowatts | horsepower | x 1.3[illegible] |
| gigajoules | million British thermal units | x 0.95 |
| cubic metres | cubic feet | x 35.3 |
| kilopascals | pounds per square inch | x 0.15 |
| cubic metres (liquid measure) | barrels | x 6.29 |

# Highlights

| | 1984 | 1983 | 1982 |
|---|---|---|---|
| **Financial** *(millions of dollars except for common share data)* | | | |
| Net income — before pipeline investment provision | **265.9** | 228.1 | 198.9 |
| — after provision | **252.5** | 228.1 | 198.9 |
| Net income applicable to common shares | **211.0** | 191.8 | 161.1 |
| Funds generated by operations and equity investments | **453.8** | 394.3 | 326.3 |
| Per common share data | | | |
| Net income — before pipeline investment provision | **$2.41** | $2.13 | $1.81 |
| — after provision | **$2.27** | $2.13 | $1.81 |
| Funds generated by operations and equity investments | **$4.88** | $4.39 | $3.66 |
| Dividends declared | **$1.00** | $ .75 | $.595 |
| **Operating** *(millions of dollars except as noted)* | | | |
| Pipeline operations | | | |
| Gas sales and transportation revenues | | | |
| — domestic | **3,394.0** | 2,810.6 | 2,399.0 |
| — export | **796.6** | 631.2 | 1,042.3 |
| Gas delivered for sales and transportation (millions of cubic metres) | | | |
| — domestic | **26 183** | 23 450 | 24 491 |
| — export | **6 739** | 5 126 | 8 006 |
| Oil and gas* | | | |
| Revenues | | | |
| — Canada | **250.9** | 199.8 | 178.6 |
| — United States | **21.2** | 5.9 | 4.3 |
| — Indonesia | **18.7** | 8.4 | 6.7 |
| Conventional oil and natural gas liquids sales (thousands of barrels) | **5,953** | 4,718 | 4,592 |
| Natural gas sales (billions of cubic feet) | **31.3** | 23.7 | 24.0 |

*Accounted for in the accompanying financial statements by the equity method.

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## REPORT TO SHAREHOLDERS

*Progress and growth characterized TransCanada PipeLines' operations in 1984.*

*Net income increased to $265.9 million, compared to $228.1 million in 1983. Earnings per share were $2.41, up from $2.13 in the preceding year. These results are before a special provision of $13.4 million or 14 cents per share related to the company's investment in the Alaska Natural Gas Transportation System.*

*Significant developments affecting shareholders included a two-for-one stock split, which took place in February, and a further increase in the dividends on common shares. The quarterly dividend was increased by 4 cents to 28 cents for the quarter ending December 31, 1984.*

### Improvements in All Areas

*The company's increased earnings can be attributed to improvements in all areas of the business. Total natural gas sales and transportation deliveries were up 15% and a new record was established for volumes transported to domestic markets. Exports showed an encouraging 31% improvement over 1983. We further expanded our oil and gas interests, through growth and acquisition, and experienced a substantial improvement in our income from other investments.*

*Between 1982 and 1984, net income applicable to common shares for utility operations remained level. For non-utility activities, income applicable to common shares before the special provision more than doubled.*

*These results reflect the relative maturity of Canadian natural gas* *markets and the trend of recent years for our faster earnings growth to be in the non-utility areas of our business where we are not regulated by the National Energy Board.*

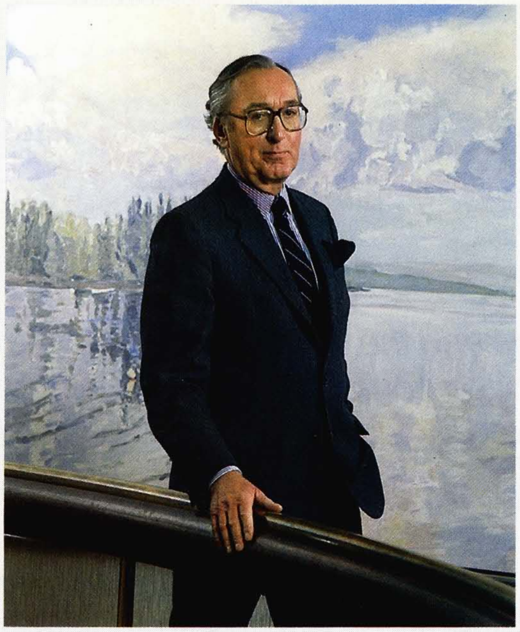
*We expect major investment opportunities related to the export of significant new volumes of natural gas to the United States. However, growth in the domestic market will require limited new investment. Consequently growth in earnings from pipeline operations is likely to be relatively slow compared to the rate of growth in the non-utility sector.*

*This trend should result in our earnings from non-utility operations exceeding earnings from our utility sector within two to three years.*

## *A New Role in Marketing*

*While the non-utility part of our business has the greatest potential for future growth, we have worked hard to adapt to changing circumstances in the utility area and to ensure that we derive the maximum benefits from our pipeline operations.*

*One of the most significant developments in recent years has been the need to take a new approach to natural gas marketing in the United States. Recent changes in our federal government's policy have introduced a new and welcome flexibility whereby most aspects of pricing and delivery can be negotiated between buyer and seller. In these new circumstances, we are required to use all of our marketing and negotiating skills in order to secure sales contracts, often in head-to-head competition with other fuels and with other suppliers of natural gas.*



Gordon P. Osler, Chairman.

*In our negotiations with U.S. customers, we now act as the negotiator on behalf of natural gas producers in western Canada. We have adapted to this new and demanding role, and appreciate the high level of support we have received from western gas producers for the sales contracts we have concluded.*

*Our experience in negotiating sales contracts in the United States has convinced us of the importance of maintaining maximum flexibility in the pricing of natural gas exports.*

*Although we do not expect sales agreements to be automatically approved or exempt from scrutiny by the NEB, we have urged the federal government to keep regulatory restraints on exports to a minimum. Canada must be a reliable and accommodating supplier today if it is to gain the maximum benefits from future market expansion in the United States.*

*Our experience in negotiating export contracts has also convinced us that the adoption of market-sensitive pricing in the domestic market would provide increased benefits for both producers and consumers. In this regard we are hopeful that forthcoming revisions to energy policy will introduce greater flexibility into domestic pricing arrangements.*

Radcliffe R. Latimer, President and Chief Executive Officer.

*All of our hopes and plans for the future would, of course, be impossible to fulfill if it were not for the continuing loyalty and commitment of our employees.*

*We have a small workforce in relation to the size of our company and it is a testament to our employees' high level of productivity that we can effectively carry on our many activities.*

*We believe one reason for this high level of productivity is the fact that every employee is also a shareholder, and thus stands to gain directly from the overall success of our operations.*

*We thank the employees for their contribution and thank all shareholders, including our employees, for their continuing support.*

*On behalf of the Board:*

*G.P. Osler* | *R.R. Latimer*

# 1984 — OPERATING REVIEW

## ALBERTA DIVISION

***TransCanada has applied to remove increased volumes of gas from Alberta.***

TransCanada's Alberta Division is responsible for administering the company's 2,500 natural gas supply contracts with approximately 650 producers in western Canada and arranging for transportation of the gas to the Alberta border.

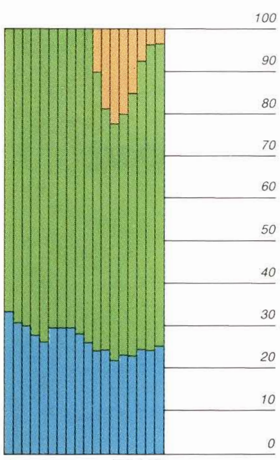
At the year end, the company had 809 billion cubic metres of remaining established gas reserves on lands under contract. Nearly all of the reserves are in Alberta, with a small amount in Saskatchewan. Production from these lands totalled 35.8 billion cubic metres in 1984, of which 2.1 billion cubic metres were sold directly by producers to Alberta markets.

*This natural gas extraction plant near Empress, Alberta, can process as much as 56 million cubic metres of gas a day to extract ethane and liquefied petroleum gases.*

While the total number of wells drilled in Alberta increased 17% in 1984, the completion of natural gas wells declined 10% to 1,300 wells. This reflected the continuing reduction in gas well drilling as a result of poor natural gas markets.

Natural gas may not be removed from Alberta without a permit from the Alberta Energy Resources Conservation Board (AERCB). TransCanada holds three such permits which provide for the removal of a total of 315 billion cubic metres of gas. The company has applied for an amendment extending the term of its major permit by five years to 1999 and increasing the volume of gas by 302 billion cubic metres. The AERCB has recommended approval of this application, and approval by the Alberta government is pending.

Contracts with the producers require the company to pay for specified volumes of natural gas each year, whether or not the gas is taken. These "take or pay" obligations are discussed in the Notes to Consolidated Financial Statements. The company incurred relatively minor take or pay obligations in 1984.




**Composition of Toronto Wholesale Price of Natural Gas ***

% Of Toronto Wholesale Price

- Natural Gas and Gas Liquids Tax/ Canadian Ownership Special Charge
- Alberta Border Price
- TransCanada Transportation Toll

* Excludes Federal Government Subsidy from February 1, 1984

## PIPELINE DIVISION

An improvement in economic conditions, the move to more competitive gas export prices and a return to normal winter weather boosted total 1984 gas sales and transportation deliveries 15% over the preceding year. Domestic sales and transportation deliveries set a new record with an increase of 12% over 1983. The company also logged a new peak day of 131 million cubic metres in January, 1984.

Almost half of the increase in sales to Ontario and Quebec came from improved sales to industry, with the rest split between residential and commercial markets.

Export sales and transportation volumes increased 31%, an encouraging improvement over the slump experienced in 1983. The improvement can be attributed in part to changes in federal government policy which enabled the company to negotiate market-related prices and volume discounts with customers in the United States.

## Marketing Initiatives in Canada

The company expects that the Canadian government's Distribution System Expansion Program for fiscal 1984/85 will result in the addition of 21,000 new natural gas customers in TransCanada's service area and increase demand for natural gas by 277 million cubic metres per year.

A work crew replaces a section of pipe at a road crossing near Cobourg, Ontario.

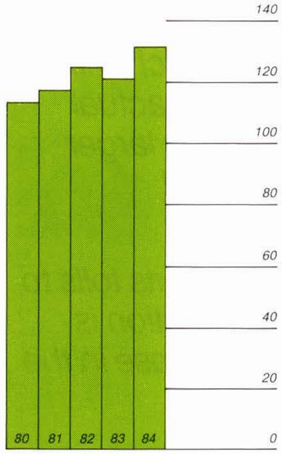
In addition, there were more than 35,000 conversions to natural gas in Saskatchewan, Manitoba, Ontario and Quebec in 1984 — about the same number as in 1983. These new customers will add approximately 126 million cubic metres to TransCanada sales each year. Nine new delivery points were added in TransCanada's market area in 1984, helping to bring gas to additional communities.

In Quebec, the federal government provides financial assistance to distributors seeking to expand natural gas markets through the Natural Gas Marketing Program. Under this program, Gaz Inter-Cité Québec completed a major lateral pipeline to the Lac St. Jean area, opening it to natural gas service. Gaz Inter-Cité Québec also signed a long-term contract with TransCanada for additional gas deliveries of 433 thousand cubic metres per day.

Volumes delivered to the Quebec market in 1984 increased 16% over 1983. While Ontario sales increased the most in actual volume, Quebec sales grew faster on a percentage basis.

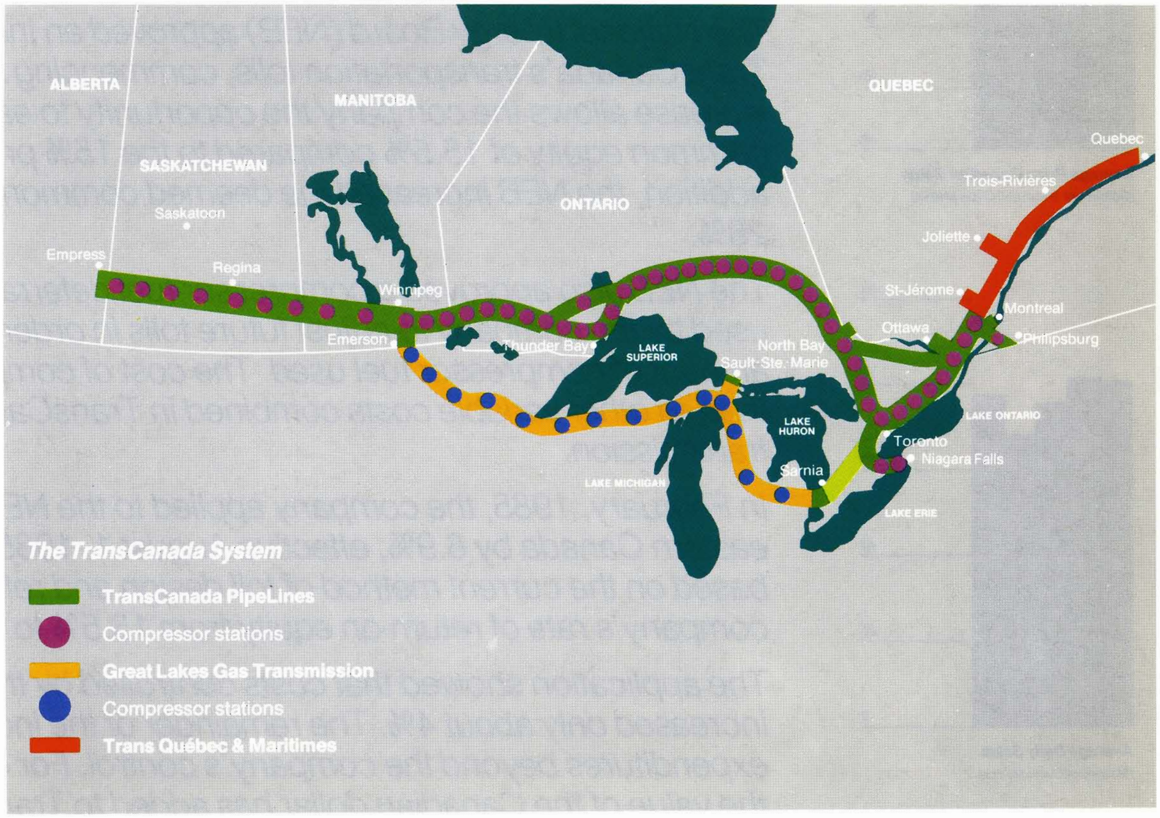
**Deliveries in Canada set new records.**

The Alberta Petroleum Marketing Commission and TransCanada's distributors agreed to an incentive pricing plan designed to expand domestic natural gas markets east of Alberta. The plan began on May 1,

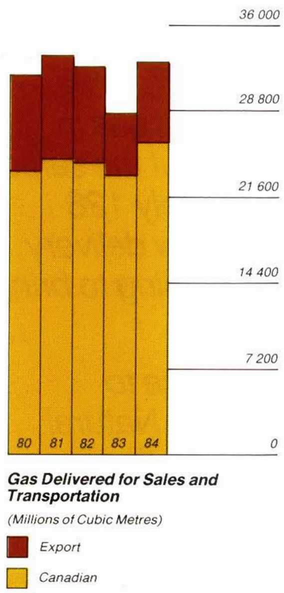



**Maximum Day Gas Delivered for Sales and Transportation**

(Millions of Cubic Metres)



1984. Eligible customers will receive a 35¢ per gigajoule discount on all gas purchases which exceed 75% of past levels. New customers will receive the same discount on volumes exceeding 100 000 gigajoules per year.



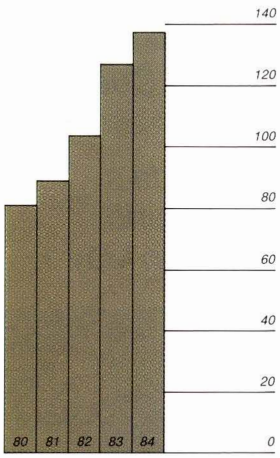

**Gas Delivered for Sales and Transportation**
(Millions of Cubic Metres)

Last fall TransCanada prepared for anticipated winter market requirements by moving 227 million cubic metres of gas to the storage fields of Union Gas Limited in southwestern Ontario. This enabled the company to supply winter markets more economically.

The National Energy Board allowed the company to undertake this action on a risk basis rather than a regulated basis. Similar opportunities will be sought in the future.

The Alberta and federal governments agreed in June, 1983, to extend their pricing agreement to keep the wholesale price of natural gas in eastern Canada at or below 65% of the price of crude oil until February 1, 1985. This agreement was subsequently extended to March 31, 1985.

The company continues to play a major role in efforts by the natural gas industry and the federal government to develop a more market-sensitive pricing system for natural gas in domestic markets. Market-sensitive pricing has the potential to increase the share of Canadian energy markets served by gas.



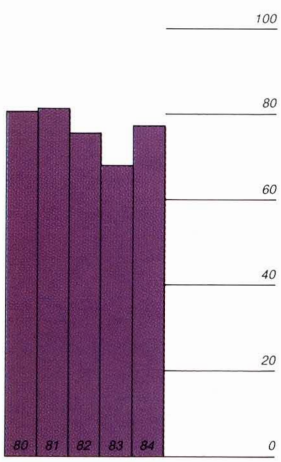

**Average Price Canadian Sales**
(Dollars per Thousand Cubic Metres)

TransCanada promotes natural gas use in its Canadian market area by providing strong support for the advertising programs of natural gas associations and distributors.

## Tolls and Tariffs

The National Energy Board (NEB) approved an increase of 4.2% in TransCanada's transportation tolls, commencing August 1, 1984. This increase allows the company the opportunity to earn a rate of return on common equity of 15.5% compared to the 15% previously allowed. In addition, the NEB increased the deemed common equity ratio to 30% from 28%.

The NEB also approved a compressor fuel deferral account which will be used by the company to adjust future tolls in order to reflect the actual amount of compressor fuel used. The cost of compressor fuel is larger than all other variable costs combined in TransCanada's cost of transmission.




**Average Daily Sales**
(Millions of Cubic Metres)

In February, 1985, the company applied to the NEB to increase its tolls to eastern Canada by 6.9%, effective August 1, 1985. This application is based on the current method of toll design and reflects an increase in the company's rate of return on equity from 15.5% to 16%.

The application showed that costs controlled by the company have increased only about 4%. The remainder of the increase is attributable to expenditures beyond the company's control. For example, the decline in the value of the Canadian dollar has added to TransCanada's *transportation and debt servicing costs. Also, because of the high volumes of gas being transported, the consumption of compressor fuel has increased more than anticipated.*

***Sales to U.S. customers increased substantially.***

## *Natural Gas Exports*

*New arrangements with U.S. customers have resulted in a substantial recovery in export sales. Deliveries to customers in the United States were up 31% in 1984, averaging 52% of contracted quantities compared to 40% in 1983.*

*The city of Boston is one of several in the northeastern United States which will soon be consuming Canadian natural gas under agreements between TransCanada and a consortium of 15 U.S. distributors.*

*Starting November 1, 1984, the company began deliveries at Niagara Falls, Ontario, to an important new customer in the northeastern United States, Boundary Gas of Boston. Boundary Gas is a consortium of 15 natural gas distribution companies serving the northeast. Deliveries of 1 131 thousand cubic metres of gas per day continued throughout November and December to four of these companies — Brooklyn Union, Connecticut Light and Power, Bay State Gas and New Jersey Natural Gas.*

*The sale to Boundary is the first delivery of new export volumes approved early in 1983 by the Canadian government. In order to transport the balance of these volumes, TransCanada has applied to the NEB to expand the capacity of its system by approximately 20%. This application will be heard in 1985.*

*The northeast U.S. is the largest new export market now available for Canadian gas. TransCanada's sale to Boundary is only the beginning of what could be a major new market growth opportunity for the company and for the Canadian natural gas industry.*

*Careful maintenance of all equipment on the pipeline is a vital part of service responsibility. At Station 25 at Moosomin, Saskatchewan, valves are sandblasted and repainted.*

## *Export Pricing*

*Over the last few years, the high export price of Canadian gas caused a substantial decline in export sales. However, policy changes by the Canadian government in 1983 and again in 1984 have reversed this decline.*

*Beginning on November 1, 1984, prices for long-term natural gas exports were allowed to be set through negotiations between buyer and seller, subject to certain conditions.*

*One of the most important conditions is that the negotiated price be endorsed by Canadian natural gas producers. In its negotiations, TransCanada acts on behalf of Canadian producers and has worked hard to establish a close relationship with them. This helps TransCanada to conclude arrangements that reflect producers' needs and concerns.*

*So far, the company has received general acceptance of the export pricing arrangements it has made with its U.S. customers, which will provide a significant increase in revenue to Alberta producers.*

*In October, the company reached an agreement with ANR Pipeline Company of Detroit which is expected to result in an increase of 2 040 million cubic metres in gas sales to ANR during the 1984/85 contract year. The agreement should generate nearly $300 million in additional revenue for Canada. Because the agreement specifies a price that varies by season and level of take, maximum purchases at a relatively even level are expected throughout the year. The agreement with ANR has been approved by the Canadian government for one year beginning November 1, 1984.*

***Export sales provided increased revenues to Alberta producers.***

*Through Great Lakes Gas Transmission Company, TransCanada also reached a pricing agreement with Natural Gas Pipeline Company of America early in 1985. Natural Gas Pipeline expects to purchase up to 75% of its contracted volumes during 1985, substantially more than was purchased during 1984. These sales will generate approximately $200 million annually in export sales revenues. TransCanada has also renegotiated pricing arrangements with Boundary Gas, Midwestern Gas Transmission, Great Lakes Gas Transmission and Consolidated Natural Gas. All of these agreements are subject to annual renegotiation.*

*The new export pricing policy has created a new era for Canadian natural gas exports which should result in higher export deliveries to both new and existing markets and increased revenues to Canada and Canadian producers. The company will continue, in close association with producers, to negotiate innovative pricing mechanisms with its customers to reflect the conditions in each market area.*

*Built in 1984, compressor station 211 on the Niagara line is part of TransCanada's facilities to export gas to U.S. markets.*

## ANNUAL GAS SALES AND TRANSPORTATION VOLUMES

*(in thousands of cubic metres)*

| **Sales** | **1984** | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| Saskatchewan Power Corporation | **37 163** | 35 884 | 57 310 | 35 560 | 166 706 |
| Plains-Western Gas (Manitoba) Ltd. | **275 395** | 329 017 | 296 967 | 238 243 | 251 994 |
| Inter-City Gas Corporation | **212 454** | 225 951 | 239 825 | 216 440 | 238 057 |
| Greater Winnipeg Gas Company | **1 320 021** | 1 283 129 | 1 362 133 | 1 332 688 | 1 413 725 |
| Northern and Central Gas Corporation Ltd. | **3 060 406** | 2 975 668 | 3 029 432 | 3 449 209 | 3 483 152 |
| The Consumers' Gas Company Ltd. | **9 056 921** | 7 543 916 | 8 170 197 | 8 247 993 | 8 025 751 |
| Union Gas Limited | **6 963 238** | 6 533 808 | 7 276 464 | 7 141 439 | 6 407 173 |
| Kingston Public Utilities Commission | **95 537** | 81 601 | 76 101 | 84 933 | 79 813 |
| Gaz Métropolitain, inc. | **3 220 827** | 2 901 359 | 2 485 354 | 2 622 884 | 2 330 752 |
| Trans Québec & Maritimes Pipeline Inc. | **216 898** | 51 891 | 379 | — | — |
| Gaz Inter-Cité Québec Inc. | **90** | — | — | — | — |
| Total Canadian | **24 458 950** | 21 962 224 | 22 994 162 | 23 369 389 | 22 397 123 |
| Michigan Wisconsin Pipe Line Company | **492 481** | 178 111 | 200 003 | 372 997 | 383 020 |
| Midwestern Gas Transmission Company | **1 578 491** | 1 046 754 | 1 583 241 | 2 868 160 | 3 713 995 |
| Great Lakes Gas Transmission Company | **1 231 755** | 1 243 027 | 2 437 712 | 2 616 861 | 2 663 417 |
| Inter-City Gas Limited | **155 020** | 159 652 | 143 755 | 157 585 | 169 441 |
| Niagara Gas Transmission Limited | **228 063** | 180 392 | 157 288 | 179 699 | 183 003 |
| Vermont Gas Systems, Inc. | **141 484** | 130 590 | 128 009 | 130 001 | 119 566 |
| Boundary Gas, Inc. | **69 119** | — | — | — | — |
| Total U.S. Export | **3 896 413** | 2 938 526 | 4 650 008 | 6 325 303 | 7 232 442 |
| **Total Sales** | **28 355 363** | 24 900 750 | 27 644 170 | 29 694 692 | 29 629 565 |
| **Transportation** | **4 566 579** | 3 675 666 | 4 852 478 | 3 753 127 | 2 167 927 |

## Construction

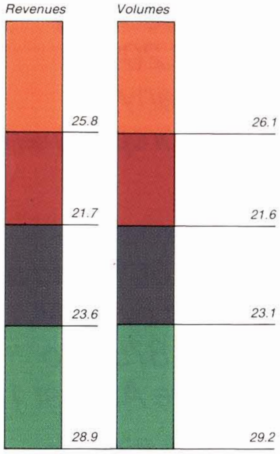
TransCanada has again made pipeline construction history. In the fall of 1984, the company built 6.1 kilometres of 1 067 millimetre loop line in northern Ontario using a technique called "high impact welding." This was the first time that this welding process, which uses explosives to create a bond between pipe ends, has been used for large diameter pipeline construction. The successful project resulted from co-operative research and development by TransCanada, C-I-L Inc. and Stelco Inc.

Station 69, near Thunder Bay, Ontario, is one of the company's automated compressor stations.

The company's total expenditures to add and modify gas transmission facilities amounted to some $57 million in 1984. These expenditures were made to meet market needs and to further improve the operating efficiency and security of the system.

Two new compressor stations were constructed — one at Les Cedres, Quebec, to meet increased Quebec market requirements and one near Vineland, Ontario, to enable the delivery of new exports to Boundary Gas at Niagara Falls. Capital costs were reduced by relocating compressor units from existing stations to these new stations. In addition, new delivery points were created at Fauquier, Metcalfe, Powassan and Trout Creek to connect new markets in Ontario.

Construction plans for 1985 call for the replacement of pipe at a number of locations along the pipeline and a continuation of TransCanada's program of modification and upgrading of facilities. These activities will cost some $45 million.




**Distribution of Sales Revenues and Volumes**
*(Percentage by Calendar Quarter)*

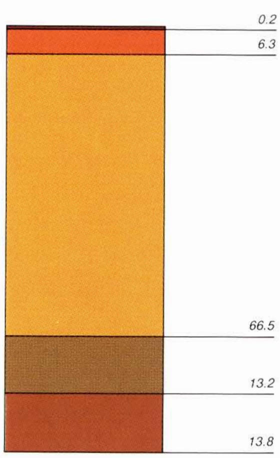
First Quarter
Second Quarter
Third Quarter
Fourth Quarter

## Operations

The Pipeline Division is continuing to implement its strategy to further reduce operating costs and improve productivity. Field staff reductions as a result of long-term planning and the introduction of an early retirement incentive program have led to the restructuring of the field organization. To be completed in 1985, the restructuring will divide the system into five regions and remove one level of field management.

The company took another step in streamlining field operations by placing a number of compressor stations into unattended operation. To do this, a number of improvements and modifications to control and monitoring systems were made, and an extended period of simulated unattended operation was conducted. These stations are now operated remotely.

The company believes field reorganization and unattended operation will improve productivity and effectiveness, without compromising the company's high standards of safe and reliable operation.




**Where the Gas was Sold in 1984**
*(Percentage of Volume Sales)*

Saskatchewan
Manitoba
Ontario
Quebec
Export

## Trans Québec & Maritimes Pipeline Inc.

*Trans Québec & Maritimes Pipeline (TQM), in which TransCanada has a 50% interest, delivered significantly higher volumes in Quebec markets due to increased sales by Gaz Inter-Cité Québec (GICQ) and Gaz Metropolitain. GICQ sales in 1984 increased five-fold over 1983, and Gaz Metropolitain sales to the expansion area opened up by TQM more than doubled.*

*Montreal, like many other Canadian cities, depends increasingly on natural gas to fuel industry and to combat the chill of winter. In Quebec alone the volume of gas delivered in 1984 increased 16% over the previous year.*

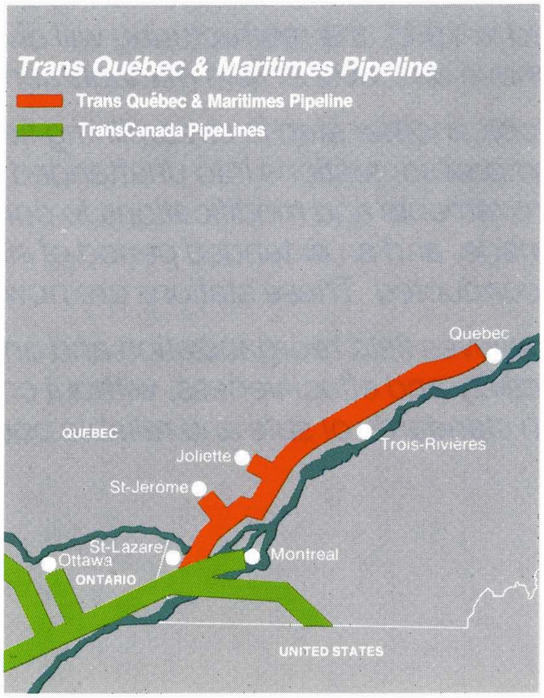
*TQM's peak day deliveries reached 8.617 million cubic metres. Current sales forecasts for the areas connected to its system are in line with the estimates used by the National Energy Board when approving the system construction in 1980.*

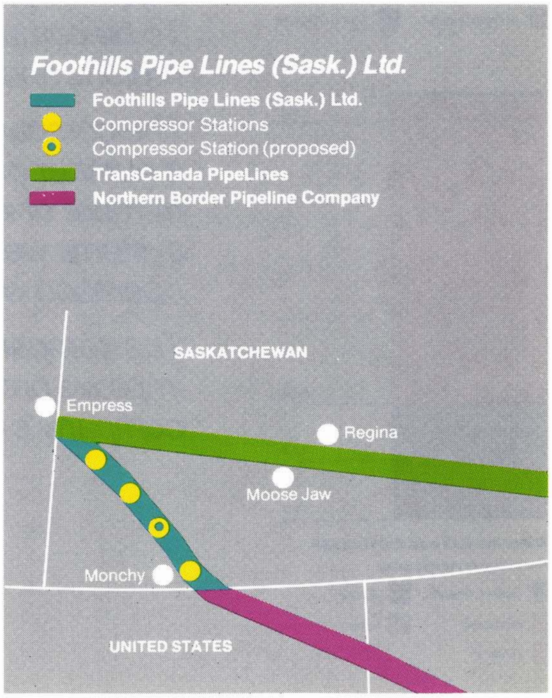
*During 1984, TQM modified its financing by completing two bond offerings and obtaining a new term bank loan. In October, the company issued $100 million of 13.10% Series A Bonds, retractable in 1989 and maturing in 1994. In December, TQM issued $100 million of 13.20% Series B Bonds maturing in 2004. Also in December, the company obtained a $140 million three-year floating rate bank loan with prepayment privileges.*

***TQM had record peak day deliveries.***

*In regulatory matters, the National Energy Board approved new transportation tolls for 1984 which reflected a total return of 12.66% and a return on common equity of 15%. Following a review requested by TQM, the Board authorized an increase in the return on debt from 11.875% to 14.25%, raising the total return from 12.66% to 14.44% effective August 1.*

*Nineteen eighty-four marked the end of major construction activities on the system. TQM had 100 employees at year end.*



## Foothills Pipe Lines (Sask.) Ltd.

*The company operates Foothills Pipe Lines (Sask.) Ltd. and owns a 44% interest in it. The pipeline is built across southwestern Saskatchewan, extending 257 kilometres from Empress on the Alberta border to near Monchy, Saskatchewan, where it connects with the Northern Border pipeline in the United States.*

*Employees at Cancarb, a TransCanada subsidiary, were responsible for achieving record sales and profits as well as an enviable safety record.*

## SPECIAL PROJECTS — Canada

### Cancarb Limited

*Cancarb, a wholly owned subsidiary which makes high quality thermal carbon black, enjoyed record sales and profits in 1984. Cancarb sells its product in the United States, western Europe and throughout the Pacific Basin. Its marketing program is centered around product quality, reliability of supply and strong technical assistance and support for Cancarb customers. The company has now increased its emphasis on research to speed up the introduction of its very high purity product line to new applications.*

*A 50% expansion of Cancarb's plant in Medicine Hat, Alberta, is underway and will be completed by the fall of 1985. The plant continued its excellent safety record, reporting no lost-time due to accidents for the second year in a row.*

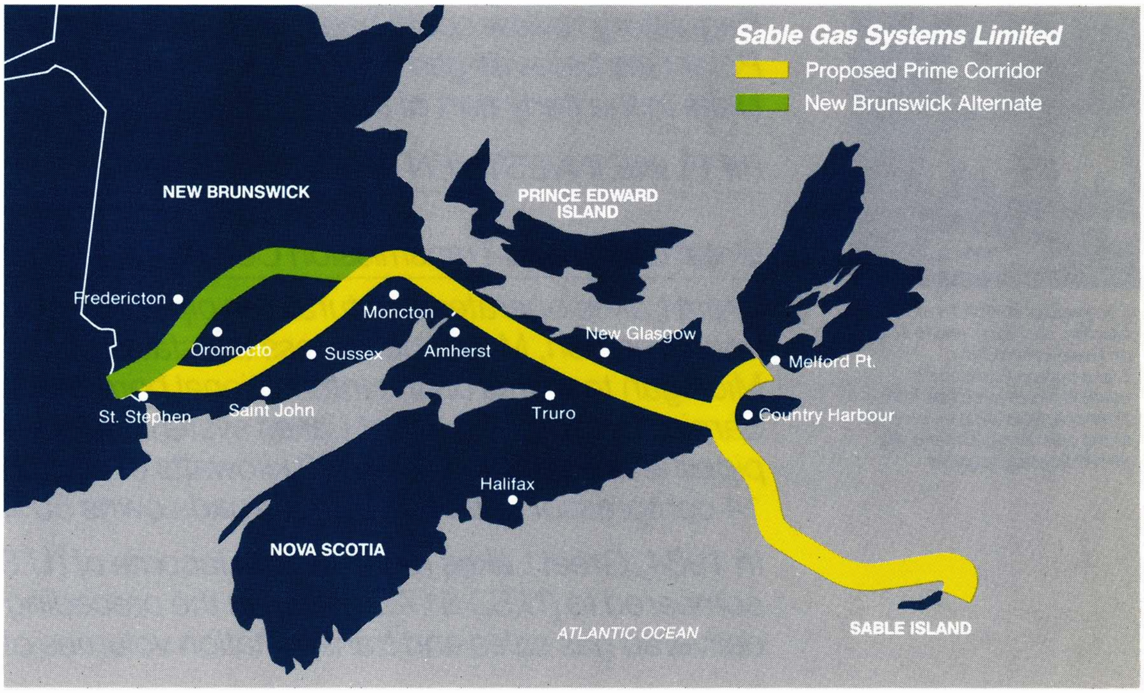
*Cancarb's gas brokering operations reported solid sales and profits in 1984, and project further improvements in 1985.*

*The gas fields off Canada's East Coast are an important future source of energy for both Canada and the United States.*

### Sable Gas Systems Limited

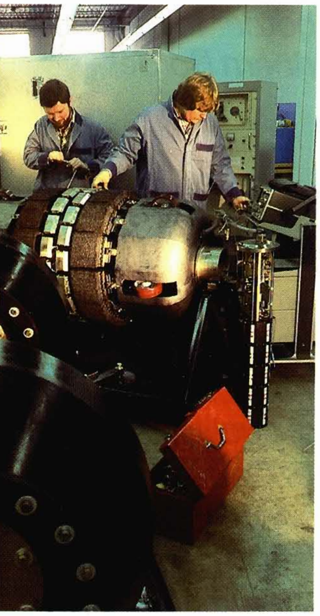
*Sable Gas Systems, which is managed by TransCanada, was established in May, 1983, as a joint effort between TransCanada and Nova Scotia*

***Cancarb had record sales in 1984 and its Alberta plant is now undergoing a major expansion.***



Resources Limited, a Nova Scotia crown corporation, to provide the transportation system linking offshore gas fields and natural gas markets in Canada and the United States.

Natural gas producers exploring for gas fields off the coast of Nova Scotia expect to file gas export applications with the National Energy Board during 1985. At that time, Sable Gas Systems will file an application with the Board seeking approval to build transmission facilities from the offshore production area to an export point at the U.S. border.



Designed by IPEL engineers, this "electronic pig" is a highly sophisticated device which is able to detect corrosion in the walls of large-diameter pipe.

## International PipeLine Engineering Limited

International PipeLine Engineering Limited (IPEL), TransCanada's international pipeline consulting subsidiary, began a major marketing program in 1984. Initially, under the name PipeScan International, IPEL will market electronic pipeline inspection services using tools developed and proven on the Canadian pipeline system.

These sophisticated tools are capable of detecting and accurately locating deformations, internal and external corrosion, and certain metallurgical defects.

Through PipeScan, IPEL has licensed Platypus Oilfield Services Limited of the United Kingdom to market inspection services in specified countries including countries in the Middle East. IPEL will initially concentrate its own marketing efforts in North America.

***IPEL launched a major marketing program for pipeline inspection technology.***

## Polar Gas Project

Polar Gas, which is managed by TransCanada, seeks to construct a natural gas pipeline from the Mackenzie Delta down the Mackenzie Valley to interconnect with existing pipeline systems serving southern markets. The project filed applications with the National Energy Board and the Department of Indian Affairs and Northern Development in June, 1984.

Regulatory review could begin after additional filings are made in 1985. Polar Gas believes gas could begin flowing south from the Mackenzie Delta in the early part of the 1990s.

Compressor station 13 at Otisville, Michigan, is one of 14 on Great Lakes Gas Transmission Company's pipeline which stretches from Emerson, Manitoba, to Sault Ste. Marie and Sarnia, Ontario, via three Midwestern states.

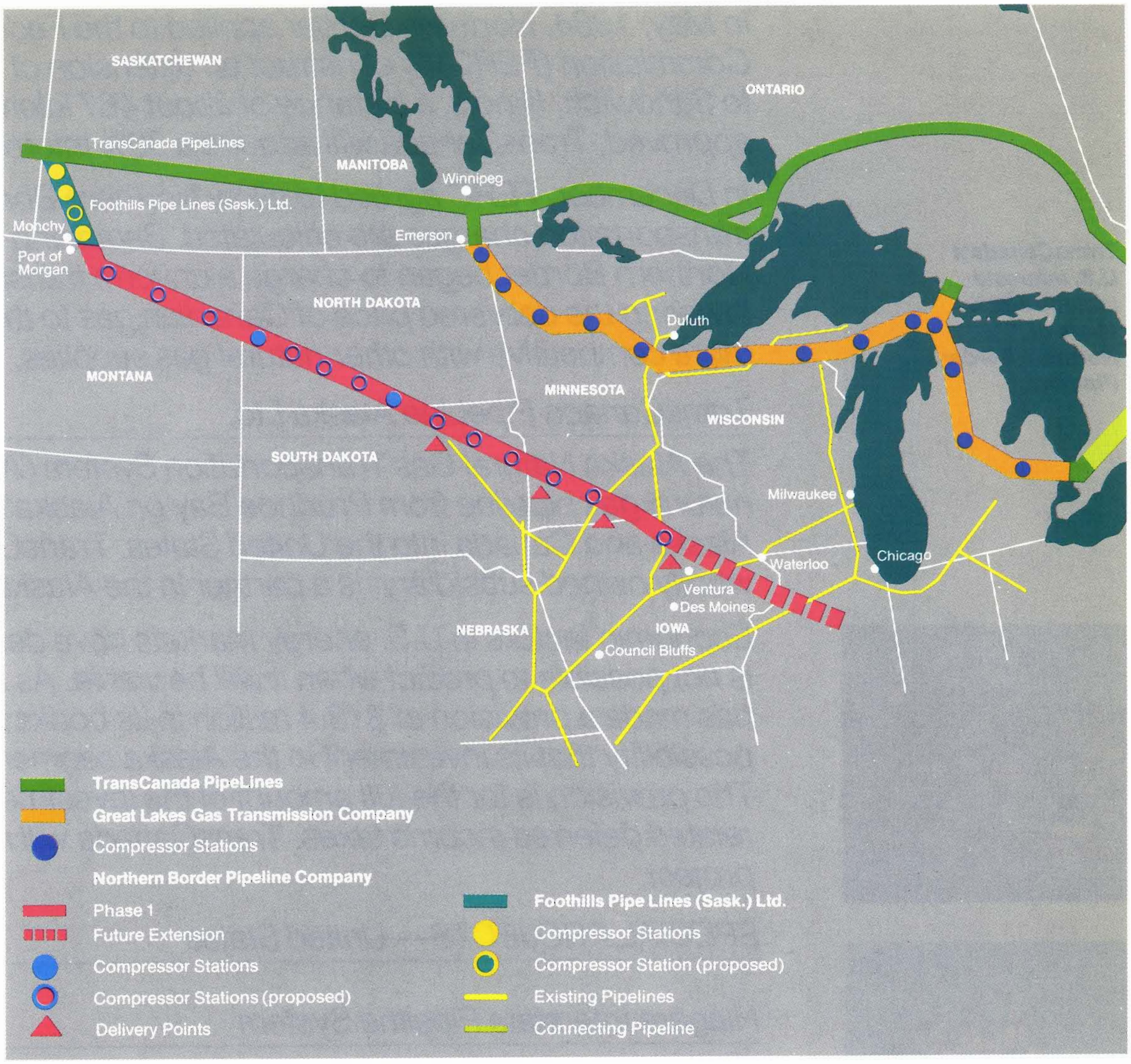
## PIPELINE INVESTMENTS — United States

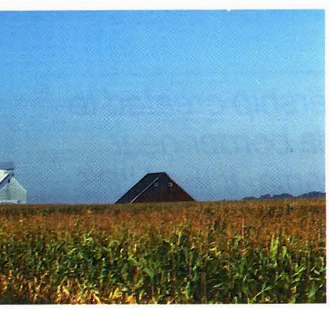
## Great Lakes Gas Transmission Company

Great Lakes operates a natural gas pipeline from the international border near Emerson, Manitoba, across the states of Minnesota, Wisconsin and Michigan to points on the international border near Sault Ste. Marie and Sarnia, Ontario. The Great Lakes system includes 2 100 kilometres of pipeline and a total of 279 000 kilowatts of compression power installed in 14 compressor stations. TransCanada owns 50% of Great Lakes.

In 1984, Great Lakes recorded net income of (U.S.) $27.6 million compared to (U.S.) $17.5 million in the preceding year. The company delivered gas sales and transportation volumes of 11.59 billion cubic

**Great Lakes Gas Transmission Company had a substantial increase in net income.**



*These rural scenes might easily be in the same vicinity. In fact, they are more than 1 000 kilometres apart and represent the beginning of the Northern Border pipeline at the Saskatchewan / Montana border and the end of the pipeline at Ventura, Iowa.*

metres of which 7.53 billion cubic metres was redelivered to TransCanada for sale in eastern Canada. The balance, 4.06 billion cubic metres, was delivered to Great Lakes customers in the United States.

No increase in rates was sought by Great Lakes during the year.

At the end of 1984, Great Lakes had certain take or pay obligations with TransCanada which Great Lakes considered to be offset by similar obligations by its major customer, Natural Gas Pipeline Company of America. An arrangement for dealing with these obligations was reached in January, 1985, as part of a pricing agreement under which Natural Gas Pipeline expects to purchase 75% of its contracted volumes during the year, a substantial increase over the volumes taken in 1984.

## TransCanada Border PipeLine Ltd.

Through this wholly owned subsidiary, TransCanada owns 30% of the Northern Border Pipeline Company, a partnership which operates a 1 323-kilometre pipeline from Monchy, Saskatchewan, to Ventura, Iowa. This pipeline transports mainly Alberta natural gas to midwest U.S. markets.

*In May, 1984, Northern Border applied to the Federal Energy Regulatory Commission (FERC) to construct an extension of its system from Ventura to Sandwich, Illinois, a distance of about 467 kilometres. If these plans are approved, TransCanada will acquire a 30% interest in the new facilities.*

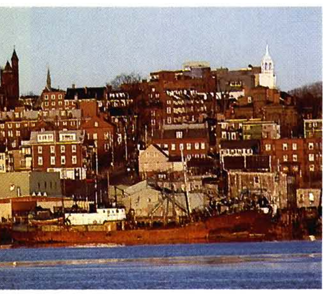
**TransCanada's U.S. interests include a 30% share of Northern Border Pipeline.**

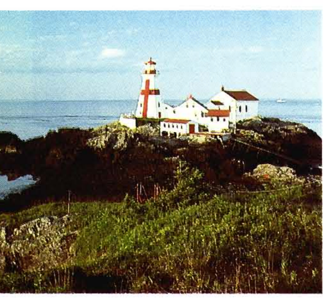
*In December, FERC agreed to allow Northern Border to alter the way its transportation charges are calculated. Beginning November 1, 1984, Northern Border began to charge a uniform transportation tariff, thus lowering the delivered price of Canadian gas to the U.S. and making it more competitive with other natural gas supplies.*

## TransCanada PipeLine Alaska Ltd.

*The Alaska Natural Gas Transportation System (ANGTS) plans to build a natural gas pipeline from Prudhoe Bay on Alaska's north slope through Alaska and Canada into the United States. TransCanada, through its wholly owned subsidiary, is a partner in the Alaska segment of ANGTS.*

*Economic factors in U.S. energy markets have delayed this project and it is not possible to predict when it will be viable. As a result, the company has made a provision of $13.4 million in its books to recognize the possibility that its investment in the Alaska segment may not be recovered. The provision is for the full amount of the investment of $25.2 million less related deferred income taxes. TransCanada will remain a member of the project.*





*When natural gas exports from the Sable Island area off Nova Scotia are approved, TransCanada expects to participate in building new facilities from the production area, through Nova Scotia and New Brunswick to the U.S. border and into Maine to connect with pipelines in the U.S.*

## SPECIAL PROJECTS — United States

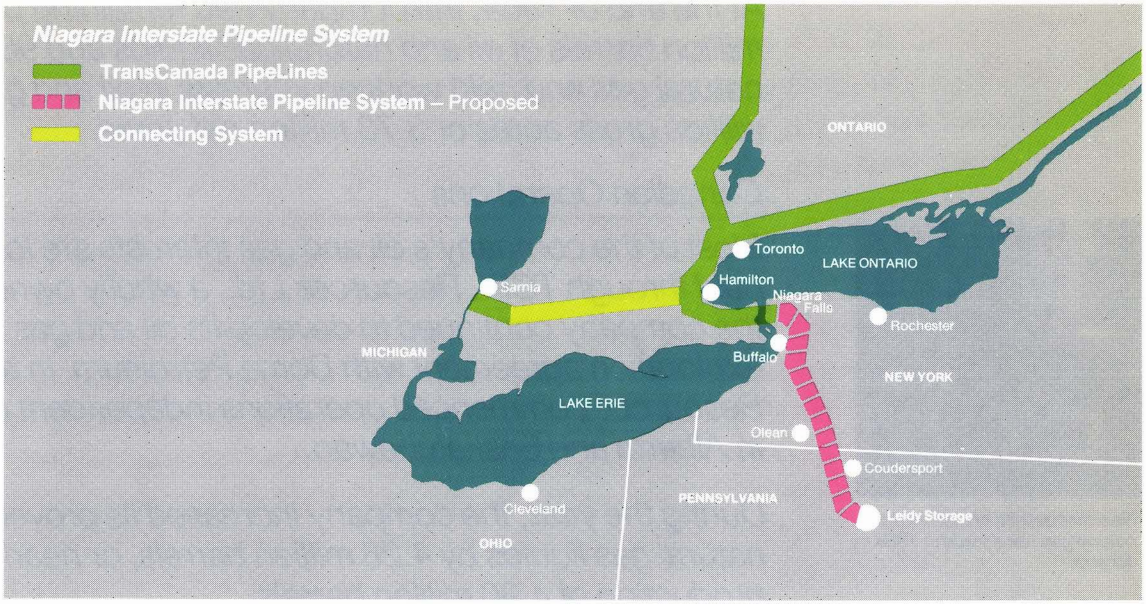
### Niagara Interstate Pipeline System

*The Niagara Interstate Pipeline System (NIPS) is a partnership created to construct a large diameter pipeline from the U.S./Canada border near Niagara Falls, New York, to a point near Leidy, Pennsylvania. If the NIPS proposal wins approval over competing applications, the pipeline will carry new exports of Canadian natural gas to markets in the northeastern U.S.*

*TransCanada, through a subsidiary, holds a 29% interest in the partnership. The partners estimate that the total cost of the NIPS project will be (U.S.) $323 million.*

### Connecting United States Facilities — Sable Island Gas

*When natural gas exports from the Sable Island area are approved, the company has agreed in principle to participate in the construction of new transmission facilities from the international boundary between Maine and New Brunswick to connecting United States pipeline systems.*




**Sales of oil, natural gas liquids and natural gas reached record volumes.**

## *OIL AND GAS DIVISION*

### Highlights

| | **1984** | *1983* |
|---|---|---|
| **Financial** *(millions of dollars)* | | |
| *Investment in oil and gas properties** | **1,550.1** | *1,336.9* |
| *Revenues* | **290.8** | *214.1* |
| *Capital expenditures including acquisitions* | **288.5** | *93.9* |
| **Operating** | | |
| *Oil and natural gas liquid sales (barrels per day)* | **16,806** | *13,627* |
| *Natural gas sales (millions of cubic feet per day)* | **85.3** | *64.9* |

**Includes investment in Syncrude and other oil sands properties.*

*Resources U.S.A. retained the highly skilled management group of Wessely Energy Corporation when it acquired the company.*

## *Summary*

*During 1984, the company expanded its oil and gas operations in Canada, the United States and outside North America. Major highlights included:*

- *The acquisition of the assets of Wessely Energy Corporation, a Dallas-based gas and oil company;*
- *The beginning of Canadian operations outside TCPL Resources' joint exploration agreement with Dome Petroleum Limited;*
- *The completion of the West Pembina natural gas processing and injection facility in Alberta;*
- *Production start-up of the Lalang field in Indonesia;*
- *The discovery of the Melibur oil field in Indonesia;*
- *Oil and natural gas reserve additions exceeded production.*

*Worldwide sales volumes averaged approximately 16,800 barrels per day of oil and natural gas liquids and 85 million cubic feet per day of natural gas, increases over 1983 of 23% and 31% respectively. During 1984, the company participated in drilling 345 exploratory and 908 development wells. In addition, 255 wells were drilled on the company's land at no cost to TransCanada under farm-out agreements with other companies.*

*At the end of 1984, the company had remaining proved reserves of 75.8 million barrels of oil and natural gas liquids and 983.2 billion cubic feet of natural gas and held working interests in oil and gas rights totalling 63.45 million gross acres or 3.73 million net acres.*

## *Canadian Operations*

New discoveries of both oil and natural gas were made in 1984 in Alberta.

*Most of the company's oil and gas interests are located in Canada and held through TCPL Resources Ltd., a wholly owned subsidiary. In 1984, the company continued to develop its oil and gas interests through its joint exploration agreement with Dome Petroleum. In addition, TCPL Resources commenced operations independent of Dome in defined areas in Alberta and Saskatchewan.*

*During the year, the company increased its proved reserves of oil and natural gas liquids by 4.26 million barrels, or nearly 7%, after deducting production of 4.90 million barrels.*

**Proved reserves of oil and natural gas liquids went up nearly 7%.**

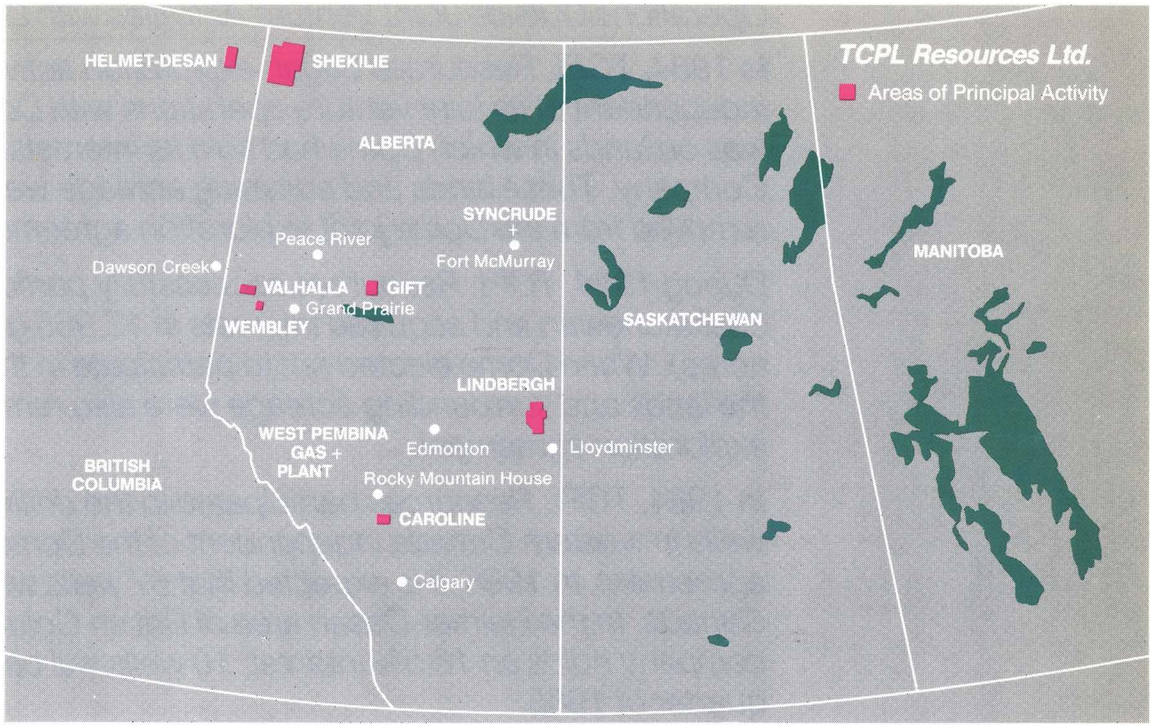
## *Western Canada — Operations with Dome Petroleum*

*The majority of TCPL Resources' interests are held through the MT Partnership, created in 1979. The MT Partnership is managed by TCPL Resources and is owned equally by TCPL Resources and Maligne Resources Limited, a wholly owned subsidiary of Dow Chemical Canada Inc. Under the joint exploration agreement with Dome, Maligne and TCPL Resources each has the right and obligation to take a 12½% interest in Dome's acquisitions of oil and gas properties in western Canada. Dome has the right to acquire a 75% participation in any oil and gas interest acquired by the partnership, TCPL Resources or Maligne within western Canada.*

*TCPL Resources' daily sales, before royalties, averaged 13,407 barrels of crude oil and natural gas liquids, an increase of 17% over last year. Natural gas sales, before royalties, averaged 80 million cubic feet per day, an increase of 26% over 1983. Increased oil sales are attributable to production from new reserves, infill drilling, well workover programs and an increase in Alberta's minimum well allowance. Improved natural gas sales are due to increased foreign and domestic markets. Despite the increase, many natural gas properties were producing at rates below their capabilities. This is a result of continuing oversupply in North American natural gas markets.*

*Noteworthy exploration results in 1984 included oil discoveries in the Wembley area of north-central Alberta and the Shekilie area of northwestern Alberta and a gas discovery south of Rocky Mountain House.*

*The company's development drilling included major activity in the Caroline, Gift Lake and Valhalla areas of Alberta along with widespread activity in the rest of western Canada.*




*In 1984 the company began exploring for oil and gas in Western Canada independent of its joint exploration agreement with Dome Petroleum.*

*Late in 1984, the governments of Alberta and Canada agreed to fiscal terms concerning an in-situ oil sands development in the Lindbergh area, 60 kilometres northwest of Lloydminster. This project will cost $300 million over the next several years. TCPL Resources holds an average 7.2% working interest in the Lindbergh lands which encompass approximately 15,000 gross acres.*

*Construction of the West Pembina natural gas processing and injection facility was completed in 1984 at a net cost to TCPL Resources of $6.8 million. The plant began production in the middle of 1984. This new facility increased TCPL Resources' production of natural gas liquids by 600 barrels per day during the second half of the year.*

## ESTIMATED REMAINING RESERVES

| | 1984 | 1983 |
|---|---|---|
| **Proved Oil and Gas Reserves[1]** | | |
| Crude Oil and Natural Gas Liquids (thousands of barrels) | | |
| Canada | **66,961** | 62,700 |
| United States | **3,537** | 1,232 |
| Indonesia and Other Foreign | **5,295** | 4,856 |
| | **75,793** | 68,788 |
| Natural Gas (billions of cubic feet) | | |
| Canada | **896.6** | 889.8 |
| United States | **86.6** | 5.7 |
| | **983.2** | 895.5 |
| **Synthetic Oil[2]** (thousands of barrels) | **9,450** | 6,045 |
| **Sulphur** (thousands of tons) | **688** | 652 |

*Notes:*

1. *Proved reserves in Canada are determined by the deduction of freehold and overriding royalties but before the deduction of provincial royalties. Proved reserves in the United States are net of all royalties. Proved reserves in Indonesia and other foreign jurisdictions are attributable to the company's gross working interest before host government takes.*
2. *Synthetic oil reserves result from the company's interest in the Syncrude project.*

## Operations Outside Joint Venture Activities with Dome

In 1984, TCPL Resources began exploration activity in western Canada independent of its joint venture operations with Dome. This exploration was on lands in which Dome had sold its interests to Alberta Energy Company. These lands and adjoining acreage were subsequently removed from the Dome joint exploration agreement.

During 1984, TCPL Resources successfully participated in land sales in Saskatchewan and acquired interests in 12,965 gross acres (6,482 net acres). When Dome elected not to participate in these land acquisitions, the lands and surrounding acreage were also removed from the joint exploration agreement.

In 1984, TCPL Resources participated in the drilling of nine exploratory wells in western Canada independent of the Dome joint exploration agreement. In 1985, it is expected that 67 wells will be drilled in western Canada. In the Helmet-Desan area of British Columbia, where the company holds an 18.5% interest, 10 wells will be drilled during the first quarter of 1985.

## Oil Sands

Equipment used to mine the oil sands at the Syncrude project stands several stories high.

The company's synthetic oil sales from its 0.625% interest in the Syncrude oil sands project averaged 541 barrels per day in 1984. A fire and explosion in the coker section of the plant, which occurred in August, 1984, reduced throughput from 1983 levels. Repairs to the facility were completed in December and the plant was back to full capacity by year end. During 1984, approval was obtained for a four-year capital additions program which will result in increased production, commencing in 1985.

## Frontier

TCPL Resources has mostly minor interests in a total of 18 offshore exploration agreements located in the Arctic Islands, the Beaufort Sea and in the offshore area of eastern Canada. These agreements are for terms of three to five years. Each requires minimum specified work obligations and includes acreage relinquishment provisions.

The Empress II extraction plant went into full operation in 1984.

Of particular note is the Home et al Louisbourg J-47 well in the offshore area of eastern Canada, which was abandoned in October 1984 after having discovered what are currently considered non-commercial volumes of dry natural gas. In December, the second well to be drilled on the same block was spudded. The Home et al Citadel H-52 well will be drilled to a depth of 19,800 feet. TCPL Resources has an interest of 7.3% in these wells.

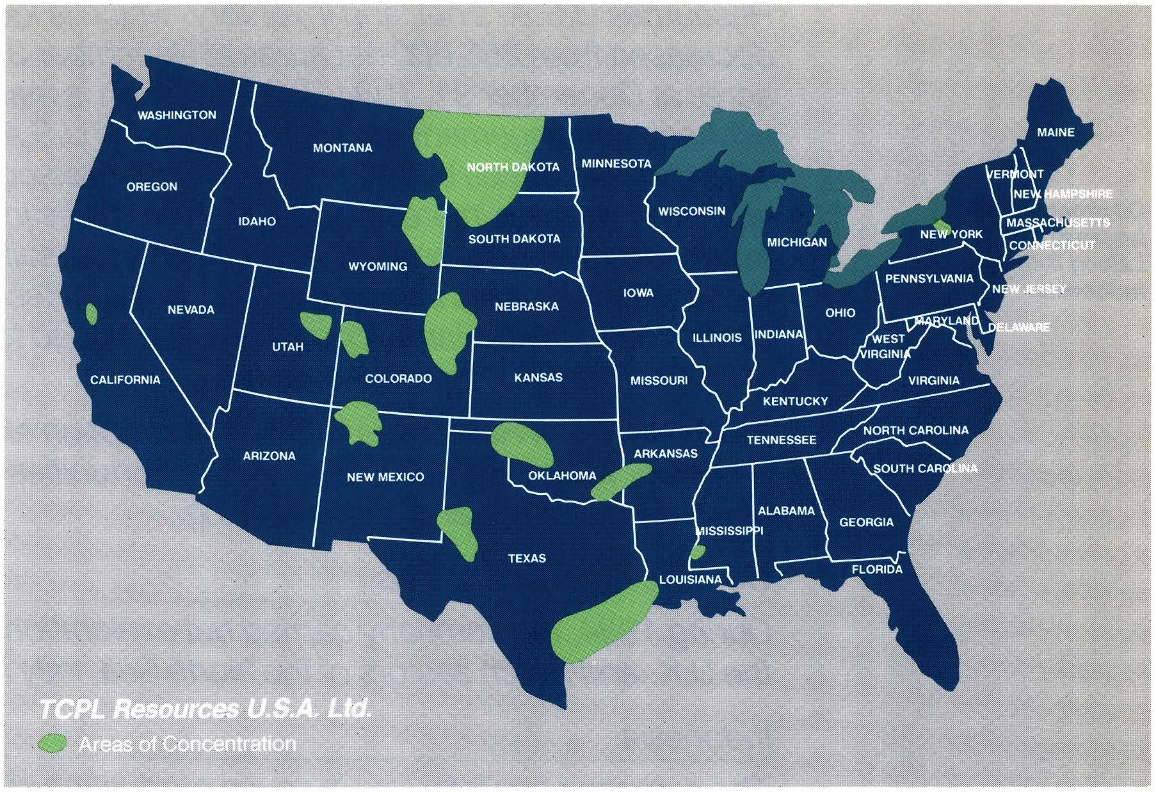
## Empress Extraction Plant

During 1984, the Empress II extraction plant near Empress, Alberta completed performance testing and commenced full operation. The plant extracts natural gas liquids and ethane from natural gas. TCPL Resources

The acquisition of Wessely Energy Corporation in 1984 helped TCPL Resources U.S.A. to broaden its exploration and development activities and record a substantial increase in revenues over the previous year.

In a joint venture with Spartan Petroleum Limited, TCPL Resources U.S.A. continued to drill in the Gulf Coast area of the United States.

**The acquisition of Wessely added production, reserves and technical know-how.**




*owns a 50% interest in the plant and, at year end, had an investment in it of some $75 million.*

## *United States Operations*

*Revenues of TCPL Resources U.S.A. increased to $21.2 million in 1984 from $5.9 million in the preceding year.*

*Production, including Wessely Energy Corporation since July 1, 1984, averaged 867 barrels of crude oil and natural gas liquids per day and 5,328 thousand cubic feet of natural gas per day during 1984. At year end, the production of crude oil and natural gas liquids was 1,360 barrels per day.*

*The Denver office continued to concentrate activities in the Williston, Powder River, Uinta and Piceance basins, and the Gulf Coast region of Texas and Louisiana.*

*The acquisition of Wessely, effective July 1, 1984, led to further exploratory and development activity in northern Louisiana, Oklahoma and east Texas. By acquiring Wessely and retaining its highly skilled management group, Resources U.S.A. has added a major new dimension to its operations. The Wessely group, headquartered in Dallas, Texas, has added substantially to Resources U.S.A.'s production, reserves and technical know-how.*

*During the year, Resources U.S.A. continued to be active in the Gulf Coast area through its joint venture with Spartan Petroleum Limited. Two wells were drilled by this joint venture in 1984 and a third was being drilled at year end. Several additional properties will be drilled in 1985.*

Resources U.S.A.'s net land inventory, which is located in 15 states, decreased from 268,000 net acres at December 31, 1983, to 203,000 net acres at December 31, 1984. This reduction is mainly attributable to an exchange arrangement between Resources U.S.A. and Texaco Inc. whereby Resources U.S.A. relinquished to Texaco the remaining scattered working interests acquired through its joint venture with Dome. In exchange, Resources U.S.A. received a consolidated acreage position in the Williston basin. During the year, both offices of Resources U.S.A. continued to review land acquisitions and added to their active inventory of land throughout the United States.

**Oil production began at the Lalang field in Indonesia.**

To complement Resources U.S.A.'s exploration efforts in 1985, the company will investigate investment opportunities in intrastate gas pipeline operations and gas marketing.

## Other Foreign Operations

During 1984, the company carried out exploration activities in Indonesia, the U.K. and Dutch sectors of the North Sea, Italy and Australia.

## Indonesia

The company has interests in seven production sharing contract areas in Indonesia.

The loading of oil tankers is a frequent sight in Indonesian waters, where TCPL Resources is active in several production sharing contract areas.

In the Southeast Sumatra production sharing contract area, where the company holds a 1.226% interest, 27 wells were drilled in 1984 resulting in 8 oil wells. Gross daily crude oil sales declined to an average of 89,804 barrels, from a 1983 level of 98,532 barrels per day. The drop resulted from normal production decline and the poor international oil market which caused production curtailments.

In the Malacca Strait production sharing contract area, where the company holds a 7.08% interest, development drilling and facility installation in the Lalang field were completed in early June. Production began the same month, at the rate of 25,000 barrels per day, and is expected to increase to 35,000 barrels per day in early 1985.

Late in 1984, an agreement in principle was reached with Pertamina, the Indonesian state oil company, to develop the Mengkapan field and the recently discovered Melibur oil field. Detailed planning on the Mengkapan field development is currently underway and production is expected to begin in mid-1986. Further delineation drilling will be carried out on the Melibur discovery. Development plans for both fields will be filed with Indonesian authorities in April, 1985.

An exploratory well was drilled in the Madura Strait production sharing contract area in 1984 and encountered gas which tested at a cumulative rate of 28 million cubic feet per day. Two further exploratory wells are planned for the same area in 1985.


***Production from the Mengkapan field should begin in 1986.***

*TransCanada continued its participation in exploration and development wells in the North Sea in both the UK and Dutch sectors.*

TCPL Resources has entered into a farm-in agreement in the Barito production sharing contract area which is located onshore in east Kalimantan and the Asahan production sharing contract area in the Malacca Strait. Seismic work and exploratory drilling is planned to evaluate these prospective areas. The company has negotiated a farm-in on one other production sharing contract area located in Irian Jaya.

## North Sea — U.K. Sector

The company increased its interest in Block 22/19 from 13.75% to 15.65% by participating in the 22/19-1 exploratory well. The well was tested at a combined rate of 38 million cubic feet of natural gas and 3,900 barrels of condensate per day. Plans for 1985 include the drilling of one exploratory well and one delineation well on the block.

## North Sea — Dutch Sector

TCPL Resources has interests in five blocks in the Dutch sector of the North Sea. On Block L/1, an exploratory well was drilled and abandoned during 1984. The company earned a 10% interest in Block Q/14 by participating in a well that was abandoned after testing non-commercial hydrocarbons. Development was initiated on an oil field in Block P/15 where the company has a minor working interest.

Exploratory wells drilled in Australia's Eromanga basin led to the discovery of oil.

## *Italy*

*TCPL Resources has interests in five exploration permits in the Sicily Channel and the Adriatic Sea. In 1984, it earned a 7.5% interest in Permit CR91 by participating in the Eva #1 well. The well did not encounter hydrocarbons and was abandoned. The Aretusa #1 well was spudded in November, 1984, and was still being drilled at year end.*

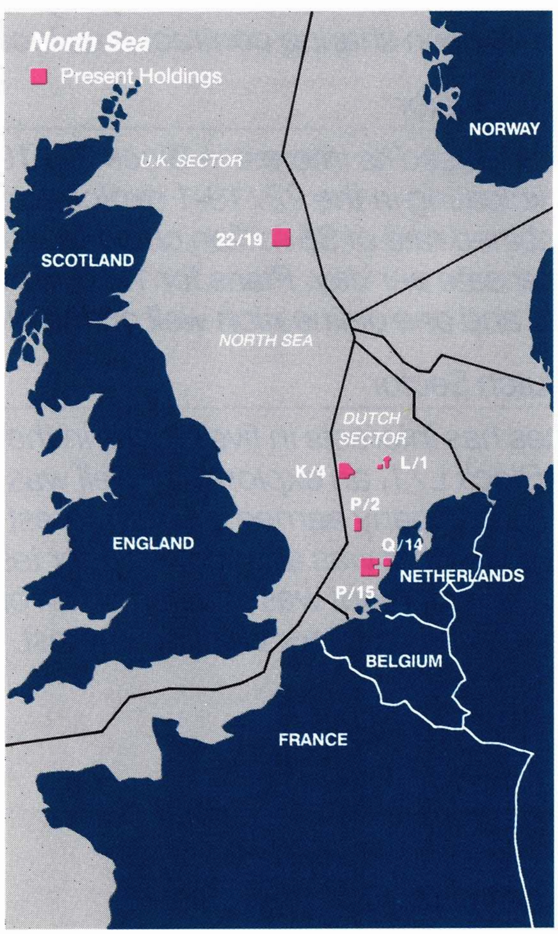
*The company holds a 25% interest in Permit BR208, which has been granted in the Adriatic Sea.*

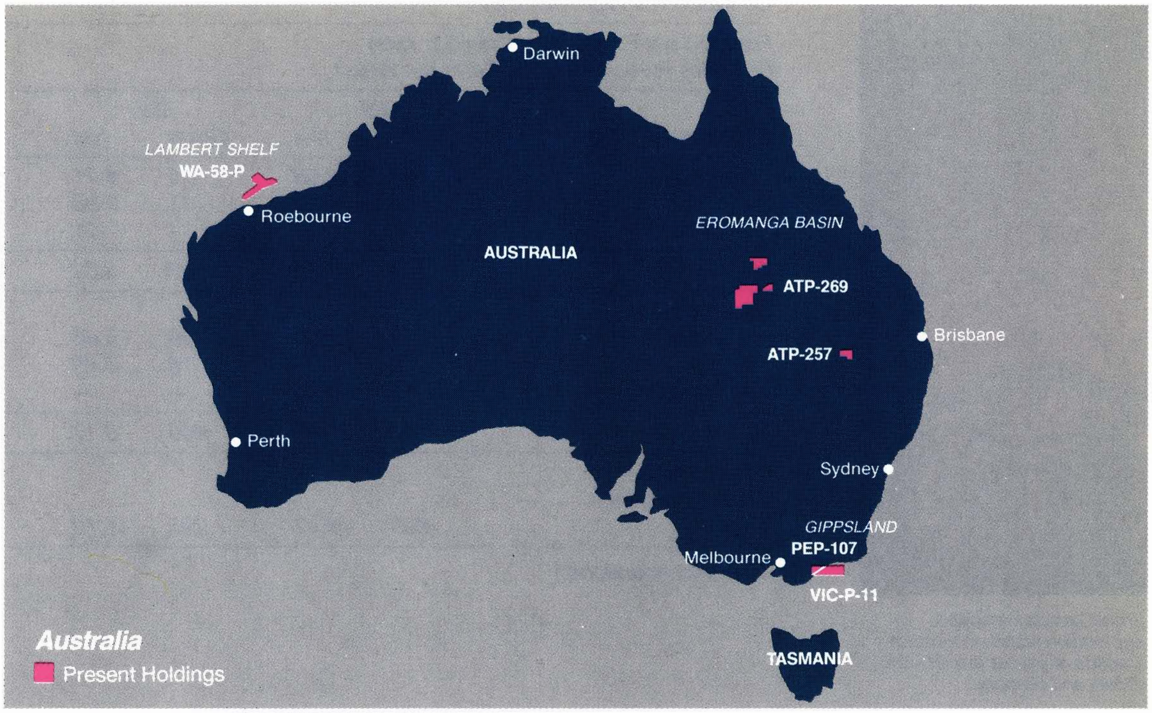
## *Australia*

*The company has interests in two offshore blocks and three onshore blocks in Australia totalling 329,000 net acres. Four exploratory wells were drilled on Permit ATP269 located in the Eromanga basin in Queensland resulting in the Bodalla South oil discovery. The discovery well tested oil in two formations at a combined rate of 2,883 barrels per day, while a delineation well tested oil at a combined rate of 5,928 barrels per day. A third appraisal well was drilling at year end. Planning is now underway for the development of the Bodalla South oil field.*

*At year end TCPL Resources was in the process of setting up an office in Sydney, Australia, to manage its interests in Australia and oversee its producing properties in Indonesia.*

***Exploration in the U.K. sector of the North Sea showed encouraging results.***




***Planning is underway to develop the Bodalla South oil discovery.***

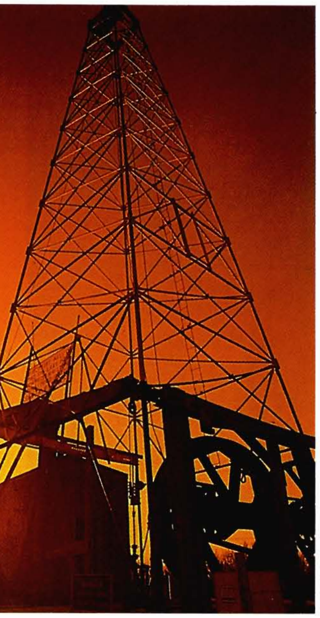
*The Australian outback is the setting of the recent Bodalla South oil discovery in Queensland, in which the company has an interest.*

## PETROLEUM AND NATURAL GAS RIGHTS

*as at December 31, 1984*

| | Working Interest (thousands of acres) | |
|---|---|---|
| | Gross[(2)] | Net[(3)] |
| **Canada** | | |
| Western Canada[(1)] | | |
| Alberta | 15,802 | 1,114 |
| B.C. | 3,083 | 196 |
| Saskatchewan | 2,987 | 285 |
| Manitoba | 1,245 | 135 |
| Ontario | 49 | 2 |
| | 23,166 | 1,732 |
| **Frontier** | | |
| Arctic Islands | 1,234 | 25 |
| Beaufort Sea | 1,735 | 71 |
| East Coast | 6,448 | 130 |
| N.W.T. | 3,964 | 230 |
| | 13,381 | 456 |
| Total Canada | 36,547 | 2,188 |
| **U.S.A.** | 517 | 203 |
| **International** | | |
| Australia | 5,927 | 329 |
| Egypt | 532 | 11 |
| Indonesia | 19,142 | 927 |
| Italy | 462 | 54 |
| North Sea — Netherlands | 268 | 5 |
| North Sea — U.K. | 55 | 8 |
| Total International | 26,386 | 1,334 |
| GRAND TOTAL | 63,450 | 3,725 |

1. In addition royalty interests are held in 3.8 million acres.
2. Gross refers to the total number of acres in which the company holds either a working or overriding royalty interest.
3. Net is determined by multiplying the gross acres by the percentage of working interest held by the company in gross acres. Overriding royalty interests are excluded in calculating net acres.



TransCanada increased exploration activity in western Canada as well as in the United States and offshore.

## DRILLING SUMMARY

*For the Year Ended December 31, 1984*
*(includes Participation and Farm-out Wells)*

| | Oil | | Gas | | D&A* | | Total | |
|---|---|---|---|---|---|---|---|---|
| **Exploratory** | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Canada | 94 | 8.08 | 75 | 4.71 | 114 | 7.45 | 283 | 20.24 |
| U.S.A. | 34 | 9.35 | 11 | 1.90 | 62 | 16.08 | 107 | 27.33 |
| Foreign | 6 | 0.14 | 1 | .01 | 24 | 0.85 | 31 | 1.00 |
| TOTAL | 134 | 17.57 | 87 | 6.62 | 200 | 24.38 | 421 | 48.57 |
| **Development** | | | | | | | | |
| Canada | 719 | 22.00 | 190 | 5.68 | 105 | 5.68 | 1,014 | 33.36 |
| U.S.A. | 28 | 8.59 | 18 | 3.49 | 12 | 2.55 | 58 | 14.63 |
| Foreign | 12 | 0.31 | — | — | 3 | 0.10 | 15 | 0.41 |
| TOTAL | 759 | 30.90 | 208 | 9.17 | 120 | 8.33 | 1,087 | 48.40 |
| **Exploratory & Development Total** | 893 | 48.47 | 295 | 15.79 | 320 | 32.71 | 1,508 | 96.97 |

*Dry and Abandoned

TransCanada's Calgary office is located at the hub of Canada's oil and gas industry.

## DAILY SALES VOLUME SUMMARY

| | **1984** | | | | 1983 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Canada** | **U.S.A.** | **Indonesia** | **Total** | Canada | U.S.A. | Indonesia | Total |
| **Oil and Natural Gas Liquids** (barrels) | | | | | | | | |
| Conventional Crude | **11,043** | **817** | **1,991** | **13,851** | 9,655 | 190 | 1,208 | 11,053 |
| Synthetic | **541** | **—** | **—** | **541** | 691 | — | — | 691 |
| Natural Gas Liquids | **2,364** | **50** | **—** | **2,414** | 1,773 | 110 | — | 1,883 |
| Total Oil and Natural Gas Liquids | **13,948** | **867** | **1,991** | **16,806** | 12,119 | 300 | 1,208 | 13,627 |
| **Natural Gas** (millions of cubic feet) | **80.0** | **5.3** | **—** | **85.3** | 63.4 | 1.5 | — | 64.9 |
| **Sulphur** (long tons) | **172** | **—** | **—** | **172** | 154 | — | — | 154 |

*Note: Sales volumes for Canada are gross and include all volumes attributable to the company's working interests before the deduction of royalties. Sales volumes for the United States are net of royalties. Sales volumes for Indonesia are attributable to the company's gross working interests before government takes.*

*Daily sales volume is calculated by dividing total sales for the respective year by the number of days in that year.*

# FINANCE DIVISION

*TransCanada was active in capital markets in 1984. The following table details issues completed by the company during the year.*

***At year end, the price of common shares was 39% higher than at the end of 1983.***

| Issue | Maturity | Interest Rate |
|---|---|---|
| 100,000,000 Swiss Franc Notes | 1992 | 5½% |
| 150,000,000 Swiss Franc Notes | 1991 | 5¾% |
| $100,000,000 Cumulative Redeemable Convertible First Preferred Shares Series G | Redeemable 1989 | 9%* |
| $75,000,000 TCPL Resources Notes | 1989 | 12⅝% |

*Dividend Rate

The 5½% Swiss franc issue was undertaken to refund an existing issue of Swiss franc notes. Proceeds from the 5¾% Swiss franc issue were used to fund TransCanada's non-utility activities.

The $75 million note issue for TCPL Resources was the first corporate EuroCanadian issue to carry warrants. These warrants enable holders to purchase, for a period of five years from their date of issuance, TCPL Resources 12⅝% Notes due in 1994. By issuing the warrants, the company was able to substantially reduce its effective interest cost.

During the year, TransCanada also completed an interest rate swap that fixed for a period of five years the interest rate on approximately $63 million of floating rate debt related to oil and gas properties. This debt is secured by TransCanada's interest in certain oil and gas properties and is non-recourse to TransCanada.

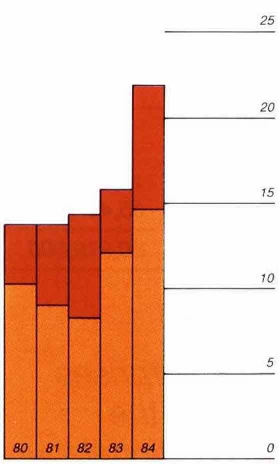
Long-term financing for the company's interest in the Empress II extraction plant was also completed in 1984. With the plant as security, two lenders agreed to finance up to 85% of TransCanada's investment. This financing will be non-recourse to TransCanada when certain documentation is delivered this year.

## Banking

The company's commercial paper program was expanded from $150 million to $250 million in 1984. The company's average cost of short-term funds during the year was 11.28% on average outstandings of $497.4 million. In the short-term investment area, the company earned 10.64% on average Canadian investments of $31.5 million and 10.75% on average United States investments of (U.S.) $410.7 million.

## Dividend Reinvestment and Stock Dividend Plans

The company's Dividend Reinvestment and Share Purchase Plan and Stock Dividend and Share Purchase Plan were instituted during 1983. The plans raised in excess of $59 million for the company in 1984 and a total of 2,767 shareholders are presently taking advantage of them. The company believes that the plans provide a benefit to shareholders who participate, while raising common equity for the company at a cost




**High/Low Share Price**

*Dollars, after giving effect to two-for-one share split effective February 17, 1984*

High

Low

competitive with public issues. The table below details the results of the second year of operation of the plans and reflects the two-for-one share split in February, 1984.

| | Dividend Reinvestment Plan Common | Preferred | Total | Stock Dividend Plan |
|---|---|---|---|---|
| Shares enrolled in plan at December 31, 1984 | 54,263,450 | 1,611,162 | — | 1,457,051 |
| Proceeds | | | | |
| — from dividends | $49,555,476 | $7,601,283 | $57,156,759 | $942,974 |
| — from optional cash payments | — | — | $870,128* | $186,879 |
| Common shares issued | | | | |
| — for dividends | 3,231,628 | 480,808 | 3,712,436 | 61,397 |
| — for optional cash payments | — | — | 54,023* | 11,525 |

*These figures cannot be separated between common and preferred.

***Innovative financing helped reduce interest costs.***

During 1984, shares issued as dividends under the plans were issued at an average price of $15.40 on a post-split basis. Optional cash payments purchased shares at an average price of $16.13.

## Common Share Information

The company's common shares closed at $21.75 at the end of 1984, an increase of over 39% from the previous year end. During 1984, the company's common shares traded between a low of $14.63 and a high of $21.88. At year end, the total number of common shareholders was 21,652.

Some details regarding the company's common shareholders can be seen in the accompanying Geographic Share Distribution table and in the table below.

PROFILE OF COMMON SHAREHOLDERS BY SIZE OF SHAREHOLDING

| | December 31, 1984 | | December 31, 1983 | |
|---|---|---|---|---|
| Number of Shares Held | Shareholders | Shares* | Shareholders | Shares* |
| 1-99 | 5,033 | 221,080 | 8,095 | 663,624 |
| 100-999 | 13,077 | 4,480,296 | 12,290 | 6,743,854 |
| 1,000-99,999 | 3,495 | 14,051,773 | 2,001 | 18,102,892 |
| Over 99,999 | 47 | 76,479,180 | 29 | 65,409,430 |
| Total | 21,652 | 95,232,329 | 22,415 | 90,919,800 |

*after giving effect to the two-for-one share split effective February 17, 1984.

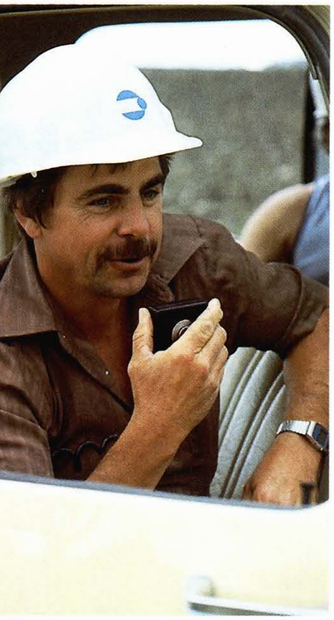
The company's largest common shareholder, Bell Canada Enterprises Inc., increased its holdings during 1984 through participation in the Dividend Reinvestment Plan and through a purchase of an additional four million shares on the open market in July, 1984. At year end, 1984, Bell Canada Enterprises Inc. held 47.21% of the company's common shares.

*Other important events occurring in 1984 included shareholder approval of a two-for-one split of the common shares which became effective on February 17, 1984 and a 4¢ increase in the quarterly common dividend payable January 31, 1985, to 28¢ per quarter.*

GEOGRAPHIC SHARE DISTRIBUTION
*as of December 31, 1984*

| | Number of Shareholders | Number of Shares* |
|---|---|---|
| Newfoundland | 21 | 141,396 |
| Nova Scotia | 599 | 919,109 |
| Prince Edward Island | 60 | 44,360 |
| New Brunswick | 285 | 218,382 |
| Quebec | 2,379 | 51,431,289 |
| Ontario | 9,692 | 34,992,090 |
| Manitoba | 916 | 2,331,772 |
| Saskatchewan | 561 | 365,459 |
| Alberta | 2,257 | 1,709,126 |
| British Columbia | 3,004 | 2,068,094 |
| Northwest Territories | 1 | 800 |
| Yukon Territory | 7 | 468 |
| Total Canadian | 19,782 | 94,222,345 |
| U.S.A. | 1,711 | 879,648 |
| United Kingdom | 68 | 71,418 |
| Other Countries | 91 | 58,918 |
| Total Non-Resident | 1,870 | 1,009,984 |
| Overall Total | 21,652 | 95,232,329 |

*after giving effect to the two-for-one share split effective February 17, 1984.



*Every employee of TransCanada is a shareholder of the company.*

## CORPORATE DIVISION

### Human Resources

**An attractive early retirement program was offered to eligible employees.**

In 1984, a Special Early Retirement Incentive Program was offered to employees 55 years of age or older. The program offered a choice of pension enhancement or lump sum payment to the 181 employees of the company who were eligible. The program was entirely voluntary and 75 employees elected to accept the offer. These employees retired in the fall of 1984.

A Management Trainee Program was also introduced by the company in 1984. This program will identify employees with management potential and offer them an opportunity to receive management training and experience. The program's advisory committee has selected six trainees, who will enter the three-year program in 1985 when they are transferred to selected training positions.

At the end of 1984, TransCanada had approximately 1,900 employees.


*Alert to changing world financial conditions, the company has reached into overseas capital markets to pursue creative financing opportunities.*


*In London's financial district, Finance Manager Donald Robson (left) and Vice-President, Finance and Treasurer Mitchell Graye (centre) worked with Richard McCoy, Vice-President of Wood Gundy Inc. to conclude a Eurodollar financing for TCPL Resources.*

*In Toronto, Corporate Controller Susan Scott and Senior Vice-President and Chief Financial Officer Neil Nichols refine the accounting treatment of innovative approaches to financing.*

*Finding new markets for Canada's abundant supplies of natural gas is a key mission for TransCanada's Pipeline Division.*

*Linked by television to New York, Bob Reid, Vice-President, Sales and Rates joined ceremonies that initiated a new era of Canadian natural gas sales to the northeastern United States — gas that will provide the communities in that area with added energy security.*

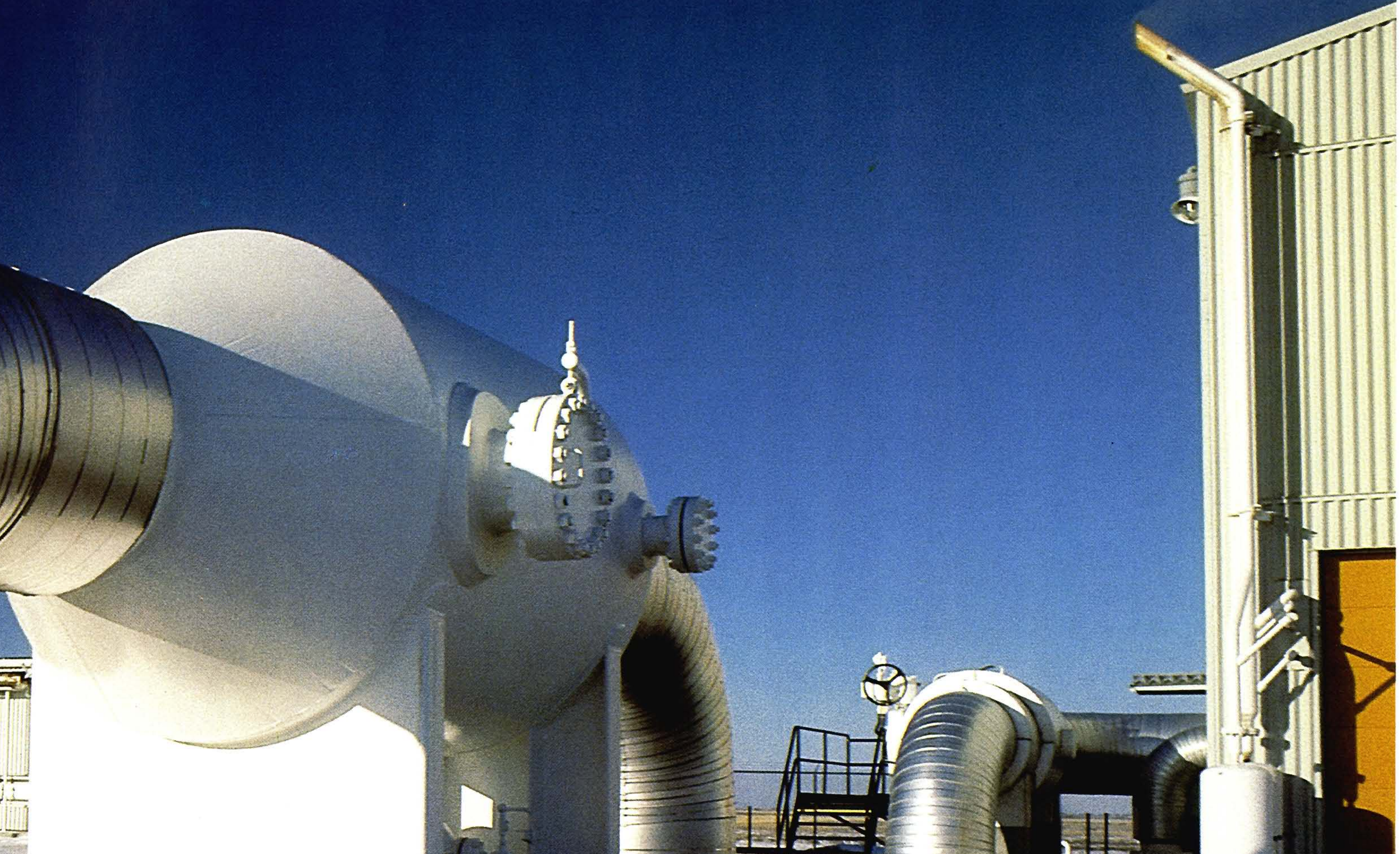
*TransCanada continues to explore new ways to do old jobs better — developing and applying new technology to improve safety and efficiency.*

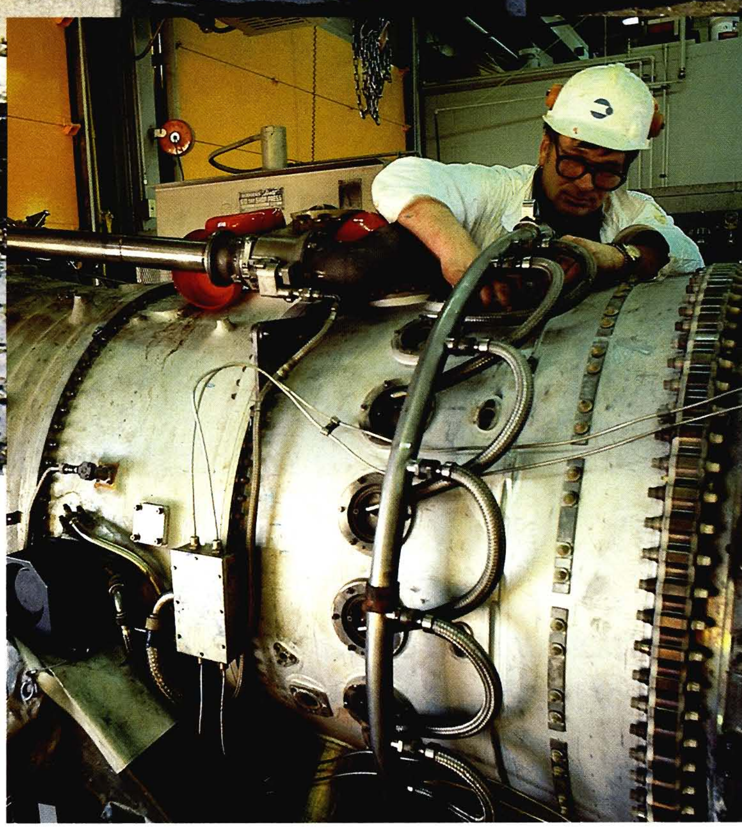
In 1984, the company was the first to test the use of explosives in welding a large diameter natural gas pipeline. The successful test was conducted on a 6.1 kilometre section of line near Thunder Bay, Ontario.

*As market conditions change, TransCanada pursues complex and creative negotiations to maximize the flow of natural gas from Alberta to markets in Canada and the United States.*

*Vice-Presidents Art Douloff (centre) and Jim McOuat (right) finalize a renegotiated pricing agreement with officials of Natural Gas Pipeline Company of America, a large U.S. customer which transports natural gas to midwest markets including Chicago, shown here.*

*Safety, efficiency and reliability are the watchwords of TransCanada's field operations. The goal — to establish the best pipeline operating record in the world.*





*Entering the pipeline near Burstall, Saskatchewan, gas is moved along the 4 000 kilometre system to markets in Canada and the United States. Meticulous monitoring and performance testing ensure operating efficiency and economy.*

*In Alberta is found the mother lode of Canada's natural gas supplies — providing the lifeblood of the company's pipeline operations.*

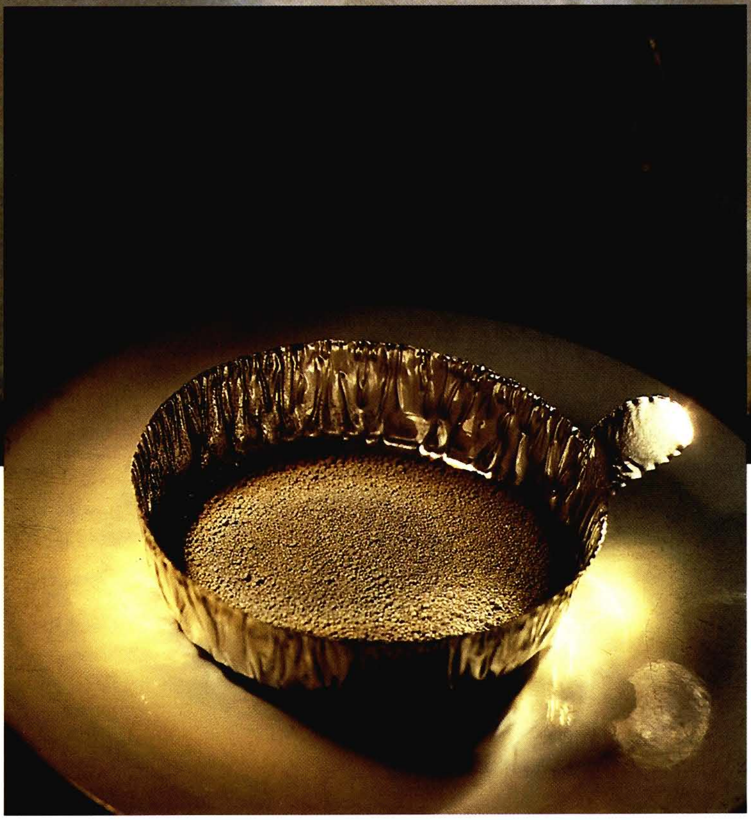
*TransCanada works closely with natural gas producers to ensure that as gas moves eastward to market, its benefits also flow back to Alberta. Trish Humeny (large photo), a geological technician, is part of TransCanada's Alberta Division in Calgary, along with engineer Wayne Lui and Lorraine Latter, an engineering technician.*

*Beneath the beauty of the western U.S. lie vital supplies of oil and gas — energy that will help fuel the company's growth for years to come.*

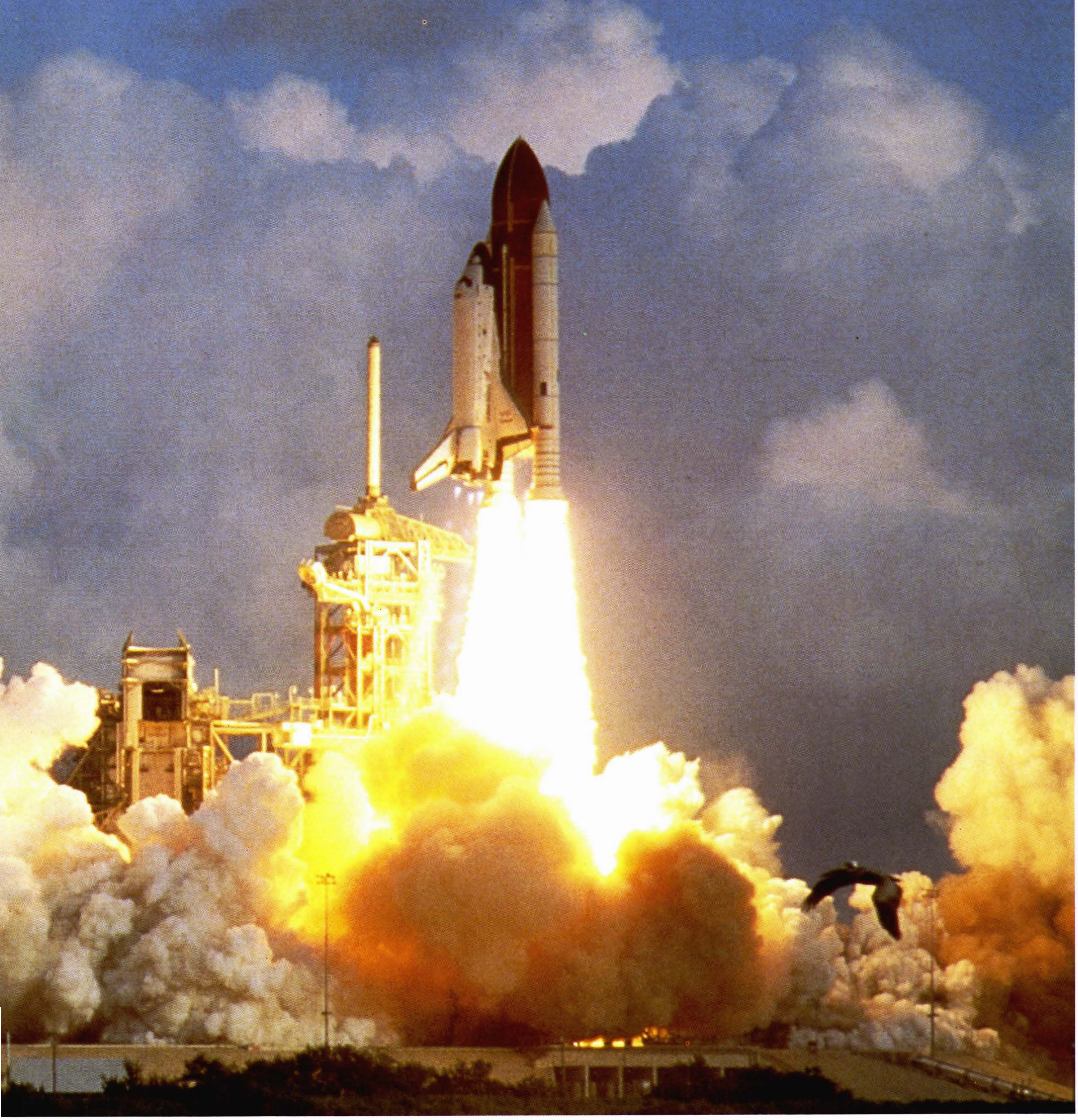
*Since 1979, the company has become increasingly active in oil and gas exploration and development in the United States. From its offices in Denver and Dallas, the company's U.S. oil and gas operations are a growing presence in the west and southwest.*

*From modest beginnings in 1979, TransCanada's energy investments now span the globe — probing for oil and gas in locations such as Australia, Indonesia, Italy and the North Sea.*

*Foreign revenues from TransCanada's oil and gas investments increased sharply in 1984 when oil production began at this platform on the Lalang field in Indonesia.*



*Cancarb's high purity carbon product Thermax has "the right stuff" for NASA, which uses the material to insulate the space shuttle's thruster rocket nozzles.*



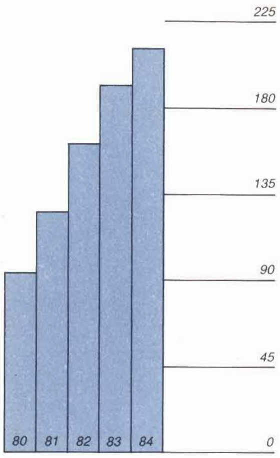
*TransCanada provides material that helps the U.S. space program to probe the last great frontier.*

## *1984 — Financial Review*

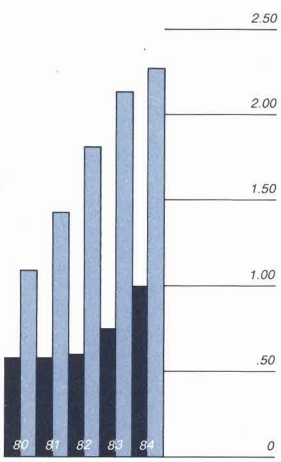
*The following pages of this annual report contain the REPORT OF MANAGEMENT, the FINANCIAL STATEMENT REVIEW, the CONSOLIDATED FINANCIAL STATEMENTS of the Company and notes thereto, SUPPLEMENTARY FINANCIAL AND OPERATING DATA, including FIVE-YEAR FINANCIAL AND OPERATING HIGHLIGHTS and other CORPORATE INFORMATION.*

*The FINANCIAL STATEMENT REVIEW has been prepared to assist the reader in obtaining an overview of the Company's financial statements. The bold headings employed throughout the Review relate to the specific financial statement captions on each of the referenced statements.*

*As noted on the bottom of each statement, the accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these financial statements.*




**Net Income Applicable to Common Shares**
(Millions of dollars)




**Net Income and Dividends per Common Share**
(Dollars, after giving effect to two-for-one share split effective February 17, 1984)

Net Income per Common Share

Dividends Declared per Common Share

## Report of Management

*The accompanying consolidated financial statements and all information 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 accounting principles generally accepted in Canada which, except as described in Note 19, have been consistently applied. These principles also conform in all material respects with International Accounting Standards on an historical cost basis. Other financial information in the Annual Report is consistent, where appropriate, with the consolidated financial statements.*

*The Board of Directors has appointed an Audit Committee consisting solely of directors who are not officers of the Company to review with management and the independent auditors the annual financial statements of the Company prior to submission to the Board of Directors for final approval. The Audit Committee also meets periodically during the year with management and the internal and external auditors either individually or as a group. Internal and external auditors have free access to the Audit Committee without obtaining prior management approval.*

*The independent auditors, Peat, Marwick, Mitchell & Co., have been appointed by the shareholders to express an opinion as to whether the consolidated financial statements present fairly the Company's financial position, operating results and changes in financial position in conformity with generally accepted accounting principles.*

*Their report on page 56 outlines the scope of their examination and their opinion on the consolidated financial statements.*

## Financial Statement Review

*The following analysis is a discussion by management of the financial results of the Company and is primarily focused on a comparison of the Company's overall financial performance between 1984 and 1983 and should be read in conjunction with the consolidated financial statements and related notes. In addition, certain significant changes between 1983 and 1982 are highlighted.*

*The Company's income for the year was $265.9 million in 1984 before deducting a special provision of $13.4 million for the Company's investment in the Alaska segment of the Alaska Natural Gas Transportation System compared to $228.1 million in 1983 and $198.9 million in 1982. Net income applicable to common shares was $211.0 million compared to $191.8 million in 1983 and $161.1 million in 1982 after deducting from net income the provisions for dividends on the Company's preferred shares of $41.5 million in 1984, $36.3 million in 1983 and $37.8 million in 1982. On a per share basis, earnings were $2.41 before the pipeline investment provision and $2.27 after that provision in 1984 compared to $2.13 in 1983 and $1.81 in 1982. These earnings per share are based upon weighted average common shares outstanding of 93.0 million, 89.9 million and 89.1 million in each of the respective years.*

*During the three years ended 1984, the Company's utility transmission operations and investments in regulated projects accounted for a significant portion of the Company's consolidated net income. These operations and investments are subject to the jurisdiction of various regulatory bodies with respect to matters such as rates, construction, operations and accounting.*

*In the case of the Company's Canadian transmission system (the "Utility operations") the pricing structure is set by the National Energy Board ("NEB") to permit the Company the opportunity to recover in its tolls, the projected costs of purchasing and transporting natural gas and to provide a fair and reasonable return on its common equity. Tolls are based on a number of factors including projected estimates of the level of the Company's rate base, operating costs and certain financing costs. Rate base is essentially the net book value of the Utility plant, property and equipment plus an allowance for working capital. If, in the period during which rates are effective, variations occur between actual and estimated costs, the Company may earn more or less than its approved return on rate base.*

*The impact of inflation on the Company is therefore, to a large extent, negated by the regulatory process. The Company believes that to present financial statements in any other form than historical cost would be misleading in that they would not depict the economics of its regulated operations.*

# CONSOLIDATED INCOME

Year Ended December 31



| (stated in millions of dollars except per share amounts) | 1984 | 1983 | 1982 |
|---|---|---|---|
| **Revenues** | | | |
| Gas sales — domestic | **3,364.5** | 2,790.9 | 2,382.7 |
| — export | **727.1** | 568.4 | 981.1 |
| Gas transportation and other | **139.9** | 111.4 | 103.1 |
| | **4,231.5** | 3,470.7 | 3,466.9 |
| **Costs and Expenses** | | | |
| Cost of gas sold | **3,145.5** | 2,486.9 | 2,425.4 |
| Transmission, operating and general | **581.9** | 517.2 | 552.0 |
| | **3,727.4** | 3,004.1 | 2,977.4 |
| **Income from Operations** | **504.1** | 466.6 | 489.5 |
| **Income from Investments** | | | |
| Pipelines (Note 4) | **98.7** | 84.6 | 52.9 |
| Natural resources (Note 5) | **41.6** | 21.7 | 30.1 |
| Other | **45.2** | 17.1 | 11.5 |
| | **185.5** | 123.4 | 94.5 |
| **Other Income** | | | |
| Allowance for funds used during construction | **4.9** | 8.5 | 45.2 |
| Other (net) | **8.7** | 6.2 | 4.5 |
| | **13.6** | 14.7 | 49.7 |
| **Income before the Undernoted Items** | **703.2** | 604.7 | 633.7 |
| **Financial Charges** (Note 5) | | | |
| Interest on long-term debt (net) | **307.6** | 284.8 | 359.4 |
| Other financial charges (net) | **37.9** | 6.3 | 8.9 |
| | **345.5** | 291.1 | 368.3 |
| **Income before Income Taxes** | **357.7** | 313.6 | 265.4 |
| **Income Taxes** (Notes 18 and 19) | | | |
| Current | **6.5** | 3.2 | 12.8 |
| Deferred | **85.3** | 82.3 | 53.7 |
| | **91.8** | 85.5 | 66.5 |
| **Income before Pipeline Investment Provision** | **265.9** | 228.1 | 198.9 |
| **Pipeline Investment Provision** (Note 4) | **13.4** | — | — |
| **Net Income for the Year** | **252.5** | 228.1 | 198.9 |
| **Net Income per Common Share** (Note 11) | | | |
| — before pipeline investment provision | **$ 2.41** | $ 2.13 | $ 1.81 |
| — after pipeline investment provision | **$ 2.27** | $ 2.13 | $ 1.81 |

*The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.*

***The Statements of Consolidated Income summarize revenues and expenses for the last three years.***

- ***Revenues*** *represent principally the sales of natural gas from the Utility operations. Revenues can be affected by the amount of natural gas sold, the geographic location of the sale and the pricing structure approved by the NEB at the time of sale. The tables below set out the changes in revenue and sales volumes for 1984 compared to 1983 and 1983 compared to 1982.*

| Year Ended December 31 | Increase in Gas Sales 1984 over 1983 | | |
|---|---|---|---|
| | Domestic | Export | Total |
| Revenues — in millions of dollars | 573.6 | 158.7 | 732.3 |
| — percentage change | 20.6% | 27.9% | 21.8% |
| Volumes — in millions of cubic metres | 2 496 | 956 | 3 452 |
| — percentage change | 11.4% | 32.5% | 13.9% |

| Year Ended December 31 | Increase/(Decrease) in Gas Sales 1983 over 1982 | | |
|---|---|---|---|
| | Domestic | Export | Total |
| Revenues — in millions of dollars | 408.2 | (412.7) | (4.5) |
| — percentage change | 17.1% | (42.1)% | (.1)% |
| Volumes — in millions of cubic metres | (1 032) | (1 711) | (2 743) |
| — percentage change | (4.5)% | (36.8)% | (9.9)% |

*In 1984 gas sales volumes in both domestic and export markets increased significantly as a result of a return to normal weather and the strengthening economy in both Canada and the United States. In addition to volume increases, domestic gas sales revenues were further impacted by rate increases effective August 1, 1983 and 1984. The effect of increased export sales volumes during 1984 was partially offset by lower export gas prices.*

*The marked decline in both domestic and export sales volumes for 1983 when compared to 1982 was a result of a combination of warmer than normal weather in 1983, reduced economic activity and delays by the Alberta, Canadian and United States governments in resolving natural gas pricing issues. Despite this decline in sales volumes, gas sales revenues decreased only marginally, reflecting primarily the differences in the pricing structure in place for these periods.*

- ***Costs and Expenses*** *include not only the cost of purchasing gas for sale but also the transmission, administration, depreciation and general operating costs of the Company's Utility operations. Increases in cost of gas sold of $658.6 million in 1984 compared to 1983 and $61.5 million in 1983 compared to 1982 reflect both volume fluctuations and higher prices paid to producers for natural gas. Transmission, operating and general expenses increased in 1984 by $64.7 million of which $42.0 million represented the higher cost of natural gas used as fuel for the Company's compressor units. The decrease in these expenses in 1983 when compared to 1982 was primarily the result of sales and transportation volume reductions.*

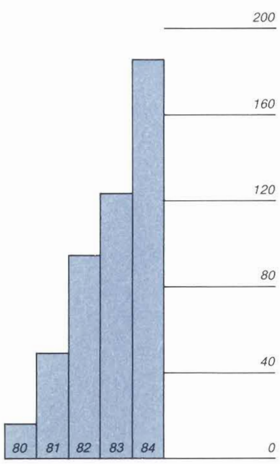
- ***Income from Investments*** *includes the Company's proportionate share of income from investments in operating pipelines and oil and gas holdings. Also included in this caption are earnings from interest-bearing deposits.*

*The increase in income from pipeline investments from 1982 to 1983 is principally a result of Northern Border commencing operations at the beginning of 1983.*

*The Company's income from its investment in natural resources increased by $19.9 million in 1984 compared to 1983. Oil and gas sales in Canada, the United States and Indonesia increased by $76.7 million or 35.8% in 1984 compared to 1983 due to increased demand, new production and the acquisition of the assets and operations of Wessely Energy Corporation in July 1984. This increase was partially offset by a $52.8 million increase in operating expenses.*

*The decrease in income from natural resource investments in 1983 when compared to 1982 is a reflection of the way in which this investment was financed during the first part of 1982. Arrangements were made during 1982 to refinance the majority of the Company's borrowings for investment in natural resources. The associated interest charges have been deducted in computing Income from Investments — Natural resources, commencing March 10, 1982.*

*The increase in other income from investments is principally a reflection of the amount of funds invested as well as the level of interest rates.*



***Income from Investments***
*(Millions of dollars)*

# CONSOLIDATED FINANCIAL POSITION

December 31



| (stated in millions of dollars) | 1984 | 1983 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and interest-bearing deposits (Note 8) | **701.7** | 223.0 |
| Accounts receivable | **553.4** | 544.9 |
| Inventories | **143.0** | 123.4 |
| Prepayments and deposits | **4.8** | 6.2 |
| Total current assets | **1,402.9** | 897.5 |
| **Payments on Future Gas Supply** | **66.4** | 91.0 |
| **Investments** | | |
| Pipelines (Notes 4 and 9) | **450.6** | 441.5 |
| Natural resources (Notes 5 and 9) | **1,177.8** | 894.6 |
| | **1,628.4** | 1,336.1 |
| **Plant, Property and Equipment** (Notes 6 and 9) | **3,385.4** | 3,335.9 |
| Less accumulated depreciation | **801.3** | 707.6 |
| | **2,584.1** | 2,628.3 |
| **Deferred Charges and Other Assets** (Note 7) | **117.4** | 19.2 |
| | **5,799.2** | 4,972.1 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Notes payable (Note 8) | **609.4** | 285.5 |
| Accounts payable | **494.6** | 462.1 |
| Interest accrued | **118.6** | 119.2 |
| Dividends payable | **38.3** | 31.1 |
| Long-term debt due within one year (Note 9) | **69.2** | 53.4 |
| Total current liabilities | **1,330.1** | 951.3 |
| **Long-Term Debt** (Note 9) | **2,276.4** | 2,218.0 |
| **Deferred Income Taxes** | **445.6** | 377.8 |
| **Shareholders' Equity** | | |
| Preferred shares (Note 10) | **442.9** | 344.1 |
| Common shares (Note 11) | **191.3** | 124.6 |
| Contributed surplus | **276.3** | 275.9 |
| Retained earnings (Note 12) | **775.4** | 658.6 |
| Foreign exchange adjustment | **61.2** | 21.8 |
| | **1,747.1** | 1,425.0 |
| **Commitments and Contingencies** (Notes 2, 3, 4, 5 and 15) | | |
| | **5,799.2** | 4,972.1 |

*The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.*

On behalf of the Board:

, Director

, Director

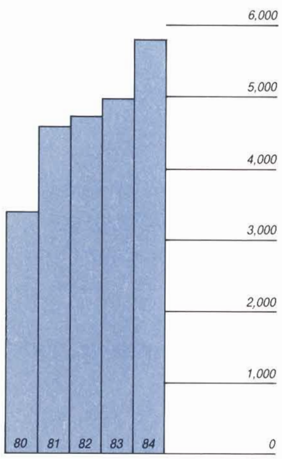
- ***Other Income*** *includes the Company's Allowance for Funds Used During Construction ("AFUDC") and other miscellaneous income which the Company has earned. AFUDC is, generally speaking, an allowance for the cost of funds used to finance construction of Utility assets upon which the regulator will allow the Company to earn a return. The Company is allowed to add the allowance to the cost of the assets on its balance sheet. The decline in AFUDC since 1982 is representative of the lower level of construction activity the Company has carried out since that time.*

- ***Financial Charges*** *represent the interest costs of borrowing both on a long-term basis and a short-term basis as well as the related costs of acquiring funds. Interest on long-term debt is subject to fluctuations resulting from the level of borrowings throughout the respective years and the amount of debt subject to floating interest rates. Other financial charges include the costs of short-term borrowings which are subject to the same factors as long-term debt. As mentioned earlier, the refinancing during 1982 of the Company's borrowings for investment in natural resources also impacted the comparability of financial charges for 1982 to those for 1983.*

- ***Income Taxes*** *represent taxes that the Company will incur based upon the earnings of the respective years. Current income taxes are those which the Company will pay within the next year and differ from the amount computed by applying the basic Canadian federal income tax rate to income before taxes due to factors explained in Note 18 on page 74. Deferred income taxes are those which the Company would have paid had the Company not had available to it certain deductions for income tax purposes such as capital cost allowances which allow the Company to defer the actual payment of income taxes until a later date.*

- ***Pipeline Investment Provision*** *of $13.4 million represents the after tax cost of the Company's investment in the Alaska segment of the Alaska Natural Gas Transportation System. This special provision has been made because of the uncertainty about whether the project will be completed in the near term. See Note 4 on page 61 for further details.*

***The Statements of Consolidated Financial Position present the Company's assets, liabilities and shareholders' equity at the end of each of the last two years.***



***Total Assets***
*(Millions of dollars)*

***Assets*** *are captioned principally in order of liquidity (the ease of converting the assets into cash).*

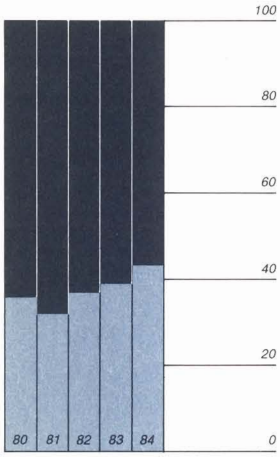
- ***Current Assets*** *have increased significantly between the end of 1983 and the end of 1984 primarily as a result of the increase in cash and interest-bearing deposits. The Company has established this position to enable it to have cash available for long-term investments. Reference should be made to Note 8 on page 68 for restrictions regarding (U.S.) $164.7 million of this amount.*

- ***Payments on Future Gas Supply*** *represents the total of amounts advanced by the Company to producers who did not wish to, or could not, enter into the "Topgas Programs" referred to in Note 2 on page 60 and which will be recovered by the Company in future years.*

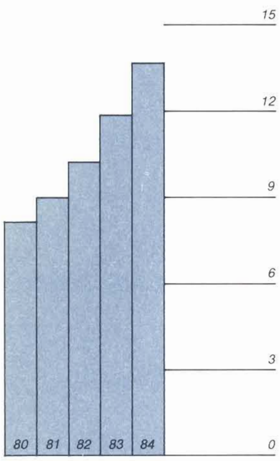
- ***Investments*** *by the Company during 1984 were principally in the natural resources area. A summary of these investments is set out in Note 5 on page 65 and further information on results of operations and reserves is also set out on pages 75 and 76.*

- ***Plant, Property and Equipment*** *is primarily the investment upon which the Utility operations earn a return. In 1984 and 1983, additions to these assets have been more than offset by depreciation reflecting the reduced level of capital expenditures relating to the gas transmission system.*

- ***Deferred Charges and Other Assets*** *represent costs and expenditures set aside in the Company's accounts for amortization to the Statement of Consolidated Income or reclassification to other balance sheet accounts at later dates. Note 7 on page 68 summarizes these amounts.*




**Debt/Equity Ratio**
(Percent)
Debt
Equity




**Shareholders' Equity per Common Share**
(Dollars, after giving effect to two-for-one share split effective February 17, 1984)

***Liabilities*** *are set out in order of their life expectancy.*

- ***Current Liabilities*** *have also increased significantly between the end of 1983 and the end of 1984 principally as a result of the increase in notes payable which include bank loans and commercial paper as detailed in Note 8 on page 68. The Company has maintained short-term lines of credit with several banks and has issued commercial paper to finance short-term cash requirements.*

- ***Long-Term Debt*** *represents the amounts borrowed by the Company, through instruments such as the mortgage on gas transmission system assets, to finance long-term investments. The amount outstanding at the end of any particular period can be affected by borrowings and repayments during the period and the exchange rates applicable to debt denominated in foreign currencies at the end of the period.*

- ***Deferred Income Taxes*** *represent the cumulative amount of deferred income taxes referred to in the review of the Statements of Consolidated Income.*

***Shareholders' Equity*** *represents the investment that preferred and common shareholders have in the Company and in total represents the sum of total assets less current liabilities, long-term debt and deferred income taxes. Of this amount, the preferred shareholders have contributed $442.9 million and the balance of $1,304.2 million is attributable to the common shareholders.*

- ***Preferred Shares*** *increased between the end of 1983 and the end of 1984 as a result of the sale by the Company of $100 million of additional preferred shares. This increase was somewhat offset by the Company purchasing shares in the market for cancellation.*

- ***Common Shares*** *increased principally as a result of the Company's dividend reinvestment and stock dividend plans and the sale of common shares to employees under the Company's stock purchase plans.*

- ***Contributed Surplus and Retained Earnings*** *are each supported by a separate financial statement as set out on page 55.*

- ***Foreign Exchange Adjustment*** *results from the translation of assets and liabilities of foreign operations and therefore fluctuates with the strengthening or weakening of the Canadian dollar in relation to the United States dollar.*

***The Statements of Consolidated Contributed Surplus and Retained Earnings present the changes in these amounts during the three most recent fiscal years.***

- ***Contributed Surplus*** *arose from the years prior to 1980 when the Company's shares had a stated or par value. Upon the issuance of shares the applicable share account was credited with the par value and the difference between the par value and the issue price was credited to contributed surplus. Gains on the redemption of preferred shares are also credited to this account.*

- ***Retained Earnings*** *represent the cumulative net income less dividends declared on preferred and common shares. Retained earnings are reinvested in the Company.*

# CONSOLIDATED CONTRIBUTED SURPLUS AND RETAINED EARNINGS



Year Ended December 31

| (stated in millions of dollars) | 1984 | 1983 | 1982 |
|---|---|---|---|
| **Contributed Surplus** | | | |
| Balance at beginning of year | **275.9** | 275.5 | 274.7 |
| Credit resulting on redemption of preferred shares | **.4** | .4 | .8 |
| Balance at end of year | **276.3** | 275.9 | 275.5 |

| | | | |
|---|---|---|---|
| **Retained Earnings** | | | |
| Balance at beginning of year | **658.6** | 534.5 | 426.4 |
| Net income for the year | **252.5** | 228.1 | 198.9 |
| | **911.1** | 762.6 | 625.3 |
| Dividends declared | | | |
| Preferred | **42.2** | 36.3 | 37.8 |
| Common | **93.5** | 67.7 | 53.0 |
| | **135.7** | 104.0 | 90.8 |
| Balance at end of year | **775.4** | 658.6 | 534.5 |

*The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.*

# CONSOLIDATED CHANGES IN FINANCIAL POSITION



Year Ended December 31

| (stated in millions of dollars) | 1984 | 1983 | 1982 |
|---|---|---|---|
| **Cash Generated Internally** | | | |
| Income before Pipeline Investment Provision | **265.9** | 228.1 | 198.9 |
| Depreciation | **95.1** | 97.9 | 77.0 |
| Deferred income taxes | **85.3** | 82.3 | 53.7 |
| Equity in undistributed income from investments net of non-cash items and dividends received | **65.3** | 45.3 | 28.3 |
| Amortization of deferred charges and other | **(57.8)** | (59.3) | (31.6) |
| Funds generated by operations and equity investments | **453.8** | 394.3 | 326.3 |
| Less: Cash generated by equity investments | **(132.0)** | (82.3) | (82.0) |
| Funds generated from operations | **321.8** | 312.0 | 244.3 |
| Changes in operating working capital (Note 13) | **5.2** | (75.6) | 19.7 |
| | **327.0** | 236.4 | 264.0 |
| **Investment Activities** | | | |
| Additions to plant, property and equipment | **57.6** | 75.8 | 772.5 |
| Investments — pipelines | **1.2** | 13.4 | 26.9 |
| — natural resources | **235.1** | 129.6 | 22.9 |
| Payments on future gas supply | **12.1** | 84.5 | 10.7 |
| Deferred charges and other — net | **57.9** | (55.7) | 58.8 |
| | **363.9** | 247.6 | 891.8 |
| **Reduction of Long-Term Debt** | **102.3** | 141.9 | 868.9 |
| **Dividends Paid** | **128.5** | 96.4 | 89.1 |
| **Financing Activities** | | | |
| Long-term debt — new financing | **220.3** | 234.0 | 567.5 |
| Take or pay refinancing | **36.6** | 36.0 | 981.5 |
| Common shares issued | **66.7** | 17.1 | 7.2 |
| Preferred shares issued | **98.9** | — | — |
| Change in short-term borrowings | **323.9** | 85.5 | 93.8 |
| | **746.4** | 372.6 | 1,650.0 |
| **Increase in Cash and Interest-Bearing Deposits** | **478.7** | 123.1 | 64.2 |
| **Cash and Interest-Bearing Deposits** — at beginning of year | **223.0** | 99.9 | 35.7 |
| **Cash and Interest-Bearing Deposits** — at end of year | **701.7** | 223.0 | 99.9 |

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

PEAT MARWICK

## Auditors' Report

To the Shareholders of TransCanada PipeLines Limited

We have examined the statement of consolidated financial position of TransCanada PipeLines Limited as at December 31, 1984 and December 31, 1983 and the consolidated statements of income, contributed surplus and retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

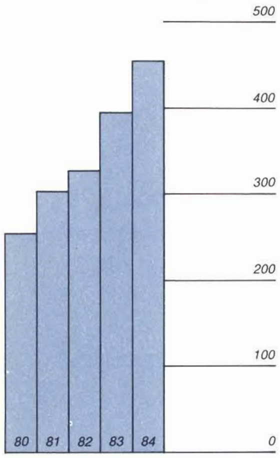
In our opinion, the aforementioned consolidated financial statements appearing on pages 50, 52, 55 and 56 present fairly the financial position of the Company as at December 31, 1984 and December 31, 1983 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1984 in accordance with generally accepted accounting principles which, except for the changes in accounting for income taxes and foreign currency translation as explained in Note 19, with which we concur, have been applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Toronto, Canada
February 1, 1985

Chartered Accountants

**_The Statements of Consolidated Changes in Financial Position provide a reconciliation of the Company's position with respect to cash and interest-bearing deposits for 1984, 1983 and 1982._**




***Funds Generated by Operations and Equity Investments***
*(Millions of dollars)*

*This statement links the Statements of Consolidated Income and Consolidated Financial Position. It details the components of cash generated internally, the investment expenditures made by the Company, the amount by which long-term debt was reduced, the dividends paid by the Company to its preferred and common shareholders and the financing activities of the Company.*

- ***Cash Generated Internally*** *represents cash generated from the operations of the Company adjusted for changes in operating working capital. It is greater than reported net income in the respective periods principally due to items included in net income which do not require current cash outlays such as depreciation, amortization of deferred amounts and deferred income taxes. The reduction in operating working capital in 1983 compared to 1982 is primarily a result of a reduction in accounts payable. Further details on the components of operating working capital are set out in Note 13 on page 72.*

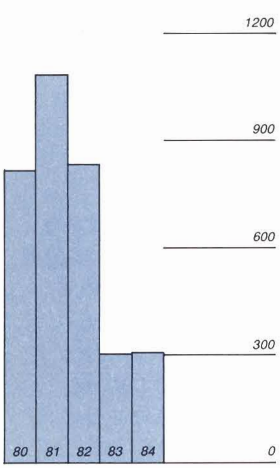
- ***Investment Activities*** *represent the capital outlays which the Company has made during the respective fiscal years. 1982 was a year of expansion of the gas transmission system; however, construction activities were much lower in the last two years. In 1983 and 1984 the Company's investment activities have focused mainly in the natural resources investment area. Details of these investments are outlined in Note 5 on page 65.*

- ***Reduction of Long-Term Debt*** *required a significant use of cash in 1982 primarily as a result of the refinancing of the Company's payments on future gas supply referred to in Note 2 on page 60.*

- ***Dividends*** *paid include $93.5 million paid to common shareholders in 1984. Dividends totalled $1.00 per share for the year, an increase of 33% over 1983.*

- ***Financing Activities*** *outline the various sources of cash that the Company has utilized in support of its current and future investment activities. New long-term debt financing in 1982 was a direct result of the expansion of the gas transmission system in the same year. Take or pay refinancing provided the funds for the reduction of long-term debt referred to above. The reasons for financing activities related to common shares issued, preferred shares issued and changes in short-term borrowings have been discussed in the review of the Statements of Consolidated Financial Position.*

- ***Increase in Cash and Interest-Bearing Deposits*** *is the net result of the above.*




***Capital Expenditures***
*(Millions of dollars)*

*The foregoing discussion of the Statements of Consolidated Changes in Financial Position demonstrates that the Company has been able to attract new equity investors and borrow funds which, when supplemented by internally generated funds, have provided more than sufficient amounts to meet all cash requirements of the Company including debt service, dividend payments and investment activities. The Company believes that it will continue to maintain such capacity in both the near and long-term.*

*On February 8, 1985 the Company filed an application with the NEB requesting new tolls effective August 1, 1985 including a rate of return on rate base of 14.92% compared to that previously authorized of 14.53%. These tolls reflect an increase in the rate of return on equity from 15.5% on a deemed common equity ratio of 30% to 16% on a common equity ratio of 32%. In this application the Company is requesting an increase in its tolls to eastern Canada of only 6.9%. To keep the increase to this level, the Company is proposing, among other things, to amortize certain deferred amounts over a five year period rather than the normal one year period. The Company is also proposing to amortize a portion of its cumulative deferred income taxes as a credit to its cost of service over one year. Neither of these two proposals will have an impact on the Company's net income.*

*Capital expenditures in 1985 are estimated to be $52 million for plant, property and equipment and $206 million for natural resources exploration and development expenditures.*

# *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

*December 31, 1984, 1983 and 1982*

*The Company owns and operates a natural gas transmission system extending from Alberta to Quebec, and purchases, transports and sells natural gas to regional gas distribution and transmission companies in Canada and the United States. The Company also has equity investments in gas transmission system joint ventures and oil and gas exploration and production joint ventures in Canada, the United States and other countries.*

*The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. These principles also conform in all material respects with International Accounting Standards on an historical cost basis. The significant accounting policies are summarized below:*

***Principles of consolidation** — The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.*

***Investments** — The Company uses the equity method of accounting for its investments in incorporated and unincorporated joint ventures. Consolidated retained earnings at December 31, 1984 includes $224.1 million which represents undistributed earnings of investees accounted for by the equity method.*

*Investments in other companies over which the Company does not have significant influence are carried at cost.*

*The Company uses the full cost method of accounting for its oil and gas joint venture operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized in a single cost centre. Capitalized costs include all acquisition, exploration and development costs, including interest and other carrying charges of non-producing properties and costs of drilling both productive and non-productive wells. Such costs are generally limited to the present value of future net revenues from estimated production of proved reserves at current prices and costs and the cost of unproven properties.*

*Depletion is provided using the revenue method, whereby provisions for depletion are calculated for individual periods in the same proportion as current production revenues are to total estimated revenues from proved reserves. Costs of unusually significant acquisitions of non-producing properties are initially not depleted and are brought into the cost centre for depletion purposes on a straight-line basis over the anticipated period that exploration of those properties will be undertaken.*

*Interest is capitalized on unusually significant acquisitions of unproven oil and gas properties until such time as development activities have proceeded to the point where proved reserves are capable of being produced or it is determined there are no economic proved reserves associated with the properties. Interest is also capitalized on unusually significant acquisitions of oil and gas properties which, at the date of acquisition, were capable of but had not commenced production. Capitalization of interest on these properties is terminated when production commences.*

***Plant, property and equipment** — Plant, property and equipment is carried at cost. Depreciation is calculated on a straight-line basis using rates reflecting the economic and physical life of the assets in service. Rates in respect to the Company's gas transmission system are approved by the National Energy Board ("NEB") in accordance with its policy of permitting the recovery of undepreciated plant costs over the estimated remaining service life of the assets as determined from time to time. Effective August 1, 1984, the NEB approved the following depreciation rates — 2.5% for pipelines, 3.5% for compressor stations and other transmission plant and various rates for general plant and equipment. Prior thereto an approved rate of 2.75% was used to calculate depreciation for pipelines.*

*An Allowance for Funds Used During Construction ("AFUDC") is capitalized. The rate used in calculating this allowance is adjusted from time to time to reflect the estimated cost of capital employed.*

***Translation of foreign currency*** — *The Company changed its accounting policy with respect to foreign currency translation prospectively from January 1, 1983 as discussed in Note 19.*

*The accounts of foreign operations are translated into Canadian dollars on the following basis: Assets and liabilities are translated using exchange rates at the balance sheet date; translation adjustments are reflected in a separate component of shareholders' equity; revenue and expense items are translated using the average rates of exchange during the year.*

*Transactions in a currency other than a domestic currency are translated into that domestic currency using the temporal method as follows: At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date. At each balance sheet date, monetary assets and liabilities are translated using exchange rates at that date. Foreign exchange gains and losses on utility related debt are included in net income as they are dealt with in the ratemaking process. Other foreign exchange gains and losses are included in income in the current period except for unrealized gains and losses related to non-hedged monetary assets and liabilities with a fixed or ascertainable life extending beyond one year. These unrealized gains and losses are deferred and amortized to income over the remaining life of such assets or liabilities.*

*Foreign Exchange Adjustment included in Shareholders' Equity in the Statement of Consolidated Financial Position:*

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of dollars) | |
| Balance at beginning of year | **21.8** | — |
| Translation adjustments during the year | **39.4** | 21.8 |
| Balance at end of year | **61.2** | 21.8 |

***Income taxes*** — *For all operations other than those subject to the jurisdiction of Canadian regulatory authorities, the Company follows the deferral method of tax allocation accounting under which full provision is made for income taxes based on accounting income of these operations. This provision differs from income taxes currently payable as certain items of income and expense are included in accounting income in years different from those in which they are reported in taxable income.*

*For the Canadian utility operations, the method of accounting for income taxes is as prescribed by the NEB for ratemaking purposes. The deferral method of tax allocation accounting was prescribed for the period from August 1, 1978 to July 31, 1982, and the deferred taxes so recovered in rates totalled approximately $76 million. This amount is included in Deferred Income Taxes in the Statement of Consolidated Financial Position. Prior to August 1, 1978 and subsequent to July 31, 1982, the NEB prescribed the taxes payable method of accounting for income taxes for such operations. If the deferral method of tax allocation accounting had been permitted and applied to all periods by the NEB for ratemaking purposes, additional income taxes would have been recorded to an accumulated amount of approximately $330 million and recovered in revenues during those periods.*

*Since there is reasonable expectation that all income taxes payable by the Company related to its Canadian utility operations will be included in the future cost of service and recovered in revenues at that time, the Company is following the taxes payable method at this time for both accounting and ratemaking purposes for such operations.*

*For activities other than pipeline joint ventures the Company accounts for investment tax credits by the flow-through method.*

***Inventories*** — *Inventories of line pack and gas stored underground are valued and charged to operations in accordance with the regulatory process. The accounting treatment for price fluctuations is subject to the jurisdiction of regulatory authorities as well. Materials and supplies are valued and charged to operations at cost.*

***Leases*** — *All Company leases are accounted for as operating leases. The annual cost of these leases is not material.*

***Comparative figures*** — *Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.*

### 1. Regulation

*Matters such as tolls, construction, operations and accounting in connection with the Company's natural gas transmission system are subject to the jurisdiction of certain regulatory bodies. Utility tolls are determined by the NEB on a net plant rate base, rate of return and cost of service basis. By order dated July 3, 1984, the NEB authorized an increase in the Company's tolls effective August 1, 1984, which included an increase in the Company's overall rate of return on rate base to 14.53% from 14.00%. The current return on rate base reflects a rate of return of 15.5% on a deemed common equity ratio of 30%, an increase from a rate of return of 15% on a deemed common equity ratio of 28%.*

*The pipeline joint ventures in which the Company holds an equity investment are regulated in a similar manner.*

### 2. Gas Supply

*Substantially all of the Company's gas supply is provided by approximately 650 producers in Alberta. The majority of such gas is supplied under twenty-five year reserve-based gas purchase contracts which include provisions requiring payments by the Company when it is unable to nominate for delivery specified minimum annual quantities of gas. As the contracted supply has exceeded the available market in recent years, payments ("take or pay payments") were made by the Company for gas not taken ("prepaid gas").*

*During 1982 and 1983, the Company concluded arrangements (referred to as the "Topgas Programs") with syndicates of Canadian and foreign banks and substantially all of its producers to refinance its take or pay payments incurred up to and including the contract year ended October 31, 1983. Pursuant to the Topgas Programs, Alberta corporations controlled by the banking syndicates (the "funding corporations") advanced approximately $2.7 billion to these producers in respect of these take or pay payments. Amounts previously advanced to these producers by the Company were refunded to the Company.*

*Recovery by the funding corporations of the amounts advanced to producers will be effected in instalments, which commenced in November 1984, by the nomination for delivery by the Company of prepaid gas. Upon recovery of prepaid gas, the Company will pay directly to the funding corporations the amount which the funding corporations paid to the producers in respect of the equivalent volume of prepaid gas. The balance of the purchase price, if any, will be paid to the producers. The scheduled recovery of prepaid gas will be completed by 1994. At the maximum acceleration permitted, the complete recovery of prepaid gas would occur by 1989.*

*Under the Topgas Programs, further take or pay payments will be required only if the Company is unable to nominate for delivery certain minimum quantities of gas in a year at various levels, none of which may be below 50% of the minimum annual obligations for the 1981/1982 contract year.*

*The interest costs associated with the funds advanced by the funding corporations to the producers are being included in the Company's Alberta Cost of Service and remitted to the funding corporations by the Company.*

*Under the Topgas Programs, the Company will indemnify the funding corporations up to a combined maximum of $360 million for, in effect, any losses arising due to the inability or failure of a producer to deliver prepaid gas. The Company will also indemnify the funding corporations for any losses suffered as a result of a failure or breach by the Company of its obligations under the programs, or by reason of the failure of the funding corporations to recover their interest costs in the Company's Alberta Cost of Service or from any other source.*

### 3. Export Gas Sales

*As a result of deterioration of their markets and resistance to perceived high Canadian natural gas prices, the Company's three largest United States customers, including Great Lakes Gas Transmission Company ("Great Lakes"), did not nominate for delivery the minimum levels as prescribed in their gas purchase contracts for the three contract years ended October 31, 1982, 1983 and 1984 respectively and accordingly take or pay obligations to the Company were incurred.*

*Effective August 1, 1984, the United States Federal Energy Regulatory Commission ("FERC") issued a ruling which prospectively eliminates provisions in natural gas tariffs subject to FERC jurisdiction that provide for recovery of purchased gas costs for gas not taken. While the FERC ruling does not apply to sales by the Company to its United States customers, it does apply to resales by the United States customers.*

*As well, during 1984 the Governments of the United States and Canada announced new policies regarding approvals of negotiated natural gas prices between buyer and seller in respect of gas exported from Canada to the United States, and the requirement that such prices be market oriented and market sensitive.*

*As a result of the foregoing, the Company has negotiated amending agreements with these three United States customers, as to a major portion of the contracted volumes, which address the outstanding take or pay amounts, the effects of the FERC ruling and the new natural gas export pricing criteria. These customers will be able to recover outstanding take or pay volumes on a basis of one unit of make-up for every unit of gas taken over 50% of maximum contract volumes and two units of make-up for every unit taken over 70% of maximum contract volumes, both on a prorated annualized basis.*

*Pending recovery of amounts outstanding, certain of these customers are required to make interest payments on the outstanding principal amounts owed to the Company, which the Company credits to its producers by way of its Alberta Cost of Service. Regulatory approvals in Canada and the United States are required for certain of the above-noted arrangements. Should these approvals be obtained, the total principal amount of take or pay obligations owed to the Company by these customers as at December 31, 1984 would be approximately $265 million. This amount is offset by the rights of the customers to make up these take or pay volumes described above. Due to market oriented pricing and to the make-up provisions, the Company expects the customers to discharge all outstanding take or pay obligations prior to expiration of their contracts. These gas sales rights and obligations are therefore considered to be offsetting and have been so dealt with in the Statements of Consolidated Financial Position.*

### *4. Investments - Pipelines*

*The investment in regulated pipeline joint ventures at December 31, 1984, 1983 and 1982 and the Company's share of the earnings of those ventures for the years then ended are:*

| | **1984** | | 1983 | | 1982 | |
|---|---|---|---|---|---|---|
| | **Investment** | **Equity Earnings** | Investment | Equity Earnings | Investment | Equity Earnings |
| | | | (millions of dollars) | | | |
| Great Lakes Gas Transmission Company | | | | | | |
| — shares | **89.7** | **17.0** | 68.2 | 9.8 | 47.4 | 15.4 |
| — loan | **66.1** | **—** | 62.2 | — | 61.5 | — |
| Alaska Natural Gas Transportation System | | | | | | |
| —Northern Border Segment | **192.4** | **64.2*** | 179.4 | 59.0* | 175.9 | 21.8* |
| —Alaska Segment | **—** | **—** | 25.8 | — | 24.3 | (1.9) |
| —Canadian Segment (Saskatchewan Section) | **34.5** | **5.7** | 31.2 | 5.7 | 33.5 | 5.6 |
| Trans Quebec & Maritimes Pipeline | **67.9** | **11.8** | 74.7 | 10.1 | 52.3 | 12.0 |
| | **450.6** | **98.7** | 441.5 | 84.6 | 394.9 | 52.9 |

** On January 1, 1983 Northern Border's full cost of service tariff went into effect and 1983 and 1984 equity earnings reflect the Company's proportionate share of income on a pre tax basis. 1982 equity earnings represent the Company's share of Northern Border's equity AFUDC which is computed on an after tax basis.*

*Dividends received from pipeline joint ventures amounted to $73.6 million in 1984, $69.3 million in 1983 and $29.3 million in 1982.*

### ***Great Lakes Gas Transmission Company***

*The Company shares equally with American Natural Resources Company in the ownership of Great Lakes which is incorporated in the United States. Great Lakes transports gas through its system for the Company for sale by the Company in eastern Canada. Great Lakes also purchases gas from the Company for resale to United States customers and transports gas for other pipeline companies.*

*The loan to Great Lakes of (U.S.) $50 million is repayable in September 1986. The interest rate on this loan to December 31, 1982 was 15.625%, and effective January 1, 1983, became 12.625%.*

*The following sets out summarized financial information for Great Lakes:*

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of U.S. dollars) | |
| Natural gas transmission plant (net) | **308.2** | 323.5 |
| Current assets | **76.4** | 74.8 |
| Current liabilities | **(46.2)** | (82.3) |
| Deferred credits (net) | **(65.5)** | (56.1) |
| Long-term debt | **(133.6)** | (148.1) |
| Shareholders' equity | **139.3** | 111.8 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of U.S. dollars) | |
| Operating revenues | **294.4** | 312.3 | 536.4 |
| Operating expenses | **(227.5)** | (263.1) | (479.4) |
| Interest (net) | **(15.4)** | (18.3) | (18.5) |
| Income taxes | **(23.9)** | (13.4) | (13.5) |
| Net income | **27.6** | 17.5 | 25.0 |

### ***Alaska Natural Gas Transportation System ("ANGTS")***

*ANGTS contemplates the construction of a pipeline extending from Prudhoe Bay on Alaska's North Slope across Alaska and Canada into the United States. In southern Alberta the route divides into two legs. The western leg carries gas to western United States markets. The eastern leg travels through Alberta and southwestern Saskatchewan carrying gas to mid-western, eastern and southern United States markets and presently terminates near Ventura, Iowa. ANGTS will also include a major gas conditioning plant at Prudhoe Bay, Alaska.*

*ANGTS is being built as four separate but integrated pipeline segments, herein referred to as the "Alaska segment", the "Canadian segment", the "Northern Border segment" and the "Western segment", respectively. The Company has no participation interest in the Western segment.*

*The Company's participation in ANGTS is set out below:*

#### *(a) Northern Border Segment*

*The Company has a 30% interest in the partnership which constructed the First Phase of the natural gas pipeline extending from Monchy, Saskatchewan to a point near Ventura, Iowa (the "First Phase"). All revenues and expenses were capitalized in regard to the First Phase until January 1, 1983, the date a full cost of service tariff went into effect. On May 11, 1984, the FERC approved an Incentive Rate of Return for Northern Border Pipeline Company ("Northern Border") of 17.69%.*

*The Company also has the right to acquire at least a 17½% interest in the Second Phase which contemplates the continuation of the pipeline to the vicinity of Dwight, Illinois (the "Second Phase").*

*Pursuant to a transporation service agreement supporting the financing of the First Phase, the Company may be required to pay minimum monthly fixed charges regardless of actual volumes transported through the First Phase. If at the time currently authorized exports terminate (October 1996) sufficient new volumes are not being exported, the Company could be required to pay the cost of service charges of the First Phase until October 31, 1997, when the pipeline will be fully depreciated.*

*If by January 1993 the decision has not been taken to construct the Second Phase and the only gas then being transported through the First Phase is Canadian gas destined for customers of the Company in eastern Canada, the Company shall be obligated and shall have the right to purchase the First Phase at, in effect, the fair market value thereof at that time. In July 1984, a United States producer commenced deliveries to Northern Border under a transportation contract extending through December 2008. If this producer maintains deliveries through January 1993, the obligation and the right of the Company to purchase the First Phase will be negated.*

*The debt financing for the First Phase was provided by a syndicate of banks in a total amount of (U.S.) $874 million of which (U.S.) $167 million had been repaid as at December 31, 1984. In connection with this debt financing the Company is in the process of entering into an amendment to a collateral agreement under which: (a) it may be required to make available to the partnership funds sufficient to enable the partnership to fully amortize the outstanding balance at final maturity date in 1996 if, after December 31, 1988, the Company is not able to arrange additional volumes of gas to provide revenues to fully amortize such outstanding balance accordingly; and (b) if, in the opinion of the banks, the loan will not be fully paid at maturity or upon the happening of specified earlier events, the Company shall, at the discretion of the banks, make funds available or make other arrangements that will amortize the outstanding balance of the loan in a timely fashion. If the Company were required to make any payment pursuant to the foregoing, it would have recourse against the other Northern Border partners.*

*The following sets out summarized financial information for the Northern Border partnership:*

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of U.S. dollars) | |
| Natural gas transmission plant (net) | **1,144.1** | 1,191.7 |
| Current assets | **95.5** | 111.5 |
| Current liabilities | **(105.0)** | (129.9) |
| Deferred credits (net) | **(111.6)** | (63.6) |
| Long-term debt | **(652.9)** | (695.2) |
| Partners' equity | **370.1** | 414.5 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of U.S. dollars) | |
| Operating revenues | **306.8** | 384.4 | — |
| Operating expenses | **(84.4)** | (136.8) | — |
| Interest (net) | **(88.5)** | (87.0) | — |
| Equity AFUDC | **.4** | .4 | 59.0 |
| Income before income taxes | **134.3** | 161.0 | 59.0 |

### *(b) Alaska Segment*

*It is currently proposed that the Alaska segment, including a gas conditioning plant, will be constructed, owned and operated by a partnership in which the Company currently participates. Due to current uncertainty as to the completion of the project resulting from economic factors beyond the control of the partnership including excess world energy supply, depressed crude oil prices and uncertainties in financial markets, a provision has been made in the accounts of the Company to recognize the uncertainty of the ultimate recovery of this investment. The amount recorded in the Statement of Consolidated Income is a provision for the full amount of the investment of $25.2 million less related deferred income taxes. The Company will continue to participate in the partnership.*

### *(c) Canadian Segment (Saskatchewan section)*

*The Company has a 44% interest in Foothills Pipe Lines (Sask.) Ltd. ("Foothills (Sask.)"), which owns the Saskatchewan section of the Canadian segment of ANGTS. This pipeline extends from the Alberta/Saskatchewan border near Empress, Alberta to the Canada/United States border near Monchy, Saskatchewan to connect with the Northern Border segment. Foothills (Sask.) began operations in September 1982 in conjunction with the start-up of the Northern Border segment. The Company operates this pipeline on behalf of Foothills (Sask.).*

The following sets out summarized financial information for Foothills (Sask.):

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of dollars) | |
| Natural gas transmission plant (net) | **332.5** | 351.2 |
| Current assets | **19.7** | 9.8 |
| Current liabilities | **(13.4)** | (14.4) |
| Deferred credits (net) | **(30.5)** | (16.3) |
| Long-term debt | **(220.5)** | (251.0) |
| Shareholders' equity | **87.8** | 79.3 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| Operating revenues | **81.5** | 74.7 | 20.4 |
| Operating expenses | **(22.5)** | (20.7) | (4.8) |
| Interest expense (net) | **(31.6)** | (31.4) | (34.0) |
| AFUDC | **(.1)** | 3.4 | 34.9 |
| Deferred income taxes | **(14.1)** | (13.0) | (3.9) |
| Net income | **13.2** | 13.0 | 12.6 |

**Trans Quebec & Maritimes Pipeline**

Each of the Company and Nova, an Alberta Corporation, own 50% of Trans Quebec & Maritimes Pipeline Inc. ("TQM") which owns and operates a natural gas transmission system extending from the vicinity of Montreal to Quebec City.

By a decision dated March 1984, as amended in August 1984, the NEB authorized TQM to operate on a monthly fixed toll basis and to earn a rate of return on rate base of 12.66% for the first seven months of 1984 and 14.44% for the remaining five months of 1984. These rates reflect a rate of return of 15% on a deemed common equity ratio of 25%.

The following sets out summarized financial information for TQM:

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of dollars) | |
| Natural gas transmission plant (net) | **453.8** | 460.8 |
| Current assets | **19.5** | 11.6 |
| Deferred charges | **17.8** | 15.0 |
| Current liabilities | **(15.3)** | (12.2) |
| Bank loans | **(140.0)** | (329.6) |
| First Mortgage Bonds | **(200.0)** | — |
| Partners' equity | **135.8** | 145.6 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| Operating revenues | **124.2** | 80.6 | 27.2 |
| Operating expenses | **(60.9)** | (32.6) | (9.5) |
| Interest (net) | **(41.2)** | (37.0) | (16.0) |
| AFUDC | **1.5** | 9.6 | 24.2 |
| Net income | **23.6** | 20.6 | 25.9 |

### *5. Investments — Natural Resources*

*Canadian Operations*

*The majority of the Company's properties are located in the Province of Alberta and are held by a partnership of the Company and Maligne Resources Limited ("Maligne"). Each company has rights and obligations under a participation agreement with Dome Petroleum Limited ("Dome"), dated December 1, 1979, which provides, among other things, that the Company and Maligne each have rights to participate to the extent of a 12½% undivided interest in Dome's acquisitions of oil and gas properties in a defined area, subject to arranging satisfactory financing. If either party declines, the other may take up the declined interest. Dome has the right to acquire at cost a 75% participation in any oil and gas interest acquired by the partnership, the Company or Maligne within the defined area.*

*In 1982, the Company acquired from Dome for approximately $560 million a 12½% undivided interest in substantially all of the assets of Hudson's Bay Oil and Gas Company Limited. These assets included oil and gas holdings, both foreign and domestic, and interests in domestic mining properties. In 1983, Dome entered into a major farmout agreement with Home Oil Company Limited which provides for significant expenditures over a period at least until 1989 on Dome's properties, including those in the defined area.*

*The Company also has interests in oil and gas permits in the Beaufort region and the East Coast offshore area.*

*Through the partnership with Maligne, the Company arranged bank loans due December 1992 to finance the purchase of a substantial portion of the properties. These loans are non-recourse to the Company, bear interest at fixed and floating rates approximating Canadian chartered bank prime rates, are secured by certain producing properties and provide for scheduled repayments payable in quarterly instalments tied to the cash flow of the properties. The Company's investment at December 31, 1984 and 1983 reflects the cost of these properties net of these non-recourse bank loans.*

*The Company owns a direct 12½% interest in certain mining properties including Cyprus Anvil Mining Corporation ("Cyprus") whose operations were suspended in 1982. In the fall of 1983 a plan involving the Government of Canada and Dome (which owns the remaining 87½%) was implemented for removal of overburden from the ore body. The ultimate realization of the Company's investment of $31.9 million in Cyprus is dependent upon resumption of profitable operations which is itself dependent upon Cyprus reducing certain operating expenses, obtaining satisfactory capital financing, and upon improved mineral market conditions and general economic conditions.*

*During 1983, the Company acquired from Dome the right to a 50% participation in a new natural gas liquids and ethane extraction plant at Empress, Alberta. This investment was financed in part by $60.4 million term loans, details of which are set out in Note 9. The plant, which reached full production in July 1984, operates on a cost of service basis.*

*United States Operations*

*The Company holds a number of oil and gas properties in the United States including the properties of Wessely Energy Corporation acquired during 1984.*

*Indonesian and Other Foreign Operations*

*The Company has interests in foreign oil and gas concessions in six countries outside of North America, the most significant of which are located in Indonesia and Italy.*

*The following sets out summarized financial information for the Company's proportionate share of natural resources investments:*

| *Investments—Natural resources* | *December 31,* | |
|---|---|---|
| | **1984** | *1983* |
| | *(millions of dollars)* | |
| *Oil and gas properties — on a full cost basis* | **1,661.5** | *1,372.5* |
| *Less: Accumulated depreciation, depletion and amortization* | **(167.5)** | *(93.4)* |
| | **1,494.0** | *1,279.1* |
| *Oil sands properties (net)* | **56.1** | *57.8* |
| *Mining properties and investments — at cost* | **47.9** | *49.3* |
| *Extraction plant* | **74.4** | *67.8* |
| *Current assets* | **45.4** | *45.4* |
| *Deferred charges and other assets* | **11.7** | *9.0* |
| *Current liabilities* | **(83.3)** | *(89.1)* |
| *Deferred income* | **(27.4)** | *(23.6)* |
| *Long-term debt* | **(441.0)** | *(501.1)* |
| *Net investment* | **1,177.8** | *894.6* |
| *Canadian Operations* | **781.3** | *722.5* |
| *United States Operations* | **301.4** | *107.5* |
| *Indonesian Operations* | **77.5** | *54.9* |
| *Other Foreign Operations* | **17.6** | *9.7* |
| | **1,177.8** | *894.6* |

| *Income from Investments—Natural resources* | *Year Ended December 31,* | | |
|---|---|---|---|
| | **1984** | *1983* | *1982* |
| | | *(millions of dollars)* | |
| *Sales* | | | |
| *Oil and natural gas liquids* | **192.0** | *147.5* | *123.1* |
| *Natural gas* | **90.9** | *62.4* | *66.5* |
| *Other* | **7.9** | *4.2* | — |
| *Less: Royalties* | **(62.7)** | *(51.6)* | *(49.7)* |
| | **228.1** | *162.5* | *139.9* |
| *Expenses* | | | |
| *Operating expenses* | **57.6** | *37.2* | *24.7* |
| *Depreciation, depletion and amortization* | **75.6** | *47.7* | *36.6* |
| *Petroleum and Gas Revenue Tax* | **20.9** | *16.4* | *15.9* |
| | **154.1** | *101.3* | *77.2* |
| *Income from operations* | **74.0** | *61.2* | *62.7* |
| *Other income/(loss)* | **9.6** | *2.7* | *(3.3)* |
| *Financial charges* | | | |
| *Interest expense* | **66.0** | *69.2* | *74.9* |
| *Less: Interest capitalized* | **(24.0)** | *(27.0)* | *(45.6)* |
| | **42.0** | *42.2* | *29.3* |
| *Equity earnings before income taxes* | **41.6** | *21.7* | *30.1* |
| *Canadian Operations* | **21.4** | *12.4* | *29.8* |
| *United States Operations* | **8.4** | *2.3* | *(1.3)* |
| *Indonesian Operations* | **11.8** | *7.0* | *1.6* |
| | **41.6** | *21.7* | *30.1* |

| *Changes in Financial Position—Natural resources* | *Year Ended December 31,* | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| Funds generated | | | |
| Operations | **113.4** | 69.4 | 66.7 |
| Long-term debt | **—** | — | 597.5 |
| | **113.4** | 69.4 | 664.2 |
| Funds utilized | | | |
| Natural resource properties | **288.5** | 93.9 | 677.6 |
| Extraction plant | **2.8** | 67.8 | — |
| Reduction of long-term debt | **60.1** | 56.4 | 40.0 |
| Changes in working capital | **5.8** | (9.9) | (22.2) |
| Other | **(8.7)** | (9.2) | (8.3) |
| | **348.5** | 199.0 | 687.1 |
| Advances by the Company | **235.1** | 129.6 | 22.9 |

In addition to interest capitalized by the equity investee, the Company capitalizes interest on certain of its long-term debt incurred in connection with these natural resource investments. In 1984, 1983 and 1982, interest in the amount of $26.6 million, $30.3 million and $57.6 million respectively was capitalized by the Company and its equity investee.

Ageing of the cost of the properties which continue to be excluded from the depletion calculation at December 31, 1984 is:

| | | Year of Expenditure | | | |
|---|---|---|---|---|---|
| | **Total** | **1984** | 1983 | 1982 | Prior to 1982 |
| | | | (millions of dollars) | | |
| Acquisition costs | **100.9** | **2.5** | — | 56.2 | 42.2 |
| Exploration costs | **12.3** | **6.5** | 4.1 | 1.7 | — |
| Capitalized interest | **60.0** | **21.0** | 19.6 | 19.4 | — |
| | **173.2** | **30.0** | 23.7 | 77.3 | 42.2 |

These properties are currently under various stages of exploration and development, and it is anticipated that these costs will be fully included in the depletion calculation by 1987.

Depletion was calculated by using a rate of $0.2746, $0.2464 and $0.2213 per dollar of net revenue from production in 1984, 1983 and 1982 respectively.

### 6. Plant, Property and Equipment

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of dollars) | |
| Gas transmission plant | | |
| — in service | **3,320.7** | 3,281.5 |
| — under construction | **22.0** | 24.2 |
| Other | **42.7** | 30.2 |
| | **3,385.4** | 3,335.9 |
| Accumulated depreciation | **(801.3)** | (707.6) |
| | **2,584.1** | 2,628.3 |

## 7. Deferred Charges and Other Assets

| | December 31, 1984 | 1983 |
|---|---|---|
| | (millions of dollars) | |
| Deferred Amounts | | |
| — subject to regulation | **99.3** | 15.0 |
| — not subject to regulation: | | |
| unamortized foreign exchange gains | **(38.1)** | (25.3) |
| other deferred charges | **25.8** | 16.2 |
| | **87.0** | 5.9 |
| Other Assets | | |
| Pipeline projects | **18.1** | 8.4 |
| Other | **12.3** | 4.9 |
| | **30.4** | 13.3 |
| | **117.4** | 19.2 |

Deferred amounts subject to regulation are amortized and recovered in future periods through the ratemaking process.

## 8. Notes Payable

| | December 31, 1984 | 1983 |
|---|---|---|
| | (millions of dollars) | |
| Bank loans | **487.7** | 144.3 |
| Commercial paper | **43.7** | 141.2 |
| Other | **78.0** | — |
| | **609.4** | 285.5 |

The average cost of bank loans and commercial paper was: 1984 — 11.30% and 11.25% respectively; 1983 — 11.24% and 9.48% respectively; 1982 — 16.08% and 11.56% respectively. The Company did not issue commercial paper until the latter part of 1982. The caption Other reflects a non interest-bearing note, the majority of which is due in January 1985.

Cash and interest-bearing deposits includes an amount of $217.7 million (U.S. $164.7 million) at December 31, 1984 (December 31, 1983 — Nil) which is being held on deposit by a Canadian chartered bank as general and continuing collateral security and as a pledge to secure a loan in a like amount repayable in United States dollars by December 31, 1986. Such loan has been included in Notes Payable.

## 9. Long-Term Debt

| Classification | Repayment Dates | **Outstanding December 31, 1984** | Average Interest Rate | Outstanding December 31, 1983 | Average Interest Rate |
|---|---|---|---|---|---|
| (1) | | **(1)** | (2) | (1) | (2) |
| First Mortgage Pipe Line Bonds | | | | | |
| — Denominated in Canadian dollars | 1992 to 1993 | **90.5** | 9.1% | 110.8 | 9.1% |
| — Denominated in United States dollars (1984 U.S. $538.3; 1983 U.S. $558.4) | 1985 to 1997 | **658.7** | 15.8% | 679.0 | 15.6% |
| — Denominated in Pounds Sterling (1984 £25.0; 1983 £25.0) | 2007 | **54.7** | 16.5% | 54.7 | 16.5% |
| Debentures (Series A to I) | | | | | |
| — Denominated in Canadian dollars | 1990 to 1997 | **426.5** | 11.6% | 478.5 | 11.3% |
| Notes | | | | | |
| — Denominated in Canadian dollars | 1989 | **75.0** | 12.6% | — | — |
| — Denominated in United States dollars (1984 U.S. $272.8; 1983 U.S. $272.8) | 1988 to 1992 | **327.2** | 16.5% | 327.2 | 16.5% |
| — Denominated in Swiss francs (1984 SFr. 650.0; 1983 SFr. 500.0) | 1987 to 1994 | **330.2** | 6.0% | 285.6 | 6.1% |
| Term Loans | | | | | |
| — Denominated in Canadian dollars (3) | 1986 to 1999 | **219.4** | 11.1% | 161.0 | 10.8% |
| — Denominated in Swiss francs (1984 SFr. 46.9; 1983 SFr. 50.0) | 1988 | **23.8** | 6.9% | 28.6 | 6.9% |
| — Denominated in Dutch guilders (1984 Dfl. 112.5; 1983 Dfl. 120.0) | 1988 | **41.7** | 7.9% | 48.8 | 7.9% |
| Term Promissory Notes | | | | | |
| — Denominated in Canadian dollars | 1986 | **5.0** | 15.5% | 5.0 | 15.5% |
| — Denominated in United States dollars (1984 U.S. $45.0; 1983 U.S. $45.0) | 1985 to 1987 | **59.5** | 16.5% | 56.0 | 16.5% |
| Subordinated Debentures | | | | | |
| — Denominated in Canadian dollars | 1987 | **24.3** | 5.9% | 26.6 | 5.9% |
| — Denominated in United States dollars (1984 U.S. $9.1; 1983 U.S. $9.7) | 1987 | **9.1** | 5.6% | 9.6 | 5.6% |
| | | **2,345.6** | | 2,271.4 | |
| Less: Due Within One Year | | **69.2** | | 53.4 | |
| | | **2,276.4** | | 2,218.0 | |

(1) Amounts outstanding are stated in millions of Canadian dollars; amounts denominated in other than Canadian dollars are stated in millions.
(2) Weighted average interest rate as at December 31.
(3) Floating rates approximating Canadian chartered bank prime rates.

### First Mortgage Pipe Line Bonds

The Deed of Trust and Mortgage securing the Company's first mortgage pipe line bonds provides for a first charge upon all real and immovable property and rights of the Company and upon substantially all of the Company's gas transportation, gas purchase, gas sales and gas product sales contracts. It also provides for a first floating charge on all remaining assets. All series of bonds with the exception of the Sterling series are subject to mandatory sinking fund provisions which require the Company to retire stated amounts for each series during prescribed periods prior to maturity.

### Debentures Series

The Series A to H debentures are subject to mandatory sinking fund provisions. The terms of the Series A to G sinking fund debentures provide for annual purchase funds which require the Company to purchase debentures in the market, if available, at prices, including costs of purchase, that do not exceed the principal amount plus accrued interest to the date of purchase. The Series I debentures which rank equally with the sinking fund debentures are due in 1993 and amounted to $100.0 million at December 31, 1984 and 1983.

### Notes, Term Loans and Term Promissory Notes

*The notes payable, the Canadian dollar term loans and the term promissory notes rank equally with the debentures and prior to the subordinated debentures.*

*In December 1984, TCPL Resources Ltd. ("Resources"), a subsidiary of the Company, issued $75 million of notes which had attached thereto warrants exercisable into $75 million of additional notes. The initial notes bear interest at 12⅝% and have a term of five years. The warrants entitle the warrant holder to subscribe on or before December 6, 1989 for the additional notes bearing the same interest rate and having a term ending in 1994. The initial notes and the additional notes are guaranteed by the Company.*

*The Canadian dollar series term loans include loans of Resources amounting to $60.4 million to finance the investment in the Empress gas extraction plant. These loans bear interest at rates approximating the Canadian chartered bank prime rate with bankers acceptance and LIBOR options and are guaranteed by the Company. Also included in the Canadian dollar term loans are loans bearing interest at floating rates approximating Canadian chartered bank prime rates of 11.25% and 11.0% at December 31, 1984 and 1983 respectively.*

*The Swiss franc and Dutch guilder term loans are debt of a subsidiary and are secured by the Company's interest in the Northern Border partnership.*

*In addition to purchase fund requirements, mandatory retirements of all long-term debt of the Company and its subsidiaries set out herein as a result of maturities and sinking fund obligations approximate $69.2 million for 1985, $270.3 million for 1986, $197.9 million for 1987, $247.6 million for 1988 and $331.9 million for 1989.*

### 10. Preferred Shares

*The authorized number of cumulative redeemable first preferred shares issuable in series is unlimited. Details of the Company's preferred shares, all of which are without par value, are:*

| | Authorized and Outstanding as at December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **1984** | | 1983 | | 1982 | |
| | **Shares** | **Amount*** | Shares | Amount* | Shares | Amount* |
| First Preferred Shares | | | | | | |
| Cumulative redeemable | | | | | | |
| — $2.80 (1) | **618,251** | **30.9** | 639,376 | 32.0 | 660,346 | 33.0 |
| Cumulative redeemable retractable | | | | | | |
| — $4.50 Series B (2) | **940,840** | **47.0** | 941,640 | 47.1 | 944,840 | 47.2 |
| — Series D | **2,200,000** | **110.0** | 2,200,000 | 110.0 | 2,200,000 | 110.0 |
| — Series E | **1,500,000** | **75.0** | 1,500,000 | 75.0 | 1,500,000 | 75.0 |
| — Series F | **1,600,000** | **80.0** | 1,600,000 | 80.0 | 1,600,000 | 80.0 |
| Cumulative redeemable convertible | | | | | | |
| — Series G (3) | **1,000,000** | **100.0** | — | — | — | — |
| | | **442.9** | | 344.1 | | 345.2 |

*Stated in millions of dollars.

(1) During 1982, 1983 and 1984 26,800, 20,970 and 21,125 shares respectively were purchased by the Company for cancellation.

(2) During 1982, 1983 and 1984 20,060, 3,200 and 800 shares respectively were purchased by the Company for cancellation.

(3) Issued for $100 each during 1984.

### Purchase Funds

*The Company is required to set aside on its books purchase fund accounts for the $2.80 first preferred shares, the $4.50 Series B preferred shares and the Series F preferred shares. Purchase fund accounts for the Series D and Series E preferred shares will commence in 1986 and 1990, respectively. The various purchase funds are applied, subject to certain conditions, to purchase preferred shares for cancellation to the extent that such shares are available at a price not exceeding $50.00 per share plus costs of purchase. The Company will be required to set aside on its books in the purchase fund accounts up to a maximum of $4.4 million, $7.6 million, $7.4 million, $7.2 million and $7.0 million in each of the years 1985 to 1989, respectively.*

*Redemptions and Retractions*

*The Company has the option, subject to certain conditions, to redeem the preferred shares at the following premiums over $50.00 plus accrued and unpaid dividends:*

| | |
|---|---|
| *a) $2.80 first preferred shares* | *— a premium of $0.50 per share* |
| *b) retractable first preferred shares* | *— at various premiums of up to $5.16 reducing in progressive steps to nil over periods to 1989* |

*The retractable first preferred shares have a retraction feature which requires the Company, subject to certain conditions, to invite tenders for the purchase of all such shares on the specified dates set out in the table below at the stated value plus accrued and unpaid dividends. With the exception of the $4.50 Series B preferred shares, the Company may increase the dividend rate on such shares effective on each retraction date.*

*Preferred Share Dividend Rates and Retraction Dates*

*The current dividend rate of the retractable first preferred shares and the retraction dates are:*

| Series | Current Dividend Rate | Retraction Dates |
|---|---|---|
| $4.50 Series B | $4.50 | January 21, 1985 to April 22, 1985 |
| Series D | $5.00 | November 1, 1985 |
| Series E | $5.16 | November 1, 1989 |
| Series F | $7.18 | May 1, 1988 |

*On May 31, 1984 the Company completed the private placement of $100 million of Cumulative Redeemable Convertible First Preferred Shares Series G. Dividends are payable at a fixed rate of $9.00 per share per annum for the first five years following issue and thereafter the rate fluctuates based on a formula measured against the prime rate of a Canadian chartered bank. These preferred shares may at any time after May 31, 1989, subject to certain provisions, be redeemed in whole or in part by the Company on payment of $100 per share. Holders of the preferred shares have the right at any time after May 31, 1990, subject to certain limitations, to convert any or all of the Series G shares into common shares on the basis of four common shares for each preferred share, which conversion basis may be adjusted in specified circumstances.*

*Details of the Company's dividend reinvestment and share purchase plan available to the preferred shareholders are described in Note 11.*

## *11. Common Shares*

*The Company is authorized to issue an unlimited number of common shares of no par value. Details of the Company's common shares are:*

| | Number of Shares | Amount |
|---|---|---|
| | | (millions of dollars) |
| Outstanding — January 1, 1982 | 88,699,806 | 98.5 |
| Issued for cash | | |
| — Under employee stock purchase plans | 635,500 | 7.2 |
| Conversion of preferred shares | 244,396 | 1.8 |
| Outstanding — December 31, 1982 | 89,579,702 | 107.5 |
| Issued for cash | | |
| — Under the dividend reinvestment and share purchase plan | 626, 876 | 8.2 |
| — Under the stock dividend and share purchase plan | 61,022 | .8 |
| — Under employee stock purchase plans | 652,200 | 8.1 |
| Outstanding — December 31, 1983 | 90,919,800 | 124.6 |
| Issued for cash | | |
| — Under the dividend reinvestment and share purchase plan | 3,766,357 | 58.0 |
| — Under the stock dividend and share purchase plan | 72,922 | 1.1 |
| — Under employee stock purchase plans | 473,250 | 7.6 |
| Outstanding — December 31, 1984 | **95,232,329** | **191.3** |

*All common share numbers reflect the division of the Company's common shares on a 2-for-1 basis effective February 17, 1984.*

### *Net Income per Common Share*

*Net income per common share is calculated using the weighted average number of common shares outstanding during the respective fiscal year after provision for dividends on preferred shares. The calculation of net income per common share on a fully diluted basis assumes conversion of all securities and exercise of all rights if such action would result in dilution of earnings per share. In 1984, 1983 and 1982, the effect of potential dilution was immaterial.*

### *Employee Stock Purchase Plans*

*At December 31, 1984, 821,450 common shares were reserved for issuance under the Key Employee Stock Incentive Plan.*

*Details of options outstanding under the Company's Incentive Stock Option Plan for the three most recent years are set out below:*

| | Options Outstanding at Beginning of Year | Options Exercised During the Year | | Options Outstanding at End of Year | |
|---|---|---|---|---|---|
| | Shares | Shares | Price | Shares | Price |
| 1984 | 19,100 | 19,100 | $6.19 - $7.03 | — | — |
| 1983 | 35,200 | 16,100 | $6.19 - $7.03 | 19,100 | $6.19 - $7.03 |
| 1982 | 45,200 | 10,000 | $6.19 - $7.03 | 35,200 | $6.19 - $7.03 |

### *Interest Free Loans*

*Under the provisions of the Company's Key Employee Stock Incentive Plan, the Company provides interest free loans to a trustee, which purchases common shares of the Company. The trustee then sells such shares to certain key employees, some of whom are also directors, for a purchase price which is payable, without interest, over a period not exceeding ten years. The purchase price, when paid, is used by the trustee to repay the loans. The outstanding balance of these loans totalled $31 million and $25 million at December 31, 1984 and 1983 respectively.*

### *Dividend Reinvestment, Stock Dividend and Share Purchase Plans*

*The Company's Dividend Reinvestment and Share Purchase Plan provides an opportunity for holders of the Company's common and preferred shares to purchase additional common shares to be issued from treasury with reinvested cash dividends at 95% of a specified average market price. Under the Company's Stock Dividend and Share Purchase Plan, common shareholders may elect to receive stock dividends in common shares in lieu of cash dividends. New common shares received as stock dividends will be issued at 95% of a specified average market price. Participants in both plans may also make cash payments of up to $3,000 per quarter for the purchase of additional common shares of the Company at 100% of a specified average market price.*

*Under the terms of the plans, shareholders resident in the United States are eligible to elect to receive stock dividends but are not eligible to reinvest dividends or make optional cash payments.*

## ***12. Restriction on Dividends***

*Declaration of dividends on both preferred and common shares is restricted under certain preferred share provisions and under several debt instruments. At December 31, 1984, under the most restrictive provisions, approximately $48 million was available for the payment of dividends on common shares.*

## ***13. Changes in Operating Working Capital***

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| Accounts receivable | **(8.5)** | 47.3 | (154.8) |
| Inventories | **(19.6)** | (4.3) | (29.5) |
| Prepayments and deposits | **1.4** | (1.4) | (.6) |
| Accounts payable | **32.5** | (139.9) | 164.7 |
| Interest accrued | **(.6)** | 22.7 | 39.9 |
| | **5.2** | (75.6) | 19.7 |

### *14. Pension Plan*

*The Company has a non-contributory pension plan which covers all employees who have completed one year of service. This plan provides a defined benefit pension based on length of service and total earnings.*

*Pension costs are actuarially computed using the attained age normal method in which the Company's annual contributions consist of the current service cost plus an instalment toward any unfunded past service liability in respect of accrued benefits. The current service cost is the value of benefits accruing during the year. Pension expense for 1984, 1983 and 1982 was $5.6 million, $4.9 million and $3.0 million respectively. As at December 31, 1984, there was no unfunded liability under the pension plan.*

### *15. Pending Proceedings*

*Under a contract dated November 1, 1969, between Saskatchewan Power Corporation ("Sask Power") and the Company, Sask Power was granted an option to purchase certain quantities of gas at a stipulated price (the "contract price") during a seven-year period commencing in 1974.*

*By amendments to the Natural Gas Prices Regulations made under the Energy Administration Act (the "EAA") (formerly the Petroleum Administration Act), prices were prescribed for the sale of natural gas in all of the Company's sales zones in Canada during the period in question, including the sales zone relevant to the sale to Sask Power above described, and such rates were higher than the contract price.*

*On November 29, 1979, Sask Power commenced an action against the Company in the Saskatchewan Court of Queen's Bench to recover monies alleged to be owed to it by the Company as a result of overpayments made under protest for gas sold under such contract.*

*The overpayments claimed to October 1980 amounted to $59.2 million plus accrued interest.*

*The Company has filed a defence to such action relying on the provisions of the EAA. The trial of this action was completed in January 1985 and a decision is pending. Counsel to the Company is of the opinion that the Company has a good defence which should prevail in the action.*

### *16. Related Party Transactions*

*In December 1983 Bell Canada Enterprises Inc. became a significant shareholder of the Company. During the period 1978 to 1983, Dome, directly and through its affiliate Dome Canada Limited, was a significant shareholder of the Company. These interests were sold by Dome and Dome Canada Limited during 1983.*

*The Company, with respect to its utility operations, sells gas to and/or incurs charges for gas transmission services for its affiliates Great Lakes and TQM and has contracts for the purchase of gas and the extraction of gas by-products from Dome. Reference is made to Note 3 regarding certain amendments to the Company's gas sales contracts with Great Lakes.*

*The utility operations of the Company come under the scrutiny of various regulatory authorities which establish, among other things, the terms and conditions with respect to the purchase, transportation and sale of gas under which the Company deals with outside parties, Great Lakes, TQM and Dome.*

*Dome also renders management services in connection with production of oil and gas and capital expenditures, the consideration for which is not material. Certain other transactions with Dome are described in Note 5.*

*Reference should also be made to Note 11 regarding certain loan transactions between the Company and certain of its employees for the purchase of common shares of the Company.*

### 17. Segmented and Other Information

*With the exception of the direct ownership of the natural gas transmission system extending from Alberta to Quebec, the Company's major investments are held principally through joint venture operations which are accounted for by the equity method. For information regarding these investments and their geographic location, reference is made to Notes 4 and 5.*

*The following table sets forth the Company's revenue, in millions of dollars, generated from natural gas sales to its six major customers under long-term contracts:*

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| The Consumers' Gas Company Ltd. | **1,244.7** | 971.4 | 861.3 |
| Union Gas Limited | **958.3** | 833.2 | 754.6 |
| Gaz Metropolitain, inc. | **463.9** | 384.8 | 273.0 |
| Northern and Central Gas Corporation Ltd. | **421.1** | 371.4 | 310.4 |
| Midwestern Gas Transmission Company | **295.7** | 206.8 | 335.6 |
| Great Lakes Gas Transmission Company | **243.0** | 244.6 | 519.1 |

### 18. Income Taxes

*Total income tax expense differs from the amount computed by applying the basic Canadian federal income tax rate to income before income taxes. The reasons for these differences are as follows:*

| | Year Ended December 31, | | |
|---|---|---|---|
| | **1984** | 1983 | 1982 |
| | | (millions of dollars) | |
| Income before income taxes | **357.7** | 313.6 | 265.4 |
| Less: Canadian utility income not subject to tax currently (1) | **(64.6)** | (70.6) | (47.2) |
| Equity in undistributed after tax net income of joint ventures | | | |
| — operations | **(41.3)** | (25.6) | (31.1) |
| — allowance for funds used during construction (AFUDC) (2) | **—** | — | (21.8) |
| | **251.8** | 217.4 | 165.3 |
| Federal statutory tax rate | **46.0%** | 46.9% | 47.8% |
| Expected income tax expense | **115.8** | 102.0 | 79.0 |
| Investment tax credits | **(4.6)** | (5.0) | — |
| Non-deductible royalties and payments to governments net of allowances | **12.2** | 9.4 | 5.0 |
| Non-deductible depreciation, depletion and amortization | **7.5** | 4.1 | 5.2 |
| Net difference between the federal statutory tax rate and rates of provincial, state and foreign authorities | **(35.4)** | (19.2) | (17.0) |
| Other | **(3.7)** | (5.8) | (5.7) |
| Actual income tax expense | **91.8** | 85.5 | 66.5 |

(1) Effective August 1, 1982 for Canadian utility operations, the method of accounting for income taxes follows the taxes payable method as prescribed by the National Energy Board. This results in certain income tax expense for the Canadian utility neither being recorded nor recovered currently under tax allocation accounting rules. These income taxes will be recorded as expense when they are payable as they are recovered in future tolls.

(2) Represents the Company's share of Northern Border's equity AFUDC computed on an after tax basis. On January 1, 1983 Northern Border's full cost of service tariff went into effect. The Company has recorded its proportionate share of Northern Border partnership income since that date on a pre tax basis.

### 19. Changes in Accounting Policies

*(a) Effective August 1, 1982 the Company adopted the taxes payable method of recording income taxes applicable to its current Canadian utility operations for ratemaking and accounting purposes as prescribed by the NEB. As this change has been prescribed by the NEB, it has not been applied retroactively and it has no effect on the Company's consolidated net income.*

*(b) The Company changed its accounting policy with respect to foreign currency translation prospectively from January 1, 1983, to conform with new recommendations of the Canadian Institute of Chartered Accountants. This change affects the method of translating financial statements of foreign operations and of recognizing unrealized foreign exchange gains and losses related thereto. Previously, the Company followed the temporal method to translate all of its foreign operations. The impact of the change on net income for the year ended December 31, 1983 was not material.*

### Supplementary Data: Oil and Gas Producing Activities (Unaudited)

*The following financial information presents additional disclosure related to oil and gas producing activities. The Company's interest in synthetic oil projects are not reflected in this information.*

*Capitalized costs:*

| | December 31, | |
|---|---|---|
| | **1984** | 1983 |
| | (millions of Canadian dollars) | |
| Oil and gas properties | | |
| Proved | **1,351.2** | 1,080.5 |
| Unproven | **310.3** | 292.0 |
| | **1,661.5** | 1,372.5 |
| Less accumulated depletion and depreciation | **(167.5)** | (93.4) |
| Net capitalized costs | **1,494.0** | 1,279.1 |

*Costs incurred:*

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | Acquisition Proved | Acquisition Unproven | Exploration | Development | Total |
| | (millions of Canadian dollars) | | | | |
| **1984** | | | | | |
| Canada | **—** | **—** | **27.6** | **32.9** | **60.5** |
| United States | **146.8** | **10.3** | **22.1** | **18.0** | **197.2** |
| Indonesia | **—** | **—** | **5.5** | **17.5** | **23.0** |
| Other Foreign | **—** | **—** | **8.0** | **.3** | **8.3** |
| Total | **146.8** | **10.3** | **63.2** | **68.7** | **289.0** |
| **1983** | | | | | |
| Canada | — | — | 31.3 | 26.7 | 58.0 |
| United States | 2.2 | — | 10.0 | 5.8 | 18.0 |
| Indonesia | — | — | 7.3 | 5.6 | 12.9 |
| Other Foreign | — | — | 1.5 | 1.4 | 2.9 |
| Total | 2.2 | — | 50.1 | 39.5 | 91.8 |
| **1982** | | | | | |
| Canada | 334.3 | 88.5 | 26.7 | 20.0 | 469.5 |
| United States | 15.2 | 3.2 | 9.3 | 6.7 | 34.4 |
| Indonesia | 22.7 | 27.8 | 2.0 | 1.6 | 54.1 |
| Other Foreign | — | 5.0 | 1.7 | — | 6.7 |
| Total | 372.2 | 124.5 | 39.7 | 28.3 | 564.7 |

*Oil and gas reserves data:*

*The Company's proved developed and undeveloped oil and gas reserves data for the year 1984, 1983 and 1982 were determined by the Company, Dome and others.*

*Oil (including natural gas liquids) is measured in thousands of barrels. Gas is measured in billions of cubic feet.*

| | Canada | | United States | | Indonesia and Other Foreign | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Oil | Gas | Oil | Gas | Oil | Gas | Oil | Gas |
| Proved developed and undeveloped reserves: | | | | | | | | |
| January 1, 1982 | 35,790 | 472.3 | 436 | 7.3 | — | — | 36,226 | 479.6 |
| Revisions of previous estimates | 914 | (16.3) | (229) | (5.0) | — | — | 685 | (21.3) |
| Improved recovery | 64 | — | — | — | 325 | — | 389 | — |
| Purchases of minerals in place | 34,735 | 451.9 | 417 | 2.3 | 1,032 | — | 36,184 | 454.2 |
| Extensions and discoveries | 2,197 | 23.6 | 137 | .9 | 346 | — | 2,680 | 24.5 |
| Production | (4,260) | (23.6) | (74) | (.4) | (258) | — | (4,592) | (24.0) |
| Sales of minerals in place | (394) | — | — | — | — | — | (394) | — |
| December 31, 1982 | 69,046 | 907.9 | 687 | 5.1 | 1,445 | — | 71,178 | 913.0 |
| Revisions of previous estimates | (4,771) | (13.4) | (281) | (1.5) | — | — | (5,052) | (14.9) |
| Improved recovery | — | — | — | — | — | — | — | — |
| Purchases of minerals in place | — | — | 31 | 1.8 | — | — | 31 | 1.8 |
| Extensions and discoveries | 2,467 | 17.5 | 901 | .8 | 3,852 | — | 7,220 | 18.3 |
| Production | (4,006) | (22.2) | (106) | (.5) | (441) | — | (4,553) | (22.7) |
| Sales of minerals in place | (36) | — | — | — | — | — | (36) | — |
| December 31, 1983 | 62,700 | 889.8 | 1,232 | 5.7 | 4,856 | — | 68,788 | 895.5 |
| Revisions of previous estimates | 6,263 | 21.2 | (609) | (2.4) | 13 | — | 5,667 | 18.8 |
| Improved recovery | — | — | — | — | — | — | — | — |
| Purchases of minerals in place | — | — | 2,104 | 70.5 | — | — | 2,104 | 70.5 |
| Extensions and discoveries | 2,714 | 23.0 | 1,127 | 14.8 | 1,155 | — | 4,996 | 37.8 |
| Production | (4,698) | (28.1) | (317) | (2.0) | (729) | — | (5,744) | (30.1) |
| Sales of minerals in place | (18) | (9.3) | — | — | — | — | (18) | (9.3) |
| December 31, 1984 | **66,961** | **896.6** | **3,537** | **86.6** | **5,295** | **—** | **75,793** | **983.2** |
| Proved developed reserves: | | | | | | | | |
| January 1, 1982 | 27,455 | 287.6 | 130 | 2.4 | — | — | 27,585 | 290.0 |
| December 31, 1982 | 53,102 | 581.3 | 521 | 3.4 | 1,445 | — | 55,068 | 584.7 |
| December 31, 1983 | 50,535 | 595.3 | 898 | 5.5 | 1,468 | — | 52,901 | 600.8 |
| December 31, 1984 | **56,528** | **641.7** | **2,868** | **74.2** | **3,615** | **—** | **63,011** | **715.9** |

*There have not been any major discoveries or other events since December 31, 1984 that would cause a significant change from the proved reserves reported.*

*Proved reserves in Canada are determined by the deduction of freehold and overriding royalties but before the deduction of provincial royalties. Proved reserves in the United States are net of all royalties. Proved reserves in Indonesia and other foreign jurisdictions are attributable to the Company's gross working interest before host government takes.*

## ***Supplementary Information: Quarterly Consolidated Financial Data (Unaudited)***

*(a) The following sets forth selected quarterly financial data for the four quarters of 1984 and 1983 in millions of Canadian dollars except for per share amounts:*

| | *Three Months Ended* | | | |
|---|---|---|---|---|
| | *Mar. 31* | *June 30* | *Sept. 30* | *Dec. 31* |
| ***1984*** | | | | |
| *Revenues* | ***$1,216.0*** | ***$ 999.6*** | ***$ 924.3*** | ***$1,091.6*** |
| *Income from operations* | ***125.7*** | ***120.6*** | ***129.2*** | ***128.6*** |
| *Income before pipeline investment provision* | ***59.3*** | ***60.8*** | ***72.1*** | ***73.7*** |
| *Net income for the period* | ***59.3*** | ***60.8*** | ***72.1*** | ***60.3*** |
| *Net income per common share* | | | | |
| *— before pipeline investment provision* | ***$0.55*** | ***$0.55*** | ***$0.65*** | ***$0.66*** |
| *— after pipeline investment provision* | ***$0.55*** | ***$0.55*** | ***$0.65*** | ***$0.52*** |
| ***1983*** | | | | |
| *Revenues* | *$ 923.5* | *$ 715.8* | *$ 775.2* | *$1,056.2* |
| *Income from operations* | *105.0* | *111.5* | *127.5* | *122.6* |
| *Net income for the period* | *55.5* | *47.7* | *57.4* | *67.5* |
| *Net income per common share* | *$0.52* | *$0.43* | *$0.54* | *$0.64* |

*(b) Price Range of Common Shares*

*The Company's common shares are listed on the Vancouver, Alberta, Winnipeg, Toronto and Montreal stock exchanges. The Toronto and Montreal stock exchanges are the principal markets in which the Company's common shares are traded. There is no established public trading market in the United States for the Company's common shares although the Company believes that, from time to time, there is insignificant trading of such shares in the over-the-counter market. The following table sets forth the quarterly high and low sales prices of the Company's common shares in Canadian dollars, as reported by the Montreal Exchange and Toronto Stock Exchange respectively:*

| | *Montreal Exchange* | | *Toronto Stock Exchange* | |
|---|---|---|---|---|
| | *High* | *Low* | *High* | *Low* |
| ***1984*** | | | | |
| *First Quarter* | ***$17.00*** | ***$15.25*** | ***$17.00*** | ***$15.25*** |
| *Second Quarter* | ***17.38*** | ***14.63*** | ***17.38*** | ***14.63*** |
| *Third Quarter* | ***18.75*** | ***15.88*** | ***18.88*** | ***15.88*** |
| *Fourth Quarter* | ***21.75*** | ***17.38*** | ***21.88*** | ***17.25*** |
| ***1983*** | | | | |
| *First Quarter* | *$13.88* | *$12.13* | *$13.94* | *$12.06* |
| *Second Quarter* | *15.13* | *12.31* | *15.13* | *12.25* |
| *Third Quarter* | *14.38* | *12.88* | *14.44* | *12.88* |
| *Fourth Quarter* | *15.81* | *13.56* | *15.81* | *13.56* |

*All per share data reflects the division of the Company's common shares on a 2-for-1 basis effective February 17, 1984.*

## ***Investment Information for Foreign Investors***

*In Canada, there are no restrictions on the export or import of capital that would affect the Company's remittance of dividends, interest or other payments to its non-resident security holders.*

*Under the terms of the Company's Dividend Reinvestment and Share Purchase Plan and Stock Dividend and Share Purchase Plan, shareholders resident in the United States, its territories or possessions are eligible to elect to receive stock dividends but are not eligible to reinvest dividends or make optional cash payments.*

*Cash dividends paid by the Company to United States shareholders and shareholders in other countries where Canadian tax treaties apply are generally subject to a 15% Canadian non-resident withholding tax. Stock dividends paid to non-residents are generally not subject to withholding tax. Interest payable on the Company's debt securities held by non-residents may be subject to Canadian withholding tax depending upon the terms and provisions of such securities.*

## *Five-Year Financial and Operating Highlights*

### *Financial*

| *(millions of dollars except where indicated)* | **1984** | 1983 | 1982 | 1981 | 1980 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Gas sales — domestic | **$3,364.5** | $2,790.9 | $2,382.7 | $2,082.2 | $1,819.1 |
| — export | **727.1** | 568.4 | 981.1 | 1,261.5 | 1,268.0 |
| Gas transportation and other | **139.9** | 111.4 | 103.1 | 61.2 | 36.0 |
| | **$4,231.5** | $3,470.7 | $3,466.9 | $3,404.9 | $3,123.1 |
| **Income from Investments** | | | | | |
| Pipelines | **$ 98.7** | $ 84.6 | $ 52.9 | $ 28.4 | $ 9.9 |
| Natural resources | **41.6** | 21.7 | 30.1 | 20.8 | 6.1 |
| Other | **45.2** | 17.1 | 11.5 | — | — |
| | **$ 185.5** | $ 123.4 | $ 94.5 | $ 49.2 | $ 16.0 |
| **Net Income for the Year** | **$ 252.5** | $ 228.1 | $ 198.9 | $ 154.1 | $ 102.4 |
| **Net Income Applicable to Common Shares** | **$ 211.0** | $ 191.8 | $ 161.1 | $ 125.6 | $ 93.4 |
| **Net Income per Average Common Share** | | | | | |
| — before provision | **$ 2.41** | $ 2.13 | $ 1.81 | $ 1.43 | $ 1.09 |
| — after provision | **$ 2.27** | $ 2.13 | $ 1.81 | $ 1.43 | $ 1.09 |
| **Dividends Declared per Common Share** | **$ 1.00** | $ .75 | $ .595 | $ .58 | $ .58 |
| **Funds Generated by Operations and Equity Investments** | **$ 453.8** | $ 394.3 | $ 326.3 | $ 303.1 | $ 253.6 |
| — Per average common share | **$ 4.88** | $ 4.39 | $ 3.66 | $ 3.44 | $ 2.97 |
| **Assets** | | | | | |
| Plant, property and equipment | | | | | |
| — gross | **$3,385.4** | $3,335.9 | $3,266.8 | $2,465.1 | $1,929.2 |
| — net | **$2,584.1** | $2,628.3 | $2,650.8 | $1,920.3 | $1,438.9 |
| Investments — pipelines | **$ 450.6** | $ 441.5 | $ 394.9 | $ 344.4 | $ 76.7 |
| — natural resources | **$1,177.8** | $ 894.6 | $ 740.6 | $ 687.6 | $ 538.4 |
| Total assets | **$5,799.2** | $4,972.1 | $4,676.2 | $4,536.0 | $3,380.7 |
| **Capitalization** | | | | | |
| Long-term debt | **$2,276.4** | $2,218.0 | $2,152.9 | $2,458.8 | $1,706.8 |
| Shareholders' equity | | | | | |
| — total | **$1,747.1** | $1,425.0 | $1,262.7 | $1,164.1 | $ 966.8 |
| — common | **$1,304.2** | $1,080.9 | $ 917.5 | $ 799.6 | $ 718.1 |
| — per common share at year end | **$ 13.69** | $ 11.89 | $ 10.24 | $ 9.01 | $ 8.17 |
| **Capital Expenditures** | | | | | |
| Plant, property and equipment | **$ 57.6** | $ 75.8 | $ 772.5 | $ 533.5 | $ 127.4 |
| Investments — pipelines | **1.2** | 13.4 | 26.9 | 239.2 | 16.3 |
| — natural resources | **235.1** | 129.6 | 22.9 | 128.4 | 206.5 |
| Payments on future gas supply | **12.1** | 84.5 | 10.7 | 181.2 | 465.8 |
| | **$ 306.0** | $ 303.3 | $ 833.0 | $1,082.3 | $ 816.0 |
| **Common Shares Outstanding** (millions) | | | | | |
| Year end | **95.2** | 90.9 | 89.6 | 88.7 | 87.9 |
| Average | **93.0** | 89.9 | 89.1 | 88.1 | 85.5 |
| **Number of Common Shareholders** | | | | | |
| December 31 | **21,652** | 22,415 | 22,378 | 23,907 | 26,187 |
| **Number of Employees** | | | | | |
| December 31 | **1,938** | 1,953 | 1,798 | 1,671 | 1,574 |

*Note: The above **Five-Year Financial Highlights** reflects a restatement of common shares outstanding and per share data resulting from the two-for-one share split effective February 17, 1984. In addition, a Pipeline Investment Provision, as described in Note 4 to the Consolidated Financial Statements on page 61, is included in 1984 Net Income for the Year.*

## *Operating*

| | **1984** | *1983* | *1982* | *1981* | *1980* |
|---|---|---|---|---|---|
| ***Pipeline Operations*** | | | | | |
| *Gas delivered for sales and transportation (millions of cubic metres)* | | | | | |
| *— annual* | ***32 922*** | *28 576* | *32 497* | *33 448* | *31 798* |
| *— maximum day* | ***131*** | *121* | *125* | *117* | *113* |
| *Kilometres of pipeline — including loopline* | ***10 632*** | *10 626* | *10 631* | *9 783* | *9 429* |
| *Compressor power — kilowatts* | ***1 020 500*** | *1 020 500* | *1 020 500* | *912 900* | *795 100* |

| | | | | | |
|---|---|---|---|---|---|
| ***Natural Resources*** | | | | | |
| *Liquid sales volumes (barrels per day)* | | | | | |
| *Crude oil* | | | | | |
| *— Canada — conventional* | ***11,043*** | *9,655* | *9,431* | *3,693* | *761* |
| *— synthetic* | ***541*** | *691* | *496* | — | — |
| *— United States* | ***817*** | *190* | *141* | — | — |
| *— Indonesia* | ***1,991*** | *1,208* | *707* | — | — |
| *Natural gas liquids* | | | | | |
| *— Canada* | ***2,364*** | *1,773* | *2,241* | *236* | *49* |
| *— United States* | ***50*** | *110* | *60* | — | — |
| | ***16,806*** | *13,627* | *13,076* | *3,929* | *810* |
| *Natural gas sales volumes (millions of cubic feet per day)* | | | | | |
| *— Canada* | ***80.0*** | *63.4* | *64.7* | *27.1* | *16.2* |
| *— United States* | ***5.3*** | *1.5* | *1.4* | — | — |
| | ***85.3*** | *64.9* | *66.1* | *27.1* | *16.2* |

*Note: In the above* ***Five-Year Operating Highlights,*** *sales volumes for Canada are gross and include all volumes attributable to the Company's working interests before the deduction of royalties. Sales volumes for the United States are net of royalties. Sales volumes for Indonesia are attributable to the Company's gross working interests before government takes.*

*Daily sales volume is calculated by dividing total sales for the respective year by the number of days in that year.*

*Shareholders and others desiring additional information on TransCanada PipeLines may request a copy of the booklet "Operating and Statistical Information — 1984" from Mr. Mitchell T. G. Graye, Vice-President, Finance and Treasurer, TransCanada PipeLines, P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.*

## Directors

*James M. Cameron*
Executive Vice-President, Corporate
TransCanada PipeLines Limited, Toronto

*John H. C. Clarry, Q.C.*
Partner, McCarthy & McCarthy, Toronto

*A. Jean de Grandpré, O.C., Q.C.*
Chairman, and Chief Executive Officer
Bell Canada Enterprises Inc., Montreal

*John P. Gallagher*
Chairman, Galtannia Investments Ltd., Calgary

*Russell E. Harrison*
Director
Canadian Imperial Bank of Commerce, Toronto

*Robert H. Jones*
Chairman and Chief Executive Officer
The Investors Group, Winnipeg

*Robert H. Knight*
Partner, Shearman & Sterling, New York, N.Y.

*Radcliffe R. Latimer*
President and Chief Executive Officer
TransCanada PipeLines Limited, Toronto

*Gerald J. Maier*
President and Chief Executive Officer
Bow Valley Industries Ltd., Calgary

*Gordon P. Osler*
Chairman, TransCanada PipeLines Limited, Toronto; Chairman, Stanton Pipes Limited, Toronto; Chairman, Slater Steels Corporation, Hamilton

*Herbert C. Pinder*
President, Saskatoon Trading Company Limited, Saskatoon

*Smiley Raborn, Jr.*
Petroleum Consultant, Calgary

*Robert J. Richardson*
President, Bell Canada Enterprises Inc. Montreal

*Frank A. Schultz*
Independent Oil Operator, Dallas

*Allan R. Taylor*
President and Chief Operating Officer
The Royal Bank of Canada, Toronto

*George W. Woods*
Vice-Chairman, TransCanada PipeLines Limited, Toronto

## Principal Officers

### *Officers*

*Gordon P. Osler*
Chairman

*Radcliffe R. Latimer*
President and Chief Executive Officer

*George W. Woods*
Vice-Chairman

*James M. Cameron*
Executive Vice-President, Corporate

### *Alberta Division*

*C. Kennedy Orr*
Senior Vice-President, Alberta Division

*Craig R. Frew*
Vice-President, Operations

*Barry G. Luft*
Vice-President, Gas Supply

### *Corporate Division*

*John K. Archambault*
Senior Vice-President, Corporate

*James W. S. McOuat, Q.C.*
Vice-President, Law

### *Finance Division*

*H. Neil Nichols*
Senior Vice-President and Chief Financial Officer

*Mitchell T. G. Graye*
Vice-President, Finance and Treasurer

*Derek E. Henwood*
Vice-President

*Brian F. Hill*
Vice-President, Business Development

*Raymond F. Sim*
Vice-President, Corporate Taxation, Corporate Secretary

*Kenneth G. Whiteside*
Vice-President, Corporate Planning and Control

*Susan A. Scott*
Corporate Controller

### *Oil and Gas Division*

*Gordon A. Leslie*
Vice-President

*Arthur A. Wilkins*
Vice-President

### *Pipeline Division*

*Richard D. Walker*
Senior Vice-President and Chief Operating Officer

*George M. Hugh*
Senior Vice-President, Marketing and Administration

*George C. Britton*
Vice-President, Project Development

*Gavin J. Couper*
Vice-President, Engineering and Operations

*Artel A. Douloff*
Vice-President, Marketing Development

*Robert J. C. Reid*
Vice-President, Sales and Rates

*Ray T. Smith*
Vice-President and Controller, Pipeline Division

## Corporate Information

### Executive Office

P.O. Box 54, Commerce Court West
Toronto, Ontario, M5L 1C2
Telephone (416) 869-2111

### Registered Office

530 Eighth Avenue S.W.
Calgary, Alberta, T2P 3V6
Telephone (403) 269-5611

### Subsidiary Offices

*TCPL Resources Ltd.*
Suite 3700, 250 - 6th Avenue S.W.
Bow Valley Square IV
Calgary, Alberta, T2P 3H7
Telephone (403) 267-2508

*TCPL Resources U.S.A. Ltd.*
Suite 1100, 216 16th Street
Denver, Colorado, 80202 U.S.A.
(303) 820-5188

*TCPL Resources U.S.A. Ltd.*
Wessely Energy Division
Suite 953, 2001 Bryan Tower
Dallas, Texas, 75201
(214) 742-2396

*Cancarb Limited*
P.O. Box 310
Medicine Hat, Alberta, T1A 7E4
Telephone (403) 527-1121

*TCPL Nederland B.V.*
Gebouw Hirsch
Leidseplein 29, 1017 PS
Amsterdam, The Netherlands
Telephone 011-31-20-26-08-11

*TCPL Investments AG*
Baarerstrasse 110/B
CH-6300, Zug, Switzerland
Telephone 011-42-31-22-01

## Principal Officers
**Wholly Owned Operating Subsidiaries**

### TCPL Resources Ltd.

*James M. Cameron*
Chairman and Chief Executive Officer

*Gordon A. Leslie*
President and Chief Operating Officer

*Arthur A. Wilkins*
Vice-President

*Sandro Silenzi*
Vice-President, Exploration

### TCPL Resources U.S.A. Ltd.

*David G. Hanson*
Vice-President

*Arthur J. Wessely*
President, Wessely Energy Division

*Bobby R. Ammer*
Executive Vice-President
Wessely Energy Division

### Cancarb Limited

*A. Russell Steele*
President and Chief Operating Officer

*Klaus E. Grodd*
Vice-President

### TCPL Nederland B.V.

### TCPL Investments AG

*Lionel H. Pilon*
Managing Director

### Subsidiaries (100% owned)

*TransCan Holdings Ltd.*
A holding company.

*TCPL Resources Ltd.*
A company carrying on the business of oil and gas exploration and production.

*Cancarb Limited*
A subsidiary of TransCan Holdings Ltd. which produces thermal carbon black.

*TransCanada PipeLines (Nova Scotia) Limited*
A Nova Scotia company that is co-owner of an office building under construction.

*TCPL Great Lakes Ltd.*
A holding company

*TCPL Resources U.S.A. Ltd.*
A Delaware company involved in oil and gas exploration.

*TransCanada PipeLine USA Ltd.*
A Nevada company holding shares of TransCanada PipeLine Alaska Ltd., TransCanada Border PipeLine Ltd., TCPL Resources U.S.A. Ltd., TransCanada PipeLine Niagara Ltd., TCPL Geothermal Ltd. and TCPL Ventures Ltd.

*TransCanada PipeLine Alaska Ltd.*
A Nevada company participating in the Alaska Natural Gas Transportation System.

*TransCanada Border PipeLine Ltd.*
A Nevada company owning an interest in the Northern Border Pipeline.

*TransCanada PipeLine Niagara Ltd.*
A Delaware company participating in the Niagara Interstate Pipeline System project.

*Cancarb Gas Marketing Corporation*
A Delaware company that operates as a gas broker.

*TCPL Geothermal Ltd.*
A Delaware company engaged in the exploration and development of geothermal resource properties.

*TCPL Nederland B.V.*
A Netherlands company carrying on financial operations.

*TCPL Investments AG*
A Swiss company carrying on financial, marketing and other international operations outside North America.

### Affiliates (50% owned)

*Great Lakes Gas Transmission Company*
A Delaware company owning and operating a pipeline through the United States from Emerson, Manitoba to Sault Ste. Marie and Sarnia, Ontario.

*Trans Québec & Maritimes Pipeline Inc.*
A company owning and operating pipeline facilities in Quebec.

*Sable Gas Systems Limited*
A company formed to carry out feasibility studies and initial planning for a natural gas pipeline to move anticipated natural gas supplies to markets from the offshore Sable Island area, through Nova Scotia and New Brunswick, to the United States border.

## Corporate Information

### Common Shares

*Transfer Agent and Registrar*
Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

### Preferred Shares

*Transfer Agents and Registrars*
$2.80 cumulative redeemable first preferred shares
The National Victoria and Grey Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver

Cumulative redeemable retractable first preferred shares

$4.50 series B (redeemed March 22, 1985), series D, series E, series F and series H (issued March 13, 1985)
The Royal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

*Stock Exchanges*
Preferred and Common Shares listed on Toronto, Montreal, Vancouver, Alberta and Winnipeg stock exchanges

### Bonds

*Trustee*
The National Victoria and Grey Trust Company, Toronto

*Registrar Canadian Series*
9¼% and 8⅞% first mortgage pipeline bonds, The National Victoria and Grey Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver

*Registrar U.S. Series*
5⅝%, 7⅛%, 16% and 16¾% first mortgage pipeline bonds, Morgan Guaranty Trust Company of New York

*Co-Registrars U.K. Series*
16½% first mortgage pipeline bonds, The National Victoria and Grey Trust Company and The Royal Bank of Scotland plc

### Debentures

*Trustee*
Central Trust Company, Toronto

*Registrar*
10% series A sinking fund, 9¾% series B sinking fund, 9% series C sinking fund, 8⅞% series D sinking fund, 9% series E sinking fund, 11½% series F sinking fund, 9.60% series G sinking fund, 18% series H sinking fund, and 11.70% series I, debentures
Central Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver

### Subordinated Debentures

*Trustee*
Montreal Trust Company, Toronto

*Registrar*
5.85% subordinated debentures, Canadian series
5.60% subordinated debentures, U.S. series
Montreal Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver, and Citibank, N.A., New York

### Form 10-K

The company's report to the Securities and Exchange Commission on Form 10-K is available at no charge by writing to:
The Corporate Secretary
TransCanada PipeLines
P.O. Box 54
Commerce Court West
Toronto, Ontario
M5L 1C2



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